BIOTEC PHARMACON

Q2 2018

Second quarter 2018

Highlights for the second quarter of 2018

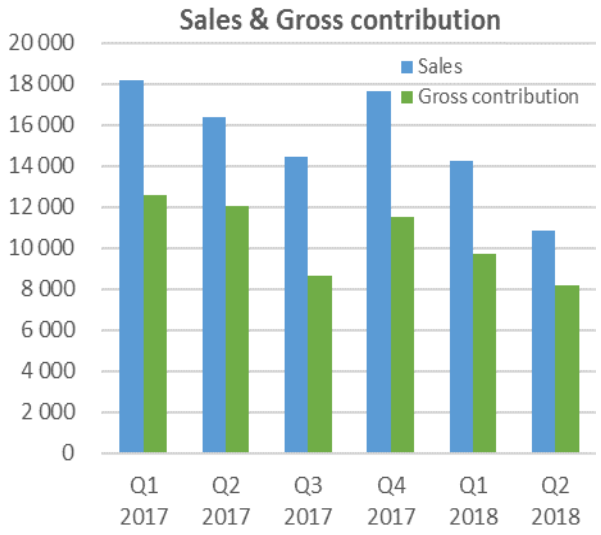
- Raised NOK 22.1 million in new equity by issuing 4,390,000 new shares. The capital increase was done as a private placement directed at new and existing shareholders.
- Group sales were NOK 10.9 million in the second quarter of 2018, compared to NOK 16.4 million in the second quarter of 2017, due to lower sales of animal health and enzyme products.
- EBITDA was NOK -4.2 million in the second quarter of 2018 compared to NOK -4.4 million in the second quarter of 2017.
- Promising results from a Neuroblastoma Phase II study were presented at ANR2018 in San Francisco, showing data from 84 patients using SBG® as an adjuvant.
- Operating expenses in the second quarter 2018 were NOK 4.1 million lower than in the second quarter of 2017, because of lower personnel and operating expenses.
- Despite lower sales in the first 6 months of 2018, cash-flow remained at the same level as the first 6 months of 2017 due to reduced operational expenses and investments.

Key Financials

NOK 1.000	Q2 2018	Q2 2017	6M 2018	6M 2017
Sales	10 871	16 385	25 113	34 581
Total Revenues	12 234	17 830	28 231	37 601
EBITDA	-4 205	-4 354	-10 072	-8 464
EBIT	-4 769	-4 804	-11 199	-9 377
Net cash flow from operations	-5 896	-6 549	-16 384	-16 325
Net cash end of period	35 163	38 404	35 163	38 404

Biotec Pharmacon – Group Figures

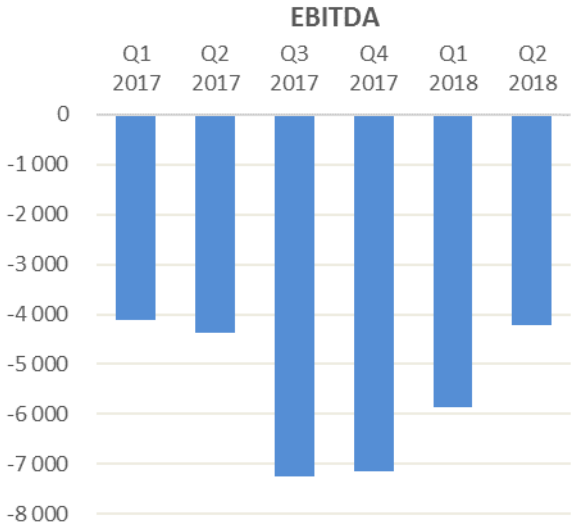
Biotec Pharmacon ASA, (hereinafter “Biotec” or “the Company”) reported sales of NOK 10.9 million (16.4) for the second quarter of 2018. Earnings before tax, interest, depreciation and amortisation (EBITDA) were NOK -4.2 million (-4.4) and earnings before interest and tax (EBIT) were NOK -4.8 million (-4.8) in the quarter. Net financial income was NOK 0 million (0.1), generating earnings before tax (EBT) of NOK -4.8 million (-4.7) for the quarter.



The beta-glucans segment had sales of NOK 5.2 million compared to NOK 8.0 million during the second quarter of 2017. The reduction is explained by lower demand for Biotec’s animal health product M-Glucan™. The enzyme segment had second quarter sales of NOK 5.7 million compared to NOK 8.4 million in the second quarter of 2017.

The improved EBITDA for the second quarter of 2018, compared to the same quarter last year is mainly caused by product mix in sales and lower operating expenses.

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



The Group had 40 full-time and part-time employees, which includes 6 consultants on long-term contract.

Financial position

Total equity amounted to NOK 56.3 million at the end of the second quarter 2018 compared to NOK 44.8 million at the end of 2017.

