BIOTEC PHARMACON

Q3 2018

Third quarter 2018

Highlights for the third quarter of 2018

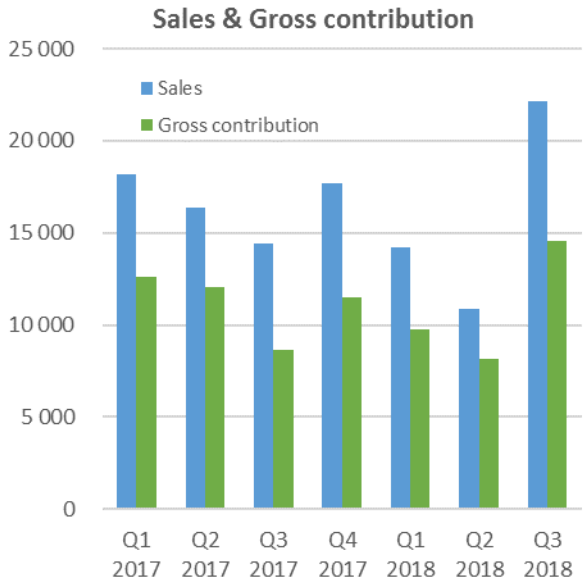
- Group sales were NOK 22.1 million in the third quarter of 2018, compared to NOK 14.4 million in the third quarter of 2017, due to stronger sales of animal health and enzyme products.
- EBITDA was NOK -0.2 million in the third quarter of 2018 compared to NOK -7.3 million in the third quarter of 2017.
- Operating expenses in the third quarter 2018 were NOK 1.9 million lower than in the third quarter of 2017, due to lower personnel and other operating expenses.
- ArcticZymes secured its first supply agreement for usage of Salt Active Nucleases in gene therapy.
- Finn Ketler was hired as new Vice President for the Wound Care area.

Key Financials

NOK 1.000	Q3 2018	Q3 2017	9M 2018	9M 2017
Sales	22 148	14 437	47 261	49 018
Total Revenues	23 093	16 268	51 324	53 869
EBITDA	-217	-7 255	-10 289	-15 718
EBIT	-778	-7 705	-11 978	-17 082
Net cash flow from operations	-6 365	-5 271	-22 749	-20 618
Net cash end of period	28 154	33 134	28 154	33 134

Biotec Pharmacon – Group Figures

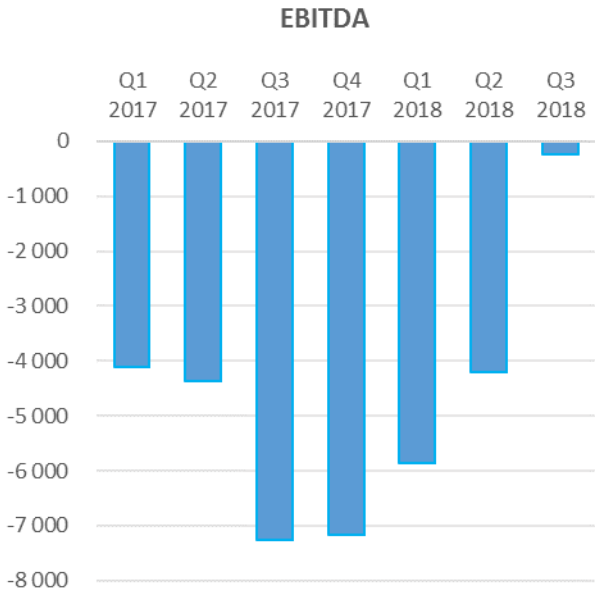
Biotec Pharmacon ASA, (hereinafter “Biotec” or “the Company”) reported sales of NOK 22.1 million (14.4) for the third quarter of 2018. Earnings before tax, interest, depreciation and amortisation (EBITDA) were NOK -0.2 million (-7.3) and earnings before interest and tax (EBIT) were NOK -0.8 million (-7.7) in the quarter. Net financial income was NOK 0.1 million (-0.2).



Sales in the beta-glucans segment were NOK 12.4 million compared to NOK 8.8 million during the third quarter of 2017. The increase is explained by higher demand for Biotec’s animal health product M-Glucan™ and sales of Woulgan®. The enzymes segment had third quarter sales of NOK 9.8 million compared to NOK 5.6 million in the third quarter of 2017.

