BIOTEC PHARMACON

Q4 2018

Fourth quarter 2018

Highlights for the fourth quarter and full year 2018

- Group sales were up 10% to NOK 19.5 million in Q4 2018 (Q4 2017: NOK 17.7 million), due to record enzymes sales and solid animal health sales. Annual sales were NOK 66.8 million (2017: NOK 66.7 million).
- ArcticZymes had record high fourth quarter sales of NOK 10.6 million (Q4 2017: NOK 8.8 million).
- Woulgan® continues to generate recurring revenues with NOK 0.9 million for the quarter (Q4 2017: NOK 0.6 million), driven primarily by the German market. Annual sales up 26% to NOK 2.9 million (2017: NOK 2.3 million).
- EBITDA of NOK -1.6 million in Q4 (Q4 2017: NOK -7.2 million) as a result of stronger sales and cost control. EBITDA for the full year significantly improved to NOK -11.9 million (2017: NOK -22.9 million).
- Operating expenses for Q4 decreased to NOK 18.5 million (Q4 2017: NOK 19.9 million) and annually NOK 65.3 million (2017: NOK 73.8 million).
- Cash balance at 31 December 2018: NOK 31.7 million (FY 2017: NOK 30.6 million)
- ArcticZymes signed a new supply agreement for Cod UNG (13 December 2018) and a license agreement with Vectron Biosolutions (20 December 2018).
- New VP Wound Care appointed with aim of strengthening sales growth in the UK, Nordics and other European countries for 2019.

CEO Christian Jørgensen comments

"In Q4, we saw record sales of enzymes from the ArcticZymes division due to strong customer sales and launches of new products. In the BetaGlucans division, we experienced solid animal health sales and saw encouraging growth in Woulgan sales, driven by the German market.

"Stronger sales and careful cost control reduced the overall deficit in EBITDA by over 50%, giving us the best result so far as a company since 2005.

"Strategically, the priority for the business is twofold. ArcticZymes will continue launching new products as demanded by customers, and we aim to grow it both organically as well as looking for inorganic growth opportunities. The goal for Biotec BetaGlucans will be to further build the Woulgan franchise focusing on the growing German market and strengthening sales in the UK, Nordics and other European markets.

"We believe we are stronger as a business going into 2019 than in earlier years. We aim to continue driving business development efforts whilst managing the Company's resources carefully into 2019."

Key Figures

NOK 1.000	Q4 2018	Q4 2017	Change	YTD 2018	YTD 2017	Change
Sales	19 508	17 669	10%	66 769	66 686	0%
Total revenues	21 492	18 889	14%	72 817	72 758	0%
Operating expenses	-18 480	-19 923	7%	-65 333	-73 768	11%
EBITDA	-1 593	-7 218	78%	-11 892	-22 937	48%
EBIT	-2 189	-7 833	72%	-14 167	-24 915	43%
Cash & cash equivalents	31 667	30 593	4%	31 667	30 593	4%

Introduction

Biotec Pharmacon ASA, (hereinafter “Biotec” or “the Company”) is a Norwegian life sciences company focused on two technology platforms for specialised, novel enzymes and immunomodulating beta-glucan products.

The Company increased its revenues in the second half of the year compared to the first half as communicated. Stronger sales were seen in all parts of the business apart from Animal Health which was due to losing a major but low margin contract in the spring of 2018.

ArcticZymes generated organic growth in 2018 and launched four new products. In the quarter, it signed a new supply agreement for Cod UNG (13 December 2018) and a license agreement with Vectron Biosolutions (20 December 2018).

Biotec BetaGlucans saw stronger Woulgan® sales whilst improving resource efficiencies in the commercialisation of the product. More local partners have been lined up to fuel further growth and multi-country partner discussions are ongoing for other territories.

The Company succeeded in making a significant reduction in cash consumption. In addition, a number of existing and new shareholders supported the business by participating in the 10% capital increase in June 2018, raising NOK 22.1 million thus laying the foundation to continue the value building activities, such as ArcticZymes’ product development and next generation Woulgan® products.

Operational review

ArcticZymes

Commercial

Biotec’s subsidiary, ArcticZymes, develops, produces and markets novel enzymes for use in three molecular biology market segments, research, In Vitro diagnostics (IVD) and therapeutics. ArcticZymes has in 2018 focused on creating value through investment in R&D, commercial and inorganic activities, all resulting in the best quarterly sales performance ever with NOK 10.6 million in sales.

ArcticZymes continues to grow long-term value, with five new supply agreements signed during 2018. Two were signed in the fourth quarter – of which one was for several of its products with a leading Japanese Molecular Diagnostics company.

These new key accounts broaden our customer base which will contribute towards growing sales and reduce dependence on ArcticZymes largest customer.