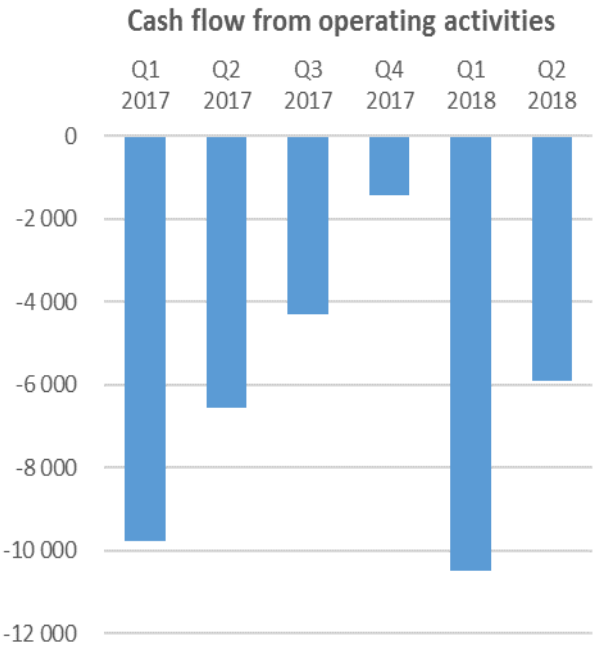
Total assets were NOK 66.9 million at the end of the second quarter of 2018, compared to NOK 61.7 million at the end of 2017.

The Company has no interest-bearing debt.

Cash flow

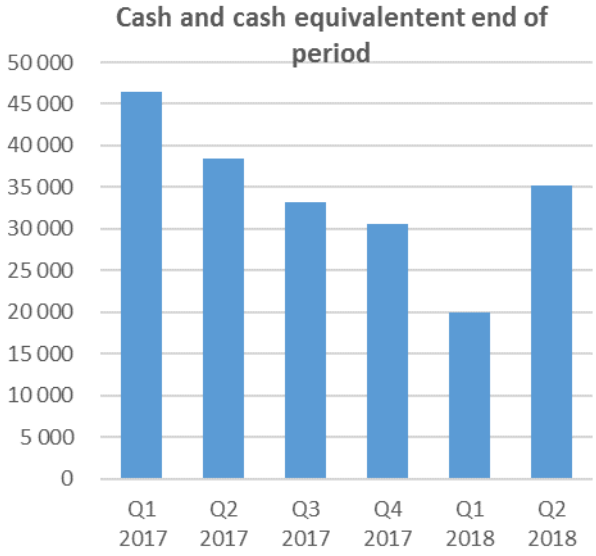
Net cash flow from operating activities was NOK -5.9 million in the second quarter, compared to NOK -6.5 million in the same quarter in 2017.

The operating cash flow reflects a change in working capital of NOK 2.0 million compared to end of first quarter 2018. This is explained by an increase in receivables by NOK 0.4 million, a reduction in liabilities of NOK 1.8 million and a decrease in inventory of NOK 0.2 million.



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

Changes in cash and cash equivalents was NOK 15.2 million in the second quarter. This generated a cash balance of NOK 35.2 million at the end of the quarter, compared to NOK 20.0 million at the end of the first quarter 2018.



Shareholder matters

The total number of issued shares was 48,334,673 at the end of the second quarter of 2018, an increase of 4,390,000 shares compared to the first quarter. The number of issued employee share options was 362,000 at the end of the quarter, a reduction of 610,000 options from the previous quarter. CEO Christian Jørgensen has the right to receive 500,000 options. See the annual report for 2017 for further details on option programs.

As of 30.06, Biotec employees owns 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. 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

Business area reporting

Beta-glucans

Woulgan®

Woulgan® is a CE approved advanced wound care therapy intended to reactivate healing in slow-healing wounds. Its efficacy and qualities are documented in several studies and accepted by reimbursement authorities.

Most wound care is delivered in out-patient settings, either innursing homes or decentralised clinics. This requires a large salesforce in order to generate substantial recurring sales revenues in all geographic areas.

The Company continues to look for partners to deliver substantial growth of the franchise. Feedback from potential partners is positive in relation to documentation and efficacy, while implementation of Woulgan as part of their portfolio, parameters such as synergies with existing portfolio and overall strategy will be important.

Woulgan® - UK

Customer responses are positive and Biotec's UK partner is confident about Woulgan's medium-term potential. In the short-term, the distributor's sales team continue to add Woulgan® onto local formularies and treatment pathways so that clinicians are allowed and encouraged to use Woulgan® in slow-healing wounds.

Over 60 customer evaluations are planned in the UK, whereof 20 are currently active. Three evaluations were completed in the second quarter with the lead clinician recommending Woulgan® as part of their formulary.

Biotec continued to support UK sales efforts by delivering a series of targeted digital marketing campaigns and launching the reACTivate campaign aimed at creating sales leads for the sellers and to build clinician engagement with Woulgan®. The reACTivate campaign, together with other digital activities has increased the website engagement and increased Woulgan's contact database numbers by 8-fold. Biotec will continue the digital presence of Woulgan to raise awareness and support the sales teams.

Biotec facilitated an advisory board discussion among highly respected UK clinicians about when to use Woulgan®. In May, the panel's recommendations were published in the journal, "Wounds UK". The publication and its

recommendations will support the sales team in getting Woulgan® added onto local formularies.

The article mentioned in the first quarter of 2018 describing significant healing effects of Woulgan® in a 300-patient study across multiple wound types has been accepted for publication in the "Journal of Wound Care". A cost effectiveness manuscript based on these results will follow in a second publication.

Despite a favourable response and feedback by stakeholders in the UK, adoption of Woulgan® is slower than expected. This can partly be explained by financial constraints in the UK healthcare system and conservative approach to adding new products to formularies.

Woulgan® – Germany

The Ministry of Health (MOH) in Germany did not approve the G-BA's proposed update for the reimbursement of dressings published in May. G-BA has filed a lawsuit against the MOH to uphold G-BA's view and proposal.