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

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



The Group had 42 full-time and part-time employees, which includes 6 consultants on long-term contracts.

Financial position

Total equity amounted to NOK 55.6 million at the end of the third quarter 2018 compared to NOK 44.8 million at the end of 2017.

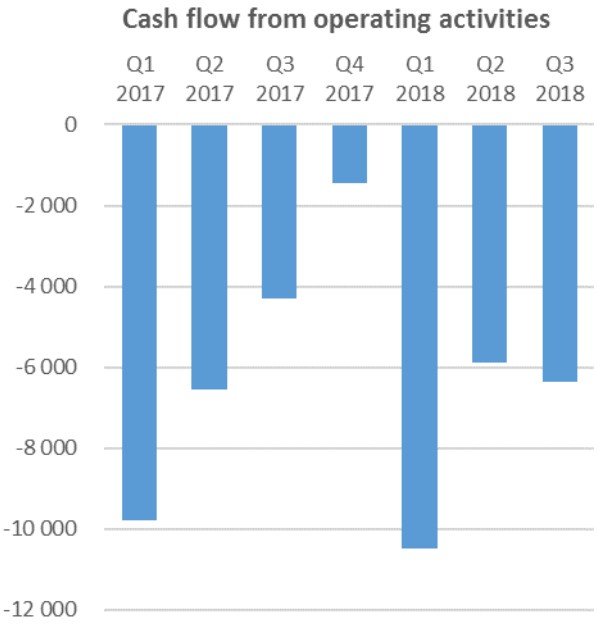
Total assets were NOK 68.5 million at the end of the third quarter of 2018, compared to NOK 61.7 million at the end of 2017.

The Company has no interest-bearing debt.

Cash flow

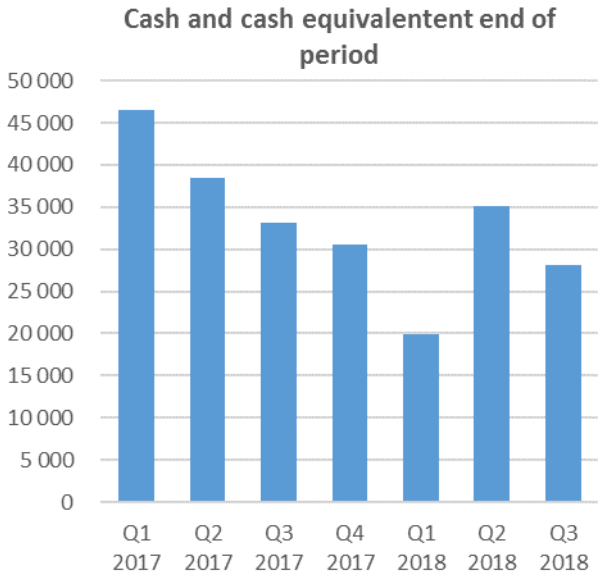
Net cash flow from operating activities was NOK -6.4 million in the third quarter, compared to NOK -4.3 million in the same quarter in 2017.

The operating cash flow reflects a change in working capital of NOK 6.3 million compared to end of the second quarter 2018. This is explained by an increase in receivables by NOK 8.6 million, a reduction in liabilities of NOK 2.0 million and a decrease in inventory of NOK 0.3 million.



Net cash flow from investing activities was NOK -0.6 million while net cash flow from financing activities was NOK 0 in the third 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.

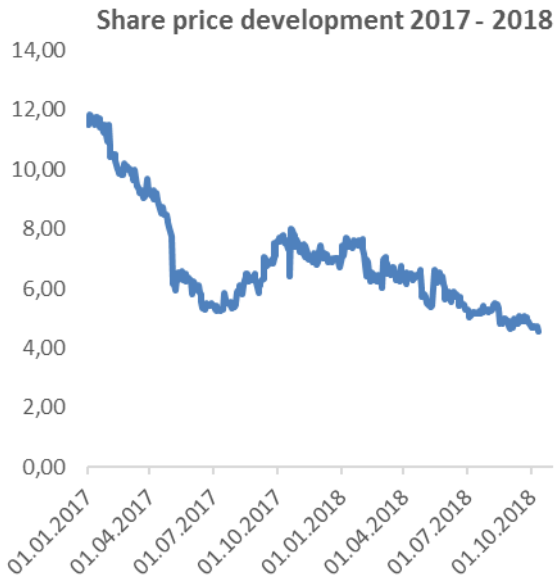
Changes in cash and cash equivalents was NOK -7.0 million in the third quarter. This generated a cash balance of NOK 28.2 million at the end of the quarter, compared to NOK 33.1 million at the end of the second quarter 2018.