Momentum in innovation continues with the launch of a glycerol-free IsoPol™ BST+ polymerase during the fourth quarter. This new formulation was developed directly in response to several requests from commercial customers in Asia, USA and Europe, which are leading companies in developing and marketing molecular diagnostic tests.

Research & Development

Overall ArcticZymes has a rapidly growing portfolio with four successful product launches in 2018. By focussing on these product additions, ArcticZymes can see its polymerases drive entire molecular diagnostic test portfolios for its customers. This strategy ensures the greatest commercial potential for long-term and sustained growth.

ArcticZymes has upgraded its ISO13485 quality standard to the newer 2016 version following a successful external audit. The formal certification is expected to be received during January 2019. This achievement is an essential part of ArcticZymes’ value proposition and reaffirms its position as a primary and critical raw material supplier with its customers. This is especially important as the regulatory environment is becoming stricter and more emphasis is being put on supply quality.

For the year ahead, ArcticZymes will focus its efforts on innovation. This is to be achieved by launching more complementary products, continuing to grow the customer base, by increasing sales and by looking for complimentary products to add to the portfolio.

Biotec Beta-Glucans

Biotec's subsidiary, Biotec BetaGlucans, develops, produces and markets immunomodulating beta-glucans. It addresses high unmet healthcare needs, such as healing of chronic wounds and as a possible adjuvant in vaccines against relapse of a certain cancer type. Fourth quarter performance was in line with fourth quarter last year generating NOK 8.9 million in sales and NOK 34.3 million for the fiscal year.

BetaGlucans – Woulgan®

Woulgan® is a CE approved advanced wound care product based on the active ingredient, Soluble BetaGlucan (SBG®). It has been evaluated through several case studies and investigator driven studies, all confirming its positive effect. Focus going forward is to drive sales in existing and new markets.

Markets & target groups

Most wound care products are used in the high number of out-patient settings, either in nursing homes or homecare. This requires good coverage of the market to generate substantial recurring sales revenues. Penetration with Woulgan® as a premium priced product has taken longer than expected in the highly competitive and slow-moving markets.

In order to develop and drive a revised Woulgan® strategy, the Company has appointed Finn Ketler as new VP Wound Care. To increase awareness of Woulgan®, more distributors in Northern and Central Europe will be added during the year, and partners for markets outside of Europe will be pursued.

Total spend on BetaGlucans has been reduced through improving efficiencies; this is expected to continue into 2019.

Woulgan® – Germany

The German market is complex but sales in the region have shown stable growth during the last half of 2018, based on the effort of a few wound care specialized distributors, giving the Company access to Home Care settings via more than 200 sales consultants. We expect this growth to continue into 2019.

Woulgan® - UK

Sales in UK, which has a different market access structure have been lower than expected due to a lack of access to the market with only 5-7 dedicated sales persons. The revised strategy for 2019 aims to access a larger sales force and increase the footprint through usage of our partners whole commercial organisation.

Woulgan® – Nordics

Sales in the Nordic markets have been lower than expected with only a few tenders in Sweden and Finland given access to the users.
Healthcare professionals are working from a list of available products, where procurement is restricting product access, price and quality.
The strategy for this region will be reviewed during 2019.

Woulgan® - Research and development

Three development projects have been defined to create a range of Woulgan®/SBG® wound healing products, all intended to reactivate the immune system in slow healing wounds.

These new products, as well as supplementary products for a new treatment regime, are aimed at being developed with CMOs and external industrial partners.

BetaGlucans – Adjuvant

During the fourth quarter, Biotec signed a new clinical trial agreement with Memorial Sloan Kettering Cancer Center (MSKCC), giving access to the results of the ongoing study combining SBG® with a cancer vaccine against high-risk neuroblastoma in children. From 2017, the study could include patients in first remission after conventional therapy, which resulted in a much larger patient population to be treated with the immunotherapeutic vaccine/SBG® regime.

BetaGlucans – Consumer and Animal Health

During 2018, the Company signed additional customers in the consumer nutrition area. As with other segments, customers take time to investigate products before adding them to their own food products, therefore the take-up has been encouraging.

Earlier in the year, the animal feed business lost a significant but low margin contract. However, there has been a concerted effort to acquire new customers, which has reduced the lost volumes.

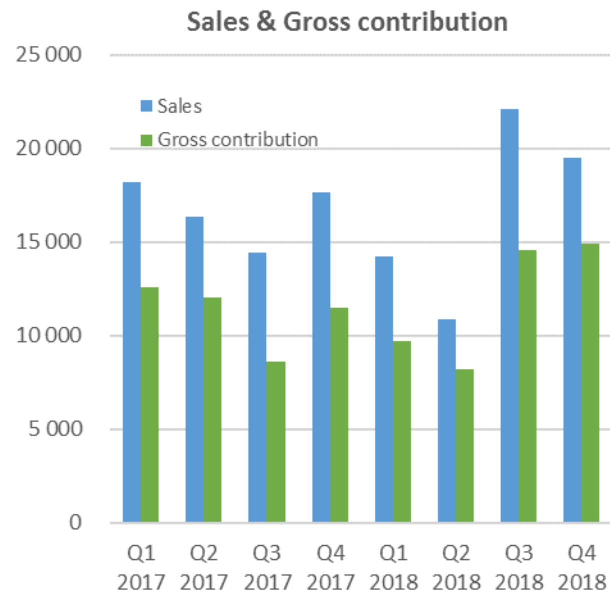
Organisation

Biotec has hired a new VP for the Wound Care area during the fourth quarter.