Biotec continues to receive positive feedback from homecare companies in Germany and following a successful evaluation period, Biotec opened a major new Homecare company (HCC) account focused on providing wound care across all of Germany.

As in other markets, the next step is to drive adoption in the areas where these companies operate.

Woulgan® – Nordics

Woulgan® is listed in two tenders, 5Klövern and Kalmar in Sweden. Being listed means that Woulgan® can actively be promoted in these two regions. Together with the distribution partner, Biotec has succeeded in a number of clinics testing Woulgan®.

In Finland Woulgan® has achieved a steady sales level, which we are in dialogue with the partner about how to increase. Consumption outside the hospitals setting is paid by the patient, which demands a different approach.

The clinicians involved in the Nordic case series published two publications in the Nordic wound journals "Sårmagasinet" (Sweden) and "Sår" (Norway, Denmark) during the second quarter.

Woulgan® - Other

The ongoing Post-Market Clinical Follow-up study (PMCF) is progressing with more than 60 patients screened by end of the second quarter. The primary goal of the study, as required by the Notified Body and MHRA approving Woulgan® Gel, is to demonstrate safety and usefulness of Woulgan® Gel compared to a standard treatment regime with a non-active gel. Biotec expects to finalise the PMCF study during 2018. Together with the 300-patient study conducted in the UK, the Nordic case series and the data from the PMCF, all requirements for documenting the safety and usefulness of Woulgan should be fulfilled.

Research and development

In June, Biotec's "Nærings-Phd" published an article in the "European Journal of Pharmaceutical Sciences" describing the successful testing of a pilot version of a dry layer wound dressing in an animal model.

The gel-forming dry layer product is aimed for exuding and large surface wounds, and the Company is currently testing pilot scale production equipment for the manufacturing

of such an advanced gel forming dressing.

Beta-glucans – Cancer

The phase II clinical trial at Memorial Sloan Kettering Cancer Centre (MSKCC) where SBG® is used in combination with a cancer vaccine against high-risk neuroblastoma in children, has been expanded to treat a total of 215 patients. Patients in 1st remission after conventional therapy, are now allowed to be treated with the experimental vaccine together with SBG® and more than 180 patients have so far been recruited into the study.

The results from the first part of the phase II study were presented at the bi-annual conference on "Advances in Neuroblastoma Research" (ANR2018) in San Francisco in May 2018. After having treated 84 patients, the 2-year overall survival (OS) rate was 90%, with a progression free survival (PFS) rate of 54%. The long-term survival rate in patients with relapsed high-risk neuroblastoma, has been less than 20% before introduction of immuno-therapeutic treatment regimes. The study thus gives promise for a significant improvement in survival rate for this patient group.

The study also demonstrated a strong increase in the antibody response after administering SBG® The data indicate that SBG® also contributes to induce an improved immune response to the vaccine itself. This hold promise for the potential use of SBG® as an oral adjuvant to increase the protective effects of other vaccines.

Biotec continues to discuss further collaboration with MSKCC and the vaccine producer to identify how this experimental treatment regime could move into a potential commercial project.

Biotec is also evaluating the commercial potential of SBG® as an adjuvant in other areas as well.

Beta-glucans – Other

Biotec continued growing sales of M-Gard™ in the second quarter of 2018, mainly driven by a US customer. First half sales were more than 3 times higher than the first half of 2017. This momentum will not continue into the second half, but the overall M-Gard™ sales in 2018 will be higher than 2017.

The Company is working on expanding the "funnel" of potential customers. As with other Biotec products, M-Gard™ is sold as an integral part of other companies' products, hence the time between initial contact and first order is long.

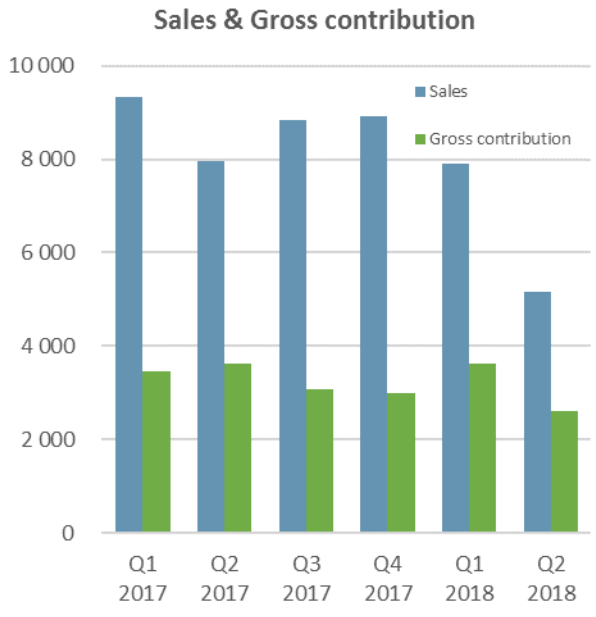
M-Glucan® is a proprietary product positioned towards the animal feed sector with well-documented positive effects. The animal feed sector continues to be under intense competition with pressure on prices and

margins. Annual and quarterly sales are expected to fluctuate in this business, which is in-line with historical experience.