Shareholder matters

The total number of issued shares was 48,334,673 at the end of the third 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 30.09, 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 products are used in out-patient settings, either in nursing homes or clinics. This requires a good coverage of the market and presence to generate substantial recurring sales revenues in key markets.

The Company continues to look for partners to deliver substantial growth in wound care. Feedback from potential partners is positive in relation to documentation and efficacy, while considerations regarding the strategic fit with existing portfolio is key.

Woulgan® – Germany

Sales were better than expectations for the quarter. This was driven by continued positive feedback from the nurses and recurring usage of Woulgan®.
Another large homecare company focused on wound care started to buy Woulgan in the third quarter.
These positive developments come despite challenging market conditions. Due to the lawsuit between G-BA and the Ministry of Health at Germanys social court, there is a continued uncertainty regarding reimbursement of dressings (especially gels) with therapeutic effect. This uncertainty is further triggered by e.g. the "Kassenärztliche Vereinigung" (Association of Statutory Health Insurance Physicians), with the general aim to cut costs.

Woulgan® - UK

The 300-patient evaluation study of Woulgan® with a comparative arm was published in the Journal of Wound Care (JWC) in September. The publication demonstrates good healing rates for

Woulgan compared to standard care with 92% of ulcers healed by week 24.

Despite increased brand awareness and favourable feedback by stakeholders in the UK, adoption of Woulgan® is progressing slowly. 5 clinics have added Woulgan® to their formularies.
Slow adaptation can be explained by financial constraints in the UK healthcare system and a conservative approach to adding new products to formularies.

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 and sales are so far limited.
One additional publication from the Nordic case series evaluation of Woulgan® has been accepted for publication in "Sårmagasinet".

Woulgan® - Other

The Post-Market Clinical Follow-up study (PMCF) has by end of the third quarter screened almost 70 patients. 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 in the fourth quarter this year or at the latest during the first quarter of 2019.

Research and development

The pilot version of the gel-forming dry layer product, aimed for exuding and large surface wounds, has received very positive feedback from health care professionals. The company see a large, and still unmet medical need for a bioactive gel-forming dressing in the market. The Company is continuing testing pilot scale production equipment for the manufacturing of such an advanced gel forming dressing.

Beta-glucans – Adjuvant

Memorial Sloan Kettering Cancer Centre (MSKCC) is continuing to recruit new patients to the ongoing vaccine trial at a high pace. The study combining SBG® with a cancer vaccine against high-risk neuroblastoma in children, has by end of the third quarter included close to 200 patients. From 2017, the study was allowed to include patients in 1st remission after conventional therapy, which resulted in a much larger patient population to be treated with the immunotherapeutic vaccine/SBG regime.

The results presented at "Advances in Neuroblastoma Research" (ANR2018) in San Francisco earlier this year have created enthusiasm among clinicians also outside MSKCC, that an effective vaccine to treat neuroblastoma is emerging.

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

Beta-glucans – Other

Biotec experienced growth in sales of M-Gard™ in the third quarter of 2018 versus the same quarter last year. The first half momentum will not continue into the second half, but for the full year, sales of M-Gard™ will be higher than 2017.