The Group had 42 full-time and part-time employees, which includes six consultants on long-term contracts.

Financial review

Biotec reported sales of NOK 19.5 million (Q4 2017: 17.7m) for the fourth quarter of 2018. Earnings before tax, interest, depreciation and amortisation (EBITDA) were NOK -1.6 million (Q4 2017: -7.2m) and earnings before interest and tax (EBIT) were NOK -2.2 million (Q4 2017: -7.8) in the quarter. Net financial income was NOK 0.2 million (Q4 2017: 0.2).

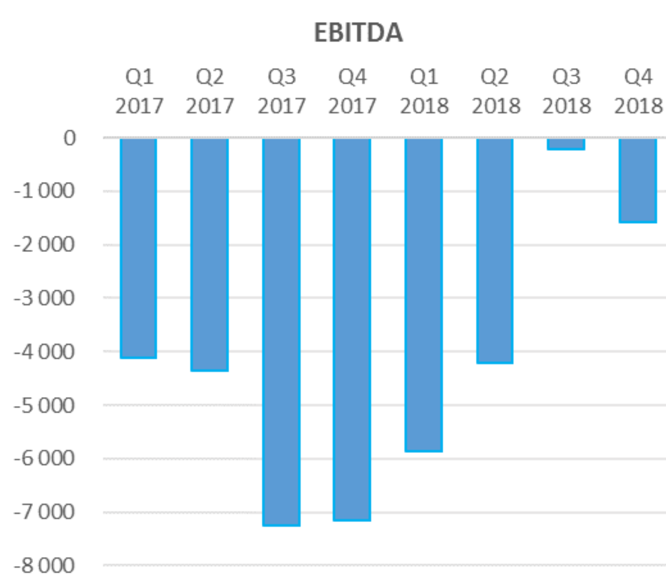


ArcticZymes had fourth quarter sales of NOK 10.6 million (Q4 2017: NOK 8.8 million).

Sales for the BetaGlucans division were NOK 8.9 million, which was equal to the same quarter last year.

Gross contribution in 2018 is however better explained by a favourable product mix as sales have increased in the high margin business.

The improved EBITDA for Q4 2018, compared to the same quarter last year is mainly because of strong enzymes and animal health sales, coupled with lower operating expenses.



The Company recognised no income tax in the fourth quarter of 2018.

Financial position

Total equity amounted to NOK 53.9 million at the end of the fourth quarter 2018 compared to NOK 44.8 million at the end of 2017.

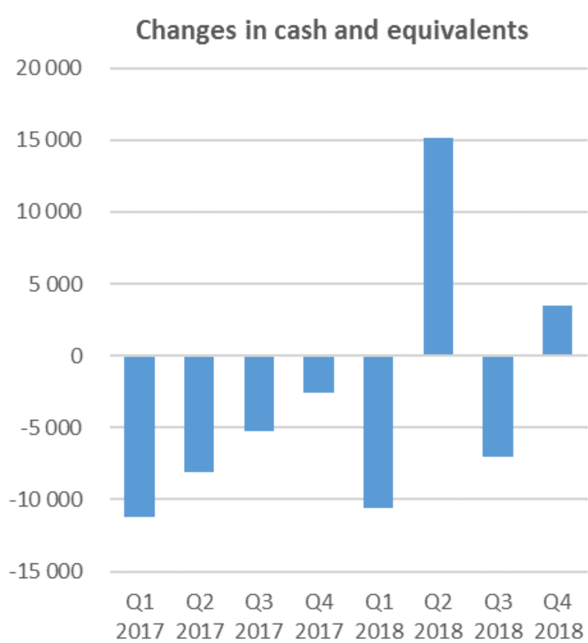
Total assets were NOK 68.0 million at the end of the fourth quarter of 2018, up from NOK 61.7 million at the end of 2017.

The Company has no interest-bearing debt.