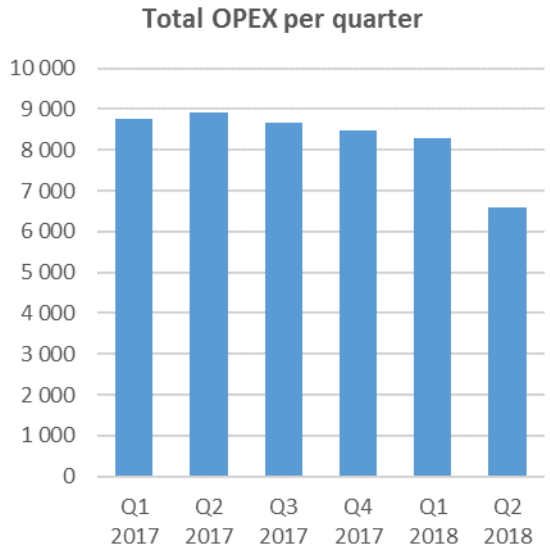
Biotec experienced significantly lower sales in the second quarter of 2018 in comparison to last year driven by the loss of one bid mentioned during the first quarter presentation as well as lower volumes from one of our most important customers. The volume reduction does not represent a loss of market-share, but lower consumption by the marine farmers.

Financial review beta-glucans

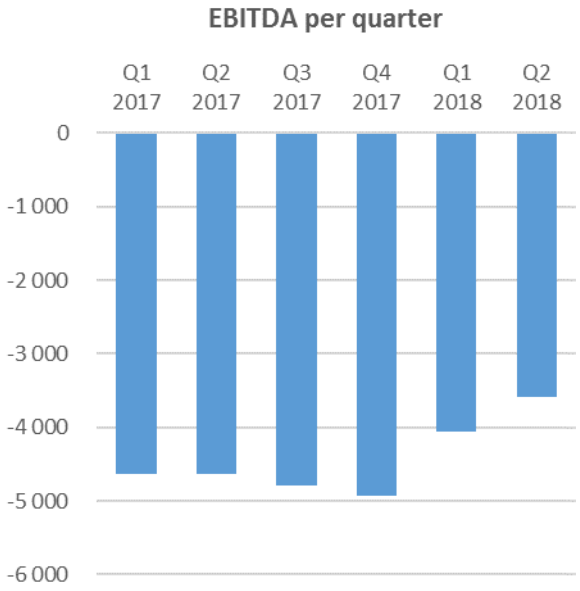
Beta-glucan sales amounted to NOK 5.2 million in the second quarter of 2018, compared to NOK 8.0 million in the second quarter of 2017. Gross contribution was reduced from NOK 3.6 million in the second quarter of 2017 to NOK 2.6 million in 2018, primarily due to reduction in sales of feed ingredient to the animal health sector. Woulgan® sales were NOK 0.5 million in the second quarter, NOK 0.4 million less than the same quarter in 2017. Despite positive customer feedback, Woulgan® did not report growth in the first half of 2018 in comparison to the first half of 2017, partly due to a large second quarter stocking order from a German customer in 2017.



Operating expenses were reduced from NOK 8.9 million in the second quarter of 2017 to NOK 6.6 million in the second quarter of 2018.



EBITDA for the first quarter of 2018 was NOK -3.6 million compared to NOK -4.6 million in the same period last year, explained by a reduction in operating expenses.



Enzymes (ArcticZymes)

Commercial update

In comparison to the same period last year ArcticZymes (AZ) has experienced headwinds during the second quarter and first half of the fiscal year. Two factors have contributed to lower sales revenues:

- Sales of ArcticZymes main product to its largest customer have been lower compared to previous years. This is related to different purchasing habits following the centralisation of the customers' manufacturing facilities last year. Sales of AZ's main product to this customer represents the largest orders and is the main attributing factor to the large fluctuations observed in quarterly sales during the first 6 months.

  Despite this, cross sales of other products have steadily ramped up and will over the next years compensate for the fluctuations in quarterly sales of the main product. Furthermore, both companies are currently engaged in global discussions dedicated towards mutually growing commercial relationship. In supporting this ambition, several of AZ's new products are already being tested by them. Feedback on future needs has steered ArcticZymes internal innovation activities to launch new formulations of existing enzymes.

- ArcticZymes has experienced a more than expected lag phase driving new business during the first half due to changes in the sales team. Consequently, the sales team did not have sufficient capacity to serve the wide breadth of commercial activities during the second quarter. Going into the second half of the year, ArcticZymes has assembled an expanded and well-experienced team of three new business developers, 2 in Europe and 1 in the USA, who are fully trained and up to speed in order to make up for lost ground.

New Product Launches

New product innovations represent the most important strategic value driver that will accelerate the growth of ArcticZymes business. A broader synergistic portfolio is paramount in mitigating risk and will make the business more resilient to quarterly fluctuations and headwinds. The incremental addition of new synergistic products to the ArcticZymes portfolio will continue to increase the impact and relevance to customers across the market segments we serve.

In supporting this essential value driver, ArcticZymes has had a busy second quarter in launching 3 new products:

- ArcticZymes Proteinase is a novel heat-labile enzyme easily inactivated after use. Gentle inactivation of the enzyme enables broader compatibility in the development of kits and products serving the In Vitro Diagnostic (IVD) and molecular research market segments. With respect to potential, the new enzyme will open ArcticZymes ability to penetrate the rapidly growing liquid biopsy and sample preparation markets within our existing customer base as well as new IVD customers. The technical advantages ArcticZymes Proteinase offers will resonate well with IVD companies developing non-invasive tests based on cancer biomarkers. As with any new enzyme launch, it will take 1-4 years for our customers to commercialize their

technologies or IVD assays containing the enzyme. Longer-term we can expect Proteinase sales similar to our leading products today.