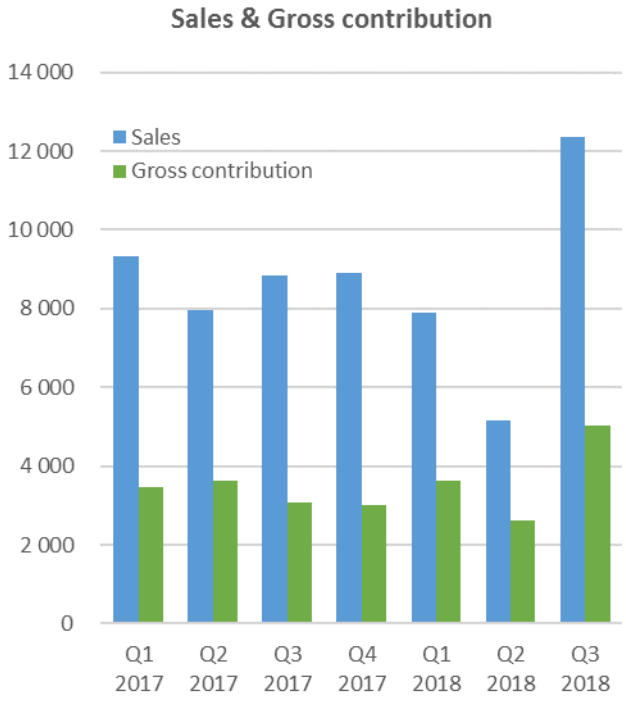
The Company is working on expanding the "funnel" of potential customers and has successfully engaged another customer in Asia who buys M-Gard™ on a regular basis. As with other Biotec products, M-Gard™ is sold as an integral part of other companies' products, hence the lead time between initial contact and first order is long.

The animal feed sector continues to be under 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.

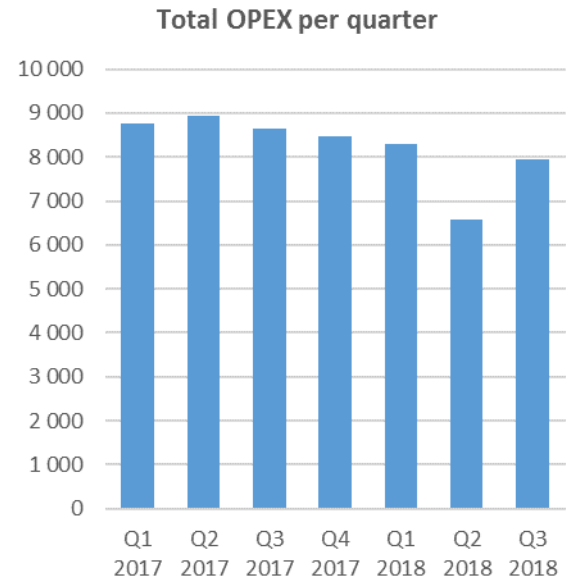
Biotec experienced higher sales versus the same quarter last year driven by our main customers, but also sales to new customers in this animal feed segment. As Biotec is a sub-supplier to the marine feed industry, Biotec has little influence over the sales to the final customer.

Financial review beta-glucans

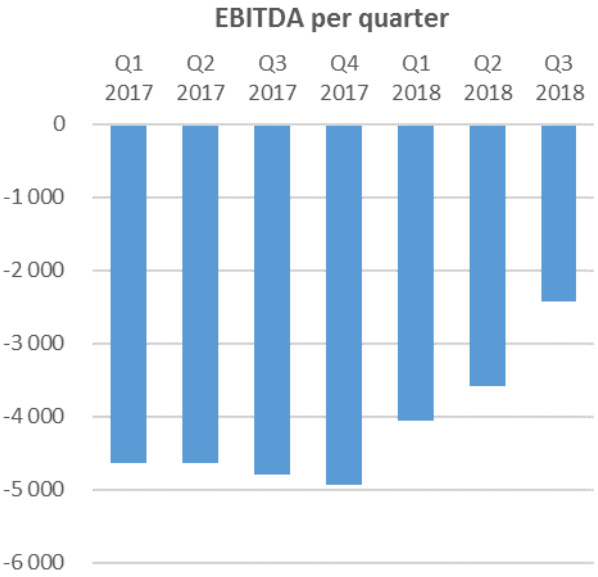
Beta-glucan sales amounted to NOK 12.4 million in the third quarter of 2018, compared to NOK 8.8 million in the third quarter of 2017. Gross contribution increased from NOK 3.1 million in the third quarter of 2017 to NOK 5.0 million in 2018, primarily due to sales of feed ingredient to the animal health sector. Woulgan® sales were NOK 0.9 million in the third quarter, NOK 0.5 million more than the same quarter in 2017. Woulgan experiences good growth and recurring revenues in the German market.



Operating expenses were reduced from NOK 8.7 million in the third quarter of 2017 to NOK 8.0 million in the third quarter of 2018.