Cash flow

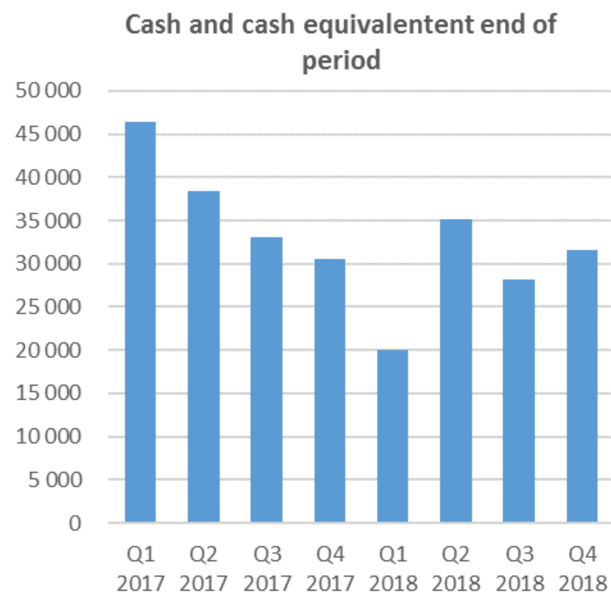
Net cash flow from operating activities was NOK 4.5 million in the fourth quarter, compared to NOK -1.4 million in the same quarter in 2017.

The operating cash flow reflects a change in working capital of NOK 5.6 million compared to the end of the third quarter 2018. This is explained by a decrease in receivables by NOK 5.2 million, an increase in liabilities of NOK 0.8 million and an increase in inventory of NOK 0.3 million.



Net cash flow from investing activities was NOK -1.0 million while net cash flow from financing activities was NOK 0 in the fourth quarter. NOK 22.1 million was raised in new equity through a private placement directed at new and existing shareholders during the second quarter of 2018.

Changes in cash and cash equivalents was NOK 3.5 million in the fourth quarter. This generated a cash balance of NOK 31.7 million at the end of the quarter, compared to NOK 28.2 million at the end of the third quarter 2018.



Shareholder matters

The total number of issued shares was 48,334,673 at the end of the fourth quarter of 2018, an increase of 4,390,000 shares compared to end of 2017. The number of issued employee share options was 362,000 at the end of the quarter. See the annual report for 2017 for further details on option programs.

As of 31 December 2018, Biotec employees own 2.7% of outstanding shares and as a group represents the 4th largest shareholder in the Company.

Risk factors

Biotec´s business is exposed to several risk factors that may affect parts or all of the Company's activities.

The most important risks the Company is exposed to are associated with commercial development in ArcticZymes and recurring use of Woulgan® for new and existing customers.

There are no substantial changes in the risk factors, which are described in the annual report for 2017 and published on the Company's website www.biotec.no.

OUTLOOK

The Company's aims for 2019 are to grow sales organically across both divisions and continue to reduce cash consumption in 2019.

Management expects revenue growth to be strongest in H2. Long-term growth is expected to be focused within ArcticZymes and Woulgan®.

Within ArcticZymes, the priority will be growing sales of the current portfolio as well as launching new products. ArcticZymes are also spending resources in identifying inorganic growth opportunities. The key to this business is to offer the products with the highest customer demand.

Within Biotec BetaGlucans, the focus is on Woulgan®. Biotec will continue to work with country partners in order to build the franchise, especially in the Nordics and Europe. The Company will also develop further Woulgan® products, to expand the portfolio across more stages of the wound healing process.

Considerable efforts have been made to strengthen the business and improve cost efficiencies. As at the end of 2018, the business was in a stronger position and the aim is to continue driving business development efforts whilst managing the Company's resources carefully into the new year.

The interim financial statement 31. December 2018 (Q4)

CONSOLIDATED STATEMENT OF PROFIT & LOSS

(Amounts in NOK 1 000 - exept EPS)	Q4 2018	Q4 2017	YTD 2018	YTD 2017
Sales revenues	19 508	17 669	66 769	66 686
Other revenues	1 985	1 220	6 048	6 072
Sum revenues	**21 492**	**18 889**	**72 817**	**72 758**
Cost of goods sold	-4 606	-6 184	-19 366	-21 927
Personnel expenses	-11 074	-13 407	-40 241	-46 030
Other operating expenses	-7 406	-6 516	-25 093	-27 738
Sum expenses	**-23 086**	**-26 108**	**-84 699**	**-95 695**
Earnings before interest, taxes, depr. and amort. (EBITDA)	**-1 593**	**-7 219**	**-11 882**	**-22 937**
Depreciation and amortization expenses	-596	-615	-2 284	-1 978
Operating profit/loss (-) (EBIT)	**-2 189**	**-7 833**	**-14 167**	**-24 915**
Finanical income, net	240	160	339	112
Profit/loss (-) before income tax (EBT)	**-1 950**	**-7 674**	**-13 828**	**-24 803**
Tax	0	0	0	0
Net profit/loss (-)	**-1 950**	**-7 674**	**-13 828**	**-24 803**
Basic EPS (profit for the period)	-0,04	-0,17	-0,29	-0,56
Diluted EPS (profit for the period)	-0,04	-0,17	-0,29	-0,56