- Glycerol-free Shrimp Alkaline Phosphatase (rSAP) becomes the fourth member of ArcticZymes' glycerol-free product family. Glycerol-free formulations enable efficient lyophilization (i.e. dried down). Lyophilization of enzyme products helps overcome logistical challenges such as cold-chain distribution and storage, and limited product shelf-life. Glycerol-free formulations are also preferable in highly automated processes, where the viscosity of high-glycerol formulations may pose challenges. The new formulation was developed based on requests from existing customers who are eager to expand their product range and product life cycles with alternative formulations of their products.

- A new formulation of Cod UNG product was launched. This marks the first step towards maintaining a completely EU REACH compliant product portfolio before restrictions come into force in January 2021. ArcticZymes demonstrates its commitment to maintaining a REACH compliant product portfolio and facilitate a smooth transition for our existing Cod UNG customers by being proactive in providing a Triton-free version early on. Over the next 12 months ArcticZymes will gradually offer all of its products in EU REACH compliant formulations alongside the original formulations.

In living up to the strategic promise to accelerate the launch of new and a broader range of synergistic enzymes, ArcticZymes will hire new laboratory-based personnel using funds raised from the recent release of new shares. These new resources will be essential in commercialising enzymes and support global collaborations in launching new ArcticZymes products.

Scaling Up Production to Meet Commercial Demand

Following the launch of several new products over the last 2 years, new supply deals and opportunities are materialising with our existing customer base as well as new customers AZ hasn't been able to reach earlier due to not having a relevant product mix. Several of these deals are moving forward quicker than anticipated with respect to our customers' ability to commercialise their product developments and services. With this new commercial potential available, ArcticZymes is prioritising production scale up of three of its newer products:

- Polymerase's represent the largest opportunity in the market for ArcticZymes. The strategic direction has been to build a portfolio of diverse polymerases in order to serve commercial customers with next generation polymerases to drive their innovative and cutting-edge product developments. AZ's newest IsoPol™ BST+ has resonated well with Molecular Diagnostic companies who have already earmarked the enzyme for incorporation into new, and potentially existing diagnostic tests, in order to drive their entire test portfolio with a single polymerase. Unlike AZ's other enzymes which make it into one or a few of an individual customers' products, AZ's IsoPol™ Polymerases can potentially be integrated into the whole diagnostic test portfolio of a Molecular Diagnostic company. Hence, this is one reason why ArcticZymes IsoPol™ polymerases have the greatest commercial potential with individual deals in the million NOK range. In meeting growing demand early on, ArcticZymes is reprioritising activities to

scale up production of IsoPol™ BST+ as well as providing it in different formulations.

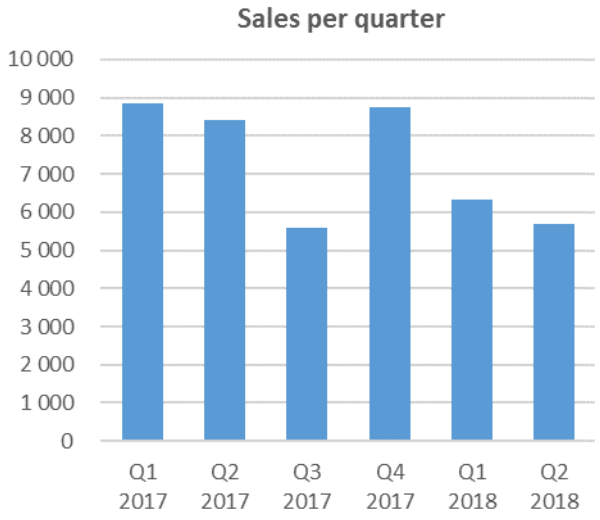
- AZ's latest enzyme, Proteinase, has attracted interest from companies developing liquid biopsy and single cell applications. It is necessary to scale up production in order to serve sufficient material for customers' product development activities and subsequent commercial activities. Similar to the IsoPol™ Polymerases, ArcticZymes Proteinase has the potential to be incorporated into an entire product portfolio by our customers.

- Salt Active Nuclease High Quality (SAN HQ) upscaling efforts have been ongoing since the fourth quarter last year. There are several options in the works to ensure that ArcticZymes can supply sizable orders demanded once customers lock down their cGMP manufacturing processes and transition to large scale manufacturing of Gene Therapy viruses. To date, ArcticZymes has introduced the technology at major gene and cell therapy conferences in North America, Europe, and Japan. There are ongoing activities with more than 90 of the leading viral vector facilities in the world who have purchased the enzyme and are at different stages in the sales process. It is expected that over the next 12 months, 10-20 customers will have progressed to the stage where they have locked down SAN in their cGMP processes. Large bulk orders will be necessary to fulfil the manufacturing needs of such customers. Also, ArcticZymes is exploring other business models to potentially out-license the technology with several large global industrial leaders.
  SAN HQ is also gaining wider commercial interest in other areas such as vaccine product, food hygiene, DNA sequencing, and clean-up of molecular biology products.