EBITDA for the third quarter of 2018 was NOK -2.4 million compared to NOK -4.8 million in the same period last year, explained by a reduction in operating expenses and strong sales within animal health.



Enzymes (ArcticZymes)

ArcticZymes largest customer has placed orders and received shipments of ArcticZymes main product to replenish inventory during the quarter. Mutual efforts are ongoing to re-establish a more regular supply of products and provide greater visibility to supply chain needs across the product mix purchased by ArcticZymes largest customer.

ArcticZymes secured 2 new supply agreements during the quarter with 2 undisclosed customers.

- The first supply agreement was with a major Molecular Diagnostics (MDx) company who has integrated Shrimp Alkaline Phosphatase (SAP) into their liquid biopsy tests. The company is a global leader in non-invasive oncology and prenatal testing. As business matures sales will be in the range of 1-2 MNOK per year. A crucial contributing factor in securing this deal was an onsite customer audit of the ArcticZymes facilities in Tromsø. ArcticZymes focus on high quality manufacturing and recent ISO13485 certification led to a successful audit and confidence that ArcticZymes is a premium OEM supplier. Both companies are exploring a project were ArcticZymes may potentially custom develop a new enzyme.
  Over the last 3 years, ArcticZymes has built the internal competences within its R&D team to exploit bioinformatic tools and databases to search for and model novel enzymes. Bioinformatics is a science where computers are used to find DNA sequences and manipulate them *in silico* to predict how an enzyme may function. Furthermore, ArcticZymes are experiencing an increase in similar requests for custom developed enzymes from other customers.

- The second agreement represents ArcticZymes first supply agreement for utility of Salt Active Nuclease (SAN-HQ) in the cGMP manufacturing of viruses for gene therapy. ArcticZymes' Novel SAN-HQ enzyme offers gene therapy- and vaccine customers a more cost effective and technically superior solution for removal of

contaminating DNA during the manufacturing process of therapeutic viruses. This represents a critical and challenging step in the manufacturing process where long-established alternative technologies are costlier and technically suboptimal. Cost and technical inefficiencies represent key challenges for the wider adoption of gene therapy. cGMP (current Good Manufacturing Practice) regulations are relevant when a drug leaves the laboratory and enters into production. cGMP regulations assure proper design, monitoring, and control of manufacturing processes and facilities.

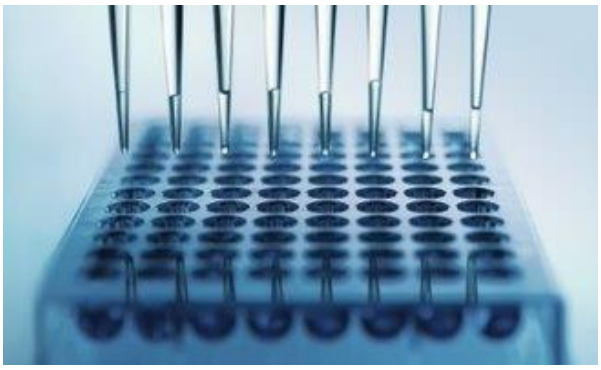
The undisclosed customer is a pioneer in the rapidly growing gene therapy market. Unlike traditional therapeutics, gene therapy provides a realistic opportunity to cure devastating childhood genetic diseases and cancers by using viruses to modify DNA within a patient's cells. 2018 has been a landmark year with the first commercially approved gene therapy entering the market, which has attracted over $7.5B investment during 2017 to support commercial activities.

Several customers have already transitioned towards placing orders for the larger bulk package size of SAN-HQ. ArcticZymes anticipates that approximately 10-20 customers will lock down their large-scale cGMP manufacturing processes with SAN-HQ over the next 3 years. Expected average annual sales will range between 1-3 MNOK depending on the customers manufacturing process and nature of the therapeutic agent.

Securing the first supply agreement to support cGMP manufacturing of gene therapy viruses via novel technologies is a milestone for ArcticZymes. Achieving this milestone is fundamental in building confidence that SAN-HQ meets the rigour demands expected from a supplier to cGMP manufacturers.