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK 1 000)	31.12.2018	31.12.2017
Non-current assets		
Machinery and equipment	4 597	4 589
Intangible assets	7 551	7 119
Other non-current assets		9
Total non-current assets	**12 148**	**11 717**
Current assets		
Inventories	6 560	5 011
Account receivables and other receivables	17 645	14 363
Cash and cash equivalents	31 662	30 593
Total current assets	**55 867**	**49 966**
Total assets	**68 015**	**61 683**
Equity		
Share capital	48 335	43 945
Premium paid in capital	151 039	133 378
Retained earnings	-146 352	-133 223
Non-controlling interests	876	713
Total equity	**53 897**	**44 813**
Current liabilities		
Accounts payable and other current liabilities	14 117	16 870
Total current liabilities	**14 117**	**16 870**
Total equity and liabilities	**68 015**	**61 683**

CONSOLIDATED CASH FLOW STATEMENT

(Amounts in NOK 1 000)	Q4 2018	Q4 2017	YTD 2018	YTD 2017
Cash flow from operating activities:				
Profit after tax	-1 950	-7 674	-13 828	-24 803
Adjustment:				
Depreciation	596	615	2 284	1 978
Employee stock options	208	170	862	1 529
Changes in working capital				
Inventory	-324	-934	-1 549	-2 236
Account receivables and other receivables	5 152	4 554	-2 537	2 354
Payables and other current liabilities	803	1 831	-3 499	-877
Net cash flow from operating activities	**4 485**	**-1 438**	**-18 265**	**-22 056**
Cash flow from investing activities:				
Purchase of fixed assets	-193	-167	-1 281	-2 629
Invested in intangible assets	-772	-951	-1 444	-2 422
Change in long term receivables	-12	15	9	28
Net cash flow from investing activities	**-977**	**-1 103**	**-2 716**	**-5 023**
Cash flow from financing activities:				
Net cash flow from financing activities	**0**	**0**	**22 051**	**0**
Changes in cash and cash equivalents	3 509	-2 541	1 070	-27 079
Cash and cash equivalents at the beginning of period	28 154	33 134	30 593	57 672
Cash and cash equivalents at end of period	**31 662**	**30 593**	**31 662**	**30 593**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK 1 000)	Q4 2018	Q4 2017	YTD 2018	YTD 2017
Equity at the beginning of period	**55 639**	**52 316**	**44 813**	**68 087**
Shared based compensation	208	171	862	1 529
Retained earnings	-2 040	-7 654	-13 989	-24 936
Private placement - new equity			22 051	
Change in non-controlling interest	90	-20	161	133
Equity at the end of period	**53 897**	**44 813**	**53 897**	**44 813**

Statement by the Board of Directors and CEO

We confirm, to the best of our knowledge, that the financial statement for the period 1. January to the 31. December 2018 have been prepared in accordance with current accounting standards and that the information in the accounts gives a true and fair view of the Company and the Group's assets, liabilities, financial position and results of operation.

We also confirm, to the best of our knowledge, that the quarterly report includes a true and fair overview of the Company's and the Group's development, results and position, together with a description of the most important risks and uncertainty factors the Company and the Group are facing.

Oslo, 29.01 2019
The Board of Directors of Biotec Pharmacon ASA

Marie Ann Roskrow
Chairman

Arne Reinemo
Director

Inger Rydin
Director

Martin Hunt

Ingrid Skjæveland

Christian Jørgensen

Notes to the interim accounts for 31. December 2018 (Q4)

Note 1 - Basis of preparation of financial statements

The assumptions applied in the financial statements for 2018 that may affect the use of accouting principles, book values of assets and liabilities, revenues and expenses are similar to the assumtions found/used in the financial statement for 2017.
These financial statements are the unaudited interim consolidated financial statements (hereafter "the Interim Financial Statements") of Biotec Pharmacon ASA and its subsidiaries (hereafter "the Group") for the period ended 31. December 2018. The Interim Financial Statements are prepared in accordance with the International Accounting Standard 34 (IAS 34). These Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year, ended 31 December 2017 (hereafter "the Annual Financial Statements"), as they provide an update of previously reported information.
The quarterly reports require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.
Income tax expense or benefit is recognized based upon the best estimate of the weighted average income tax rate expected for the full financial year. Deferred tax asset is accounted at NOK 0 in the balance sheet.

IFRS 15 and IFRS 9 was implemented 1.1.2018 without any changes to the opening balance. New standard that may be relevant to the Group are set out below. The Group does not plan to adopt these standards early. These will be adopted in the period that they become mandatory unless otherwise indicated. For further information see note 2.22 in the 2017 annual report.