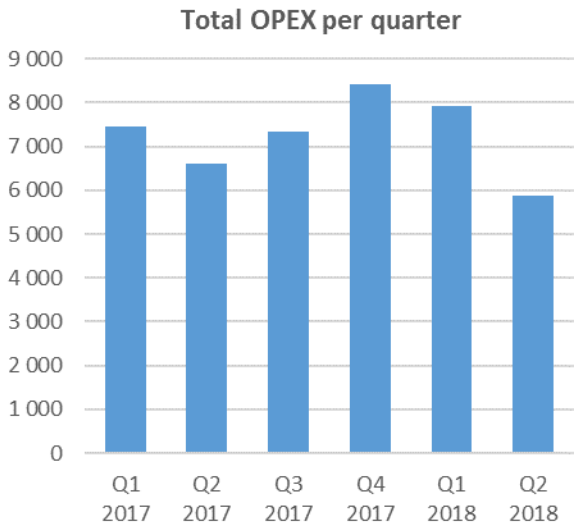
Priorities for the second-half of 2018 are focused on leveraging increased capacity and higher-level sales expertise within the new business development team in making up for the headwinds observed during the first-half. Furthermore, sales efforts will be prioritised on developing new key accounts, leveraging cross sales with existing customers and new Molecular customers AZ hasn't been able to reach prior to launching new products.

Financial review Enzymes

ArcticZymes experienced a quarter with modest sales. Sales were NOK 5.7 million in the second quarter compared to 8.4 in the same quarter last year.

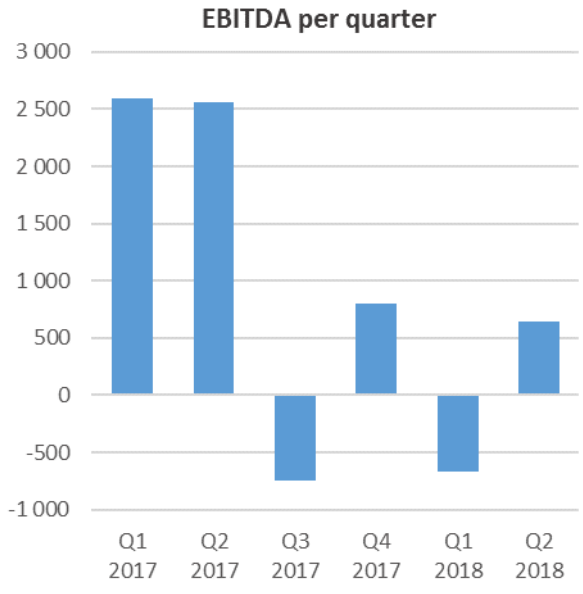


Other revenues for the second quarter showed NOK 1.0 million, an increase from NOK 0.8 million in 2017. This increase is explained by higher R&D revenues for the quarter.



Operating expenses decreased from NOK 6.6 million in the second quarter of 2017 to NOK 5.9 million in the second quarter of 2018, driven by a general reduction in most areas

EBITDA showed a profit of NOK 0.6 million for the second quarter of 2018, which is a reduction from NOK 2.6 million in the same quarter in 2017.



OUTLOOK

Biotec Pharmacon expects to grow the business organically in high margin focus areas in 2018 versus 2017. ArcticZymes is forecasted to grow sales both due to the newly launched and well received products as well as benefiting from the strengthened sales team. Within Woulgan®, expectations are that the evaluations currently taking place will develop into a recurring usage at the various sites and thereby lead to increased sales.

The growth in Biotec's high margin focus areas is expected to be offset by lower sales of animal health products, where the margin profile are lower than the rest of the Company's product portfolio. As a consequence of this, there's an uncertainty in reaching overall organic growth for the Company.

Cash consumption is constantly in focus and given that growth is expected in the second half of 2018 an improvement in our cash consumption is not expected before second half of 2018.

The interim financial statement 30. June 2018 (Q2)

CONSOLIDATED STATEMENT OF PROFIT & LOSS

(Amounts in NOK 1 000 - except EPS)	Note	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Sales revenues	2,7,8	10 871	16 385	25 113	34 581
Other revenues	2,8	1 363	1 445	3 118	3 020
Sum revenues		**12 234**	**17 830**	**28 231**	**37 601**
Cost of goods sold		-2 685	-4 334	-7 203	-9 917
Personnel expenses	2,8	-7 490	-8 519	-18 762	-20 453
Other operating expenses	2,8	-6 265	-9 332	-12 338	-15 695
Sum expenses		**-16 439**	**-22 185**	**-38 303**	**-46 065**
Earnings before interest, taxes, depr. and amort. (EBITDA)		**-4 205**	**-4 354**	**-10 072**	**-8 463**
Depreciation and amortization expenses	2,8	-563	-450	-1 128	-913
Operating profit/loss (-) (EBIT)		**-4 769**	**-4 804**	**-11 199**	**-9 377**
Finanical income, net		2	98	-4	181
Profit/loss (-) before income tax (EBT)		**-4 767**	**-4 706**	**-11 204**	**-9 196**
Tax		0	0	0	0
Net profit/loss (-)		**-4 767**	**-4 706**	**-11 204**	**-9 196**
Basic EPS (profit for the period)		-0,10	-0,11	-0,23	-0,21
Diluted EPS (profit for the period)		-0,10	-0,11	-0,23	-0,21