Innovation Update

Third quarter efforts have been focused on assembling a panel of advanced prototype ligases for evaluation by several key customers. Ligases are enzymes that join DNA and genetic material together. They have a wide range of applications such as genome sequencing and synthetic biology (building synthetic genomes and organisms in the test tube). There is a high demand in the market for novel ligases, especially within existing customer base. Ligases represent the 2nd largest molecular enzyme market segment (1 BNOK in 2017) and the 2nd highest growth rate (14% CAGR). The market is largely dominated by T4 DNA ligase which is a generic and commodity enzyme. A similar innovation approach to what was used to develop and launch the Polymerase product has been employed to the ligase product developments where customer engagement plays a central role. This approach ensures that ArcticZymes launches the most commercial relevant ligase products. Launch of the first ligase product is anticipated during the next 3-6 months.



Other updates

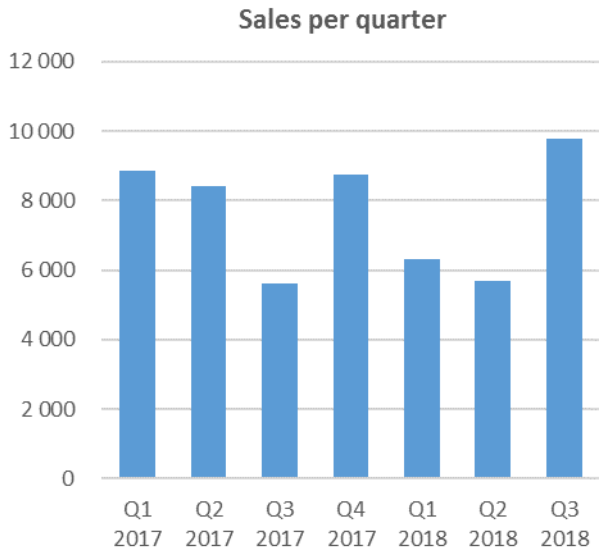
ArcticZymes has taken several steps forward in preparing organic and non-organic growth of the business. The ambition is to double the capacity to launch new synergistic products during 2019 and onwards.

In leveraging the potential and value from the business, it is timely to engage with relevant companies by forging strategic partnerships who

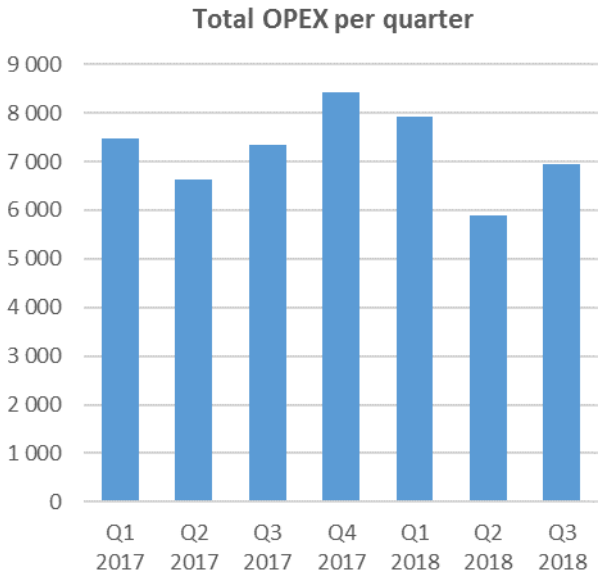
possess either complementary competences and/or product offerings that can be integrated into ArcticZymes product offering.

Financial review Enzymes

ArcticZymes had a quarter with good sales revenues. Sales were NOK 9.8 million in the third quarter compared to 5.6 in the same quarter last year.

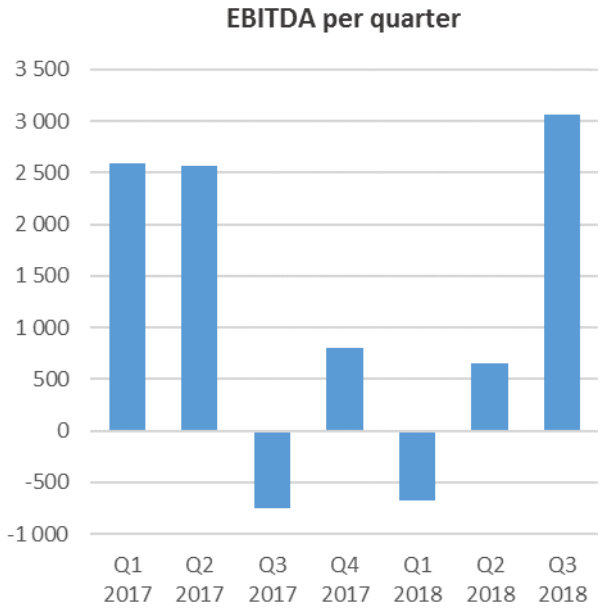


Other revenues for the third quarter showed NOK 0.5 million, a decrease from NOK 1.1 million in 2017. This reduction is explained by lower R&D revenues for the quarter.