IFRS 16 Leases regulates matters relating to leased assets. It requires all leases to be recognized in the statement of financial position as a right to use asset with subsequent depreciation. This standard was endorsed 31.10.2017 by the EU and will be effective as of 01.01.2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for financial leases under IAS 17.
At the commencement date the lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting under IFRS 16 is substantially unchanged from today's accounting under IAS 17. Lessors will continue to classify all leases using the same classification principle as in IAS 17 and distinguish between two types of leases: operating and finance leases. IFRS 16 is effective for annual periods beginning on or after 1 January 2019.
The Group has evaluated potential implications of the standard and have estimated the effects for the 2018 financial statement.

(Amounts in NOK 1 000)

Financial position		31.12.2018	31.12.2018	31.12.2018 IFRS 16 adjusted	Changes
Lease assets	1			18 033	18 033
Fixed assets		12 148	12 148	12 148	0
Sum Fixed assets		**12 148**	**12 148**	**30 181**	**18 033**
Lease liabilities	2			15 367	15 367
Current liabilities	3	14 118	14 118	17 216	3 098
Sum Current liabilities		**14 118**	**14 118**	**32 583**	**18 465**

1. Right of use is calculated from inception of contract
2. Net present value of liability maturing more than 12 months
3. Next years instalment is part of current liabilities

Profit & Loss statement	31.12.2018	31.12.2018 IFRS 16 adjusted	Changes
Sum revenues	72 817	72 817	0
Property, plant & equipment	-6 263	-3 165	3 098
Other expenses	-78 436	-78 436	0
Sum expenses	-84 699	-81 601	3 098
EBITDA	**-11 882**	**-8 784**	**3 098**
Depreciation	-2 284	-5 187	-2 903
EBIT	**-14 166**	**-13 971**	**195**
Net financials	339	-289	-628
EBT	**-13 828**	**-14 260**	**-432**

Note 2 - Analysis of operating revenue and -expenses, segment information

Services provided by the parent company are expensed at both segments according to agreements with actual subsidiary.
Corporate overhead costs remain unallocated.

	Q4		YTD	
(Amounts in NOK 1 000)	2018	2017	2018	2017
Sales revenue:				
Beta-Glucans	8 857	8 911	34 303	35 051
Enzymes	10 643	8 757	32 457	31 628
Unallocated revenues corporate level	8		8	7
Group operating sales revenues	**19 508**	**17 669**	**66 769**	**66 686**
Gross profit				
Beta-Glucans	4 229	2 997	15 511	13 169
Enzymes	10 665	8 487	31 883	31 584
Unallocated revenues corporate level	8		8	7
Group gross profit	**14 894**	**11 484**	**47 403**	**44 760**
Other revenues				
Beta-Glucans	1 123	478	2 621	2 591
Enzymes	862	743	3 428	3 481
Unallocated revenues corporate level				
Group other revenues	**1 985**	**1 220**	**6 048**	**6 072**

Operating expenses:				
Beta-Glucans	-8 606	-8 468	-31 439	-34 812
Enzymes	-8 886	-8 432	-29 627	-29 856
Unallocated corporate expenses	-987	-3 024	-4 267	-9 101
Group operating expenses	**-18 480**	**-19 923**	**-65 333**	**-73 768**
Operating profit/loss (-) (EBITDA)				
Beta-Glucans	-3 254	-4 993	-13 307	-19 052
Enzymes	2 640	798	5 684	5 209
Unallocated corporate expenses	-979	-3 024	-4 259	-9 094
Operating profit/loss (-) (EBITDA)	**-1 593**	**-7 218**	**-11 882**	**-22 937**
Amortization:				
Beta-Glucans	-385	-377	-1 510	-1 329
Enzymes	-199	-236	-757	-639
Unallocated corporate expenses	-13	-2	-17	-10
Group amortization	**-596**	**-615**	**-2 284**	**-1 978**
Profit/loss (-) before income tax (EBIT)				
Beta-Glucans	-3 639	-5 370	-14 817	-20 381
Enzymes	2 442	563	4 927	4 570
Unallocated corpoate expenses	-992	-3 026	-4 276	-9 104
Profit/loss (-) before income tax (EBIT)	**-2 189**	**-7 833**	**-14 167**	**-24 915**

Note 3 Share options

The Group has a share based option scheme. Per 31.12.2018, there were 362,000 outstanding options comprising of 34 employees in the Group. The fair value of the services received from the employees in return for the options granted is recognized as an expense in the consolidated profit and loss statement. Total expense for the options are accrued over the vesting period based on the fair value of the options granted, excluding impact of any vesting conditions that are not reflected in the market. Criteria's not reflected in the market, affect the assumptions about the number of options expected to be exercised. At the end of each reporting period, the Company revises its estimates of the number of options expected to be exercised. It recognizes the importance of the revision of original estimates in the consolidated profit and loss statement with a corresponding adjustment in equity.

The net value of proceeds received less directly attributable transaction expenses are credited to the share capital (nominal value) and the share premium reserve when the options are exercised.