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK 1 000)	Note	30.06.2018	30.06.2017	31.12.2017
Non-current assets				
Machinery and equipment	4	4 647	4 143	4 589
Intangible assets	4	7 034	6 357	7 119
Other non-current assets		4	209	9
Total non-current assets		**11 685**	**10 708**	**11 717**
Current assets				
Inventories		6 547	4 298	5 011
Account receivables and other receivables	9	13 467	20 368	14 363
Cash and cash equivalents		35 163	38 404	30 593
Total current assets		**55 177**	**63 070**	**49 966**
Total assets		**66 862**	**73 778**	**61 683**
Equity				
Share capital		48 335	43 945	43 945
Premium paid in capital		151 039	133 378	133 378
Retained earnings		-143 777	-118 109	-133 223
Non-controlling interests		676	711	713
Total equity		**56 272**	**59 924**	**44 813**
Current liabilities				
Accounts payable and other current liabilities	10	10 590	13 854	16 870
Total current liabilities		**10 590**	**13 854**	**16 870**
Total equity and liabilities		**66 862**	**73 778**	**61 683**

CONSOLIDATED CASH FLOW STATEMENT

(Amounts in NOK 1 000)	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Cash flow from operating activities:				
Profit after tax	-4 767	-4 706	-11 204	-9 196
Adjustment:				
Depreciation	563	450	1 128	913
Employee stock options	306	478	612	1 033
Changes in working capital				
Inventory	212	-500	-1 536	-1 523
Account receivables and other receivables	-425	-2 969	892	-3 652
Payables and other current liabilities	-1 787	698	-6 277	-3 901
Net cash flow from operating activities	**-5 896**	**-6 549**	**-16 384**	**-16 325**
Cash flow from investing activities:				
Purchase of fixed assets	-680	-723	-680	-1 504
Invested in intangible assets	-279	-641	-421	-1 268
Change in long term receivables		-171	6	-171
Net cash flow from investing activities	**-959**	**-1 536**	**-1 096**	**-2 943**
Cash flow from financing activities:				
Cashflow from private placement	22 051		22 051	
Net cash flow from financing activities	**22 051**	**0**	**22 051**	**0**
Changes in cash and cash equivalents	15 196	-8 085	4 571	-19 267
Cash and cash equivalents at the beginning of period	19 967	46 489	30 593	57 672
Cash and cash equivalents at end of period	**35 163**	**38 404**	**35 163**	**38 404**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK 1 000)	Q2 2018	Q2 2017	YTD 2018	YTD 2017
Equity at the beginning of period	**38 682**	**64 153**	**44 813**	**68 087**
Shared based compensation	306	478	612	1 033
Retained earnings	-4 777	-4 738	-11 167	-9 327
Private placement - new equity	22 051		22 051	
Change in non-controlling interest	10	31	-37	131
Equity at the end of period	**56 272**	**59 924**	**56 272**	**59 924**

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 30. June 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, 15.08.2018
The Board of Directors of Biotec Pharmacon ASA

Marie Ann Roskrow Chairman	Arne Reinemo Director	Inger Rydin Director
Martin Hunt Director	Ingrid Skjæveland Director (Employee repr.)	Christian Jørgensen CEO

Notes to the interim accounts for 30. June 2018 (Q2)

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 30. June 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 do not however include all information required for a full annual financial statement of the Group and should be read in conjunction with the annual report for 2017. 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. Those 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 2017 financial statement. For further information see note 2.22 in the 2017 annual report.

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.

(Amounts in NOK 1 000)	Q2		YTD	
	2018	**2017**	**2018**	**2017**
Sales revenue:				
Beta-Glucans	5 170	7 957	13 075	17 305
Enzymes	5 701	8 420	12 038	17 269
Unallocated revenues corporate level		7		7
Group operating sales revenues	**10 871**	**16 385**	**25 113**	**34 581**
Gross profit				
Beta-Glucans	2 616	3 625	6 249	7 090
Enzymes	5 569	8 418	11 661	17 567
Unallocated revenues corporate level		7		7
Group gross profit	**8 186**	**12 051**	**17 910**	**24 664**
Other revenues				
Beta-Glucans	400	677	999	1 336
Enzymes	964	769	2 120	1 684
Group other revenues	**1 363**	**1 445**	**3 118**	**3 020**
Operating expenses:				
Beta-Glucans	-6 584	-8 936	-14 878	-17 691
Enzymes	-5 886	-6 621	-13 800	-14 090
Unallocated corporate expenses	-1 284	-2 294	-2 422	-4 367
Group operating expenses	**-13 754**	**-17 851**	**-31 100**	**-36 148**
Operating profit/loss (-) (EBITDA)				
Beta-Glucans	-3 568	-4 635	-7 630	-9 265
Enzymes	647	2 566	-20	5 161
Unallocated corporate expenses	-1 284	-2 287	-2 422	-4 360
Operating profit/loss (-) (EBITDA)	**-4 205**	**-4 354**	**-10 072**	**-8 464**
Amortization:				
Beta-Glucans	-375	-315	-750	-635
Enzymes	-186	-132	-372	-274
Unallocated corporate expenses	-2	-2	-5	-5
Group amortization	**-563**	**-450**	**-1 128**	**-913**
Profit/loss (-) before income tax (EBIT)				
Beta-Glucans	-3 943	-4 950	-8 381	-9 899
Enzymes	461	2 434	-392	4 887
Unallocated corpoate expenses	-1 287	-2 290	-2 426	-4 365
Profit/loss (-) before income tax (EBIT)	**-4 769**	**-4 804**	**-11 199**	**-9 377**