Operating expenses decreased from NOK 7.3 million in the third quarter of 2017 to NOK 6.9 million in the third quarter of 2018, driven by a general reduction in most areas

EBITDA showed a profit of NOK 3.1 million for the third quarter of 2018, which is an increase from NOK -0.8 million in the same quarter in 2017.



OUTLOOK

Biotec Pharmacon aims to grow the business organically in high margin focus areas in 2018 versus 2017.

ArcticZymes aims to grow sales both due to the newly launched and well received products, as well as benefiting from a strengthened sales team.

Expectations for Woulgan are that sales and marketing activities 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 the lower margin animal health products. As a consequence, there's an uncertainty in reaching overall organic growth for the Company.

Cash consumption is constantly in focus and improvement in cash consumption is expected.

The interim financial statement 30. September 2018 (Q3)

CONSOLIDATED STATEMENT OF PROFIT & LOSS

(Amounts in NOK 1 000 - exept EPS)	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Sales revenues	22 148	14 437	47 261	49 018
Other revenues	945	1 831	4 064	4 851
Sum revenues	**23 093**	**16 268**	**51 324**	**53 869**
Cost of goods sold	-7 557	-5 825	-14 760	-15 742
Personnel expenses	-10 405	-12 170	-29 167	-32 623
Other operating expenses	-5 349	-5 528	-17 687	-21 222
Sum expenses	**-23 311**	**-23 523**	**-61 613**	**-69 587**
Earnings before interest, taxes, depr. and amort. (EBITDA)	**-217**	**-7 255**	**-10 289**	**-15 718**
Depreciation and amortization expenses	-561	-450	-1 688	-1 363
Operating profit/loss (-) (EBIT)	**-778**	**-7 705**	**-11 978**	**-17 082**
Finanical income, net	104	-229	99	-48
Profit/loss (-) before income tax (EBT)	**-675**	**-7 934**	**-11 878**	**-17 129**
Tax	0	0	0	0
Net profit/loss (-)	**-675**	**-7 934**	**-11 878**	**-17 129**
Basic EPS (profit for the period)	-0,01	-0,18	-0,25	-0,39
Diluted EPS (profit for the period)	-0,01	-0,18	-0,25	-0,39

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK 1 000)	30.09.2018	30.09.2017	31.12.2017
Non-current assets			
Machinery and equipment	4 746	4 844	4 589
Intangible assets	7 033	6 360	7 119
Other non-current assets	-12	24	9
Total non-current assets	**11 767**	**11 228**	**11 717**
Current assets			
Inventories	6 235	4 077	5 011
Account receivables and other receivables	22 309	19 131	14 363
Cash and cash equivalents	28 154	33 134	30 593
Total current assets	**56 698**	**56 342**	**49 966**
Total assets	**68 465**	**67 569**	**61 683**
Equity			
Share capital	48 335	43 945	43 945
Premium paid in capital	151 039	133 378	133 378
Retained earnings	-144 518	-125 739	-133 223
Non-controlling interests	783	733	713
Total equity	**55 639**	**52 316**	**44 813**
Current liabilities			
Accounts payable and other current liabilities	12 826	15 253	16 870
Total current liabilities	**12 826**	**15 253**	**16 870**
Total equity and liabilities	**68 465**	**67 569**	**61 683**

CONSOLIDATED CASH FLOW STATEMENT

(Amounts in NOK 1 000)	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Cash flow from operating activities:				
Profit after tax	-675	-7 934	-11 878	-17 129
Adjustment:				
Depreciation	561	450	1 688	1 363
Employee stock options	41	326	653	1 358
Changes in working capital				
Inventory	311	221	-1 224	-1 302
Account receivables and other receivables	-8 580	1 452	-7 688	-2 200
Payables and other current liabilities	1 975	1 163	-4 302	-2 708
Net cash flow from operating activities	**-6 365**	**-4 323**	**-22 749**	**-20 618**
Cash flow from investing activities:				
Purchase of fixed assets	-408	-930	-1 088	-2 462
Invested in intangible assets	-251	-203	-672	-1 471
Change in long term receivables	15	185	21	13
Net cash flow from investing activities	**-643**	**-948**	**-1 739**	**-3 920**
Cash flow from financing activities:				
Net cash flow from financing activities	**0**	**0**	**22 051**	**0**
Changes in cash and cash equivalents	-7 008	-5 271	-2 438	-24 538
Cash and cash equivalents at the beginning of period	35 163	38 405	30 593	57 672
Cash and cash equivalents at end of period	**28 154**	**33 134**	**28 154**	**33 134**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK 1 000)	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Equity at the beginning of period	**56 272**	**59 924**	**44 813**	**68 087**
Shared based compensation	41	325	653	1 358
Retained earnings	-782	-7 955	-11 949	-17 282
Private placement - new equity			22 051	
Change in non-controlling interest	108	22	71	153
Equity at the end of period	**55 639**	**52 316**	**55 639**	**52 316**

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. September 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, 17.10.2018
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 30. September 2018 (Q3)

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. September 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 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)	Q3		YTD	
	2018	**2017**	**2018**	**2017**
Sales revenue:				
Beta-Glucans	12 372	8 835	25 447	26 140
Enzymes	9 776	5 602	21 814	22 871
Unallocated revenues corporate level				7
Group operating sales revenues	**22 148**	**14 437**	**47 261**	**49 018**
Gross profit				
Beta-Glucans	5 033	3 081	11 283	10 171
Enzymes	9 558	5 530	21 219	23 097
Unallocated revenues corporate level				7
Group gross profit	**14 591**	**8 610**	**32 501**	**33 275**
Other revenues				
Beta-Glucans	499	777	1 498	2 113
Enzymes	446	1 054	2 566	2 738
Unallocated revenues corporate level				
Group other revenues	**945**	**1 831**	**4 064**	**4 851**
Operating expenses:				
Beta-Glucans	-7 955	-8 653	-22 834	-26 344
Enzymes	-6 940	-7 334	-20 741	-21 424
Unallocated corporate expenses	-858	-1 710	-3 279	-6 077
Group operating expenses	**-15 754**	**-17 697**	**-46 854**	**-53 845**
Operating profit/loss (-) (EBITDA)				
Beta-Glucans	-2 423	-4 795	-10 053	-14 060
Enzymes	3 064	-750	3 044	4 411
Unallocated corporate expenses	-858	-1 710	-3 279	-6 070
Operating profit/loss (-) (EBITDA)	**-217**	**-7 255**	**-10 289**	**-15 718**
Amortization:				
Beta-Glucans	-375	-317	-1 125	-952
Enzymes	-186	-130	-558	-404
Unallocated corporate expenses		-2	-5	-7
Group amortization	**-561**	**-450**	**-1 688**	**-1 363**
Profit/loss (-) before income tax (EBIT)				
Beta-Glucans	-2 798	-5 112	-11 179	-15 012
Enzymes	2 878	-880	2 485	4 007
Unallocated corpoate expenses	-858	-1 713	-3 284	-6 077
Profit/loss (-) before income tax (EBIT)	**-778**	**-7 705**	**-11 978**	**-17 082**

Note 3 Share options

The Group has a share based option scheme. Per 30.09.2018, 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. September		**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 Number of share options	2017 Number of share options
2018, 31 May	18.42		452 500
2019, 31 May	11.93	362 000	519 500
Outstanding at 30. September		**362 000**	**972 000**
Exercisable options at 30. September		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 0.04 million applies to Q3 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 *(Amounts in NOK 1 000)*	Q3		YTD	
	2018	2017	2018	2017
Net book value (opening balance)	4 647	4 143	4 589	3 168
Net investement	408	952	1 088	2 462
Depreciation and amortization	-309	-250	-928	-786
Net book value (ending balance)	**4 746**	**4 844**	**4 746**	**4 844**

Intangible asset *(Amounts in NOK 1 000)*	Q3		YTD