	2018		2017	
	Average exercise price	Number of share options	Average exercise price	Number of share options
As of 01.01.	14.95	972 000	15.41	1 175 250
Expired during the year	16,74	610 000	17,61	-203 250
Outstanding at 31. December		**362 000**		**972 000**

CEO Christian Jørgensen has an agreement giving him the right to receive 500 000 options:

Awarded options	Option strike price	Options earned at share
100 000	NOK 8.00 per share	NOK 11.00 per share
100 000	NOK 8.00 per share	NOK 14.00 per share
100 000	NOK 8.00 per share	NOK 17.00 per share
100 000	NOK 8.00 per share	NOK 20.00 per share
100 000	NOK 8.00 per share	NOK 23.00 per share

Christian Jørgensen's options have a three-year vesting period and a two-year declaration period after award (05.09.2017)

Expiry date, exercise price, and outstanding options:

Expiry date	Average exercise price	2018	2017
		Number of share options	
2018, 31 May	18.42		452 500
2019, 31 May	11.93	362 000	519 500
Outstanding at 31. December		**362 000**	**972 000**
Exercisable options at 31. December		362 000	452 500

The fair value of employee share options are calculated according to the Black-Scholes method. The most important parameters are share price at grant date, exercise prices shown above, volatility (2016, 2017: 66.3%, 58.4%), expected dividend yield (2016,2017: 0%), expected term of 3 years, annual risk free interest rate (2016, 2017:1.53%, 1.50%). The volatility is based on market data from the last year. The fair value is expensed over the vesting period. Per 31.12.2018 a total of NOK 17.8 million had been expensed, of which NOK 0.2 million applies to Q4 2018. The Company has no obligations, legal nor implied, to repurchase or settle the options in cash unless general assembly declines to renew its authorization to issue new shares.

Note 4 Fixed assets

Machinery & equipment	Q4		YTD	
(Amounts in NOK 1 000)	2018	2017	2018	2017
Net book value (opening balance)	4 746	4 844	4 589	3 168
Net investement	193	167	1 281	2 629
Depreciation and amortization	-342	-421	-1 270	-1 208
Net book value (ending balance)	**4 597**	**4 589**	**4 597**	**4 589**

Intangible asset *(Amounts in NOK 1 000)*	Q4 2018	Q4 2017	YTD 2018	YTD 2017
Net book value (opening balance)	7 033	6 360	7 119	5 465
Net investement	772	951	1 444	2 422
Depreciation and amortization	-253	-192	-1 014	-769
Net book value (ending balance)	**7 551**	**7 119**	**7 551**	**7 119**

Intangible assets (Research and development, patents and licenses):
Research expenses are expensed when incurred. Development of products are capitalized as intangible assets when:
- It is technically feasible to complete the intangible asset enabling it for use or sale.
- Management intends to complete the intangible asset and use or sell it.
- The Company has the ability to make use of the intangible asset or sell it.
- A future economic benefit to the Company for using the intangible asset may be calculated.
- Available technical, financial and other resources are sufficient to complete the development and use of or sale of the intangible asset.
- The development expense of the intangible asset can be measured reliably.

Intangible assets are depreciated by the linear method, depreciating the acquisition expense to the residual value over the estimated useful life, which are for each group of assets: Product rights (5-10 years) and own product development (10-12 years)

Other development expenses are expensed when incurred. Previously expensed development costs are not recognized in subsequent periods. Capitalised development costs are depreciated linearly from the date of commercialization over the period in which they are expected to provide economic benefits. Capitalised development costs are tested annually by indication for impairment in accordance with IAS 36.

Note 5 Related party disclosures

Shares owned or controlled by directors and senior management per 31. December 2018:

Name, position	No of shares	No of options
Marie Roskrow, Chairman	0	0
Inger Rydin, Director	0	0
Martin Hunt, Director	0	0
Arne Reinemo, Director	0	0
Ingrid Skjæveland, Director	16 087	10 000
Erik Steene, employee observer	27 949	7 500
Christian Jørgensen, CEO	77 000	*
Børge Sørvoll, CFO	25 428	35 000
Rolf Engstad, CSO Biotec BetaGlucans AS	450 774	40 000
Jethro Holter, Managing Director ArcticZymes AS	564	40 000
Finn ketler, VP Wound Care, Biotec Betaglucans AS	0	0

*See note 3 for further details
Director Martin Hunt has been a member of the Board since 11 May 2017. Martin Hunt owns and operates Invictus Management Ltd in London. For services and expenses beyond his board remuneration, Invictus Management Ltd has invoiced NOK 0.1 million per 31. December 2018.

Note 6 Shareholders

The 20 largest shareholders as of 31. December 2018	Shares	Ownership
Ormestad Tellef	3 581 931	7,41 %
Pro AS	2 307 216	4,77 %
Aka AS	1 450 000	3,00 %
Clearstream Banking	1 391 019	2,89 %
Danske Bank Operation	1 229 026	2,53 %
MP Pension	1 173 239	2,43 %
Birkeland Odd Knut	1 030 000	2,13 %
Belvedere AS	971 647	2,01 %
Nordnet Bank AS	829 617	1,73 %
Progusan AS	750 026	1,55 %
Isar AS	699 853	1,45 %
Hartvig Wenneberg II	696 033	1,44 %
Nordnet Livsforsikring	642 465	1,36 %
Dragesund Invest AS	597 891	1,24 %
Nordea Bank AB Danmark	592 322	1,17 %
Middelboe AS	588 173	1,22 %
Spar Kapital Investor	578 714	1,20 %
Engstad Rolf Einar	550 774	1,14 %
Spiralen Industrier AS	474 639	0,98 %
Catilina Invest AS	470 000	0,97 %
20 largest shareholders aggregated	**20 604 585**	**42,62 %**

Note 7 Interims result

(Amounts in NOK 1 000)	Q4-2018	Q3-2018	Q2-2018	Q1-2018	Q4-2017
Sales revenues	19 508	22 148	10 871	14 242	17 669
Sales growth % (year-over-year)	10 %	25 %	-25 %	-13 %	-3 %
Gross profit %	76 %	66 %	75 %	68 %	65 %
EPS	-0,04	-0,01	-0,10	-0,15	-0,17
EPS fully diluted	-0,04	-0,01	-0,10	-0,15	-0,17
EBITDA	-1 593	-217	-4 205	-4 354	-7 219
Equity	53 897	55 639	56 272	59 924	44 813
Total equity and liabilities	68 015	68 465	66 862	73 778	61 683
Equitiy (%)	79 %	81 %	84 %	81 %	73 %

Note 8 Alternative Performance Measures

Information provided is based on Guidelines on Alternative Performance Measures (APMs) for listed issuers by The European Securities and Markets Authority - ESMA
Biotec Pharmacon ASA reports EBITDA as performance measure that is not defined under IFRS but which represent additional measure used by the Board as well as by management in assessing performance as well as for reporting both internally and to shareholders.
Biotec Pharmacon ASA belives that to use EBITDA will give the readers a more meaningful understanding of the underlying financial and operating performance of the company when viewed in conjunction with our IFRS financial information.

EBITDA & EBIT
We regard EBITDA as the best approximation to pre-tax operating cash flow and reflects cash generation before working capital changes. EBITDA is widely used by investors when evaluating and comparing businesses, and provides an analysis of the operating results excluding depreciation and amortisation. The non-cash elements depreciation and amortization may vary significantly between companies depending on the value and type of assets.
The definition of EBITDA is "Earnings Before Interest, Tax, Depreciation and Amortization" and EBIT is Earnings Before Interest and Taxes. The reconciliation to the IFRS accounts is as follows:

	Q4		YTD	
(Amounts in NOK 1 000 - exept EPS)	**2018**	**2017**	**2018**	**2017**
Sales	19 508	17 669	66 769	66 686
Cost of goods sold	-4 606	-6 184	-19 366	-21 927
Gross profit	**14 902**	**11 484**	**47 403**	**44 760**
Other revenues	1 985	1 220	6 048	6 072
Sum other revenues	**1 985**	**1 220**	**6 048**	**6 072**
Personnel expenses	-11 074	-13 407	-40 241	-46 030
Other operating expenses	-7 406	-6 516	-25 093	-27 738
Depreciation and amortization expenses	-596	-615	-2 284	-1 978
Operating profit/loss (-)	**-2 189**	**-7 833**	**-14 167**	**-24 915**

Note 9 Account receivables and other receivables

(Amounts in NOK 1 000)	**31.12.2018**	**31.12.2017**
Accounts receivables	12 796	7 431
Reserach grants	406	685
Tax grants	3 121	2 647
VAT	427	512
Other receivables	895	3 087
Total account receivables and other receivables	**17 645**	**14 363**

Note 10 Account payable and other current liabilities

(Amounts in NOK 1 000)	**31.12.2018**	**31.12.2017**
Accounts payable	6 075	5 808
Public taxes and withholdings	1 216	2 713
Unpaid holiday pay	2 982	3 464
Other personnel	999	1 882
Other current liabilities	2 844	3 003
Total account payable and other current liabilities	**14 117**	**16 870**

Note 11 Events after balance sheet date, 31. December 2018

There are no events of significance to the financial statements for the period from the financial statement date to the date of approval; 29.01.2019

Oslo, 29 January 2019
The Board of Directors of Biotec Pharmacon ASA

Marie Ann Roskrow
Chairman

Arne Reinemo
Director

Inger Rydin
Director

Martin Hunt
Director

Ingrid Skjæveland
Director

Christian Jørgensen
CEO