Note 3 Share options

The Group has a share based option scheme. Per 30.06.2018, there were 362,000 outstanding options comprising of 35 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 30. June		**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:

	Average exercise price	2018	2017
Expiry date		Number of share options	
2018, 31 May	18.42		452 500
2019, 31 May	11.93	362 000	519 500
Outstanding at 30. June		**362 000**	**972 000**
Exercisable options at 30. June		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 30.06.2018 a total of NOK 17.5 million had been expensed, of which NOK 0.3 million applies to Q2 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	Q2		YTD	
(Amounts in NOK 1 000)	2018	2017	2018	2017
Net book value (opening balance)	4 279	3 734	4 589	3 168
Net investement	680	723	680	1 504
Depreciation and amortization	-312	-314	-619	-528
Net book value (ending balance)	**4 647**	**4 143**	**4 647**	**4 143**

Intangible asset	Q2		YTD	
(Amounts in NOK 1 000)	2018	2017	2018	2017
Net book value (opening balance)	7 006	5 853	7 119	5 465
Net investement	279	641	421	1 268
Depreciation and amortization	-251	-137	-508	-375
Net book value (ending balance)	**7 034**	**6 357**	**7 034**	**6 357**

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 30. June 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
Elisabeth Andreassen, employee observer	26 629	5 000
Christian Jørgensen, CEO	77 000	0
Børge Sørvoll, CFO	25 428	35 000
Rolf Engstad, CSO Biotec BetaGlucans AS	410 774	40 000
Jethro Holter, Managing Director ArcticZymes AS	564	40 000
Stuart Devine, VP Global Marketing Woulgan, Biotec Betaglucans AS	61 286	30 000

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 0.04 million per 30. June 2018.

Note 6 Shareholders

The 20 largest shareholders as of 30. June 2018	Shares	Ownership
Ormestad Telled	3 423 969	7,08
Pro AS	2 042 754	4,23
Aka AS	1 450 000	3,00
Cleasrstream Banking	1 265 739	2,62
MP Pensjon	1 173 239	2,43
Danske Bank AS	1 051 535	2,18
Birkeland Odd Knut	1 030 000	2,13
Nordnet Bank AB	974 854	2,02
Belvedere AS	890 571	1,84
Nordea Bank AS	777 573	1,61
Progusan AS	750 026	1,55
Isar AS	699 853	1,45
Hartvig Wennebaerg II	696 033	1,44
Nordnet Livsforsikring	667 367	1,38
Dragesund Invest AS	597 891	1,24
Middelboe AS	597 673	1,24
Kyrkjebøe Arne Kjetil	585 453	1,21
Spar Kapital Investor	578 714	1,20
Spiralen Industrier	474 639	0,98
Catilina Invest AS	470 000	0,97
20 largest shareholders aggregated	**20 197 883**	**41,79**

Note 7 Interims result

(Amounts in NOK 1 000)	Q2-2018	Q1-2018	Q4-2017	Q3-2017	Q2-2017
Sales revenues	10 871	14 242	17 669	14 437	16 385
Sales growth % (year-over-year)	-34 %	-13 %	-3 %	-32 %	7 %
Gross profit %	75 %	68 %	65 %	60 %	74 %
EPS	-0,10	-0,15	-0,17	-0,18	-0,11
EPS fully diluted	-0,10	-0,15	-0,17	-0,18	-0,11
EBITDA	-4 205	-4 354	-7 219	-8 464	-4 354
Equity	56 272	59 924	44 813	52 316	59 924
Total equity and liabilities	66 862	73 778	61 683	67 569	73 778
Equitiy (%)	84 %	81 %	73 %	77 %	81 %

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:

(Amounts in NOK 1 000 - exept EPS)	Q2		YTD	
	2018	2017	2018	2017
Sales	10 871	16 385	25 113	34 581
Cost of goods sold	-2 685	-4 334	-7 203	-9 917
Gross profit	**8 186**	**12 051**	**17 910**	**24 664**
Other revenues	1 363	1 445	3 118	3 020
Sum other revenues	**1 363**	**1 445**	**3 118**	**3 020**
Personnel expenses	-7 490	-8 519	-18 762	-20 453
Other operating expenses	-6 265	-9 332	-12 338	-15 695
Depreciation and amortization expenses	-563	-450	-1 128	-913
Operating profit/loss (-)	**-4 769**	**-4 804**	**-11 199**	**-9 377**

Note 9 Account receivables and other receivables

(Amounts in NOK 1 000)	30.06.2018	30.06.2017	31.12.2017
Accounts receivables	7 718	13 827	7 431
Research grants	340	1 225	685
Tax grants	3 888	3 549	2 647
VAT	352	598	512
Other receivables	1 170	1 168	3 087
Total account receivables and other receivables	**13 467**	**20 368**	**14 363**

Note 10 Account payable and other current liabilities

(Amounts in NOK 1 000)	30.06.2018	30.06.2017	31.12.2017
Accounts payable	4 760	6 734	5 808
Public taxes and withholdings	1 577	1 499	2 713
Unpaid holiday pay	1 449	1 656	3 464
Other personnel	1 133	1 550	1 882
Other current liabilities	1 671	2 413	3 003
Total account payable and other current liabilities	**10 590**	**13 854**	**16 870**

Note 11 Events after balance sheet date, 30. June 2018

There are no events of significance to the financial statements for the period from the financial statement date to the date of approval; 15.08.2018.

Oslo, 15 August 2018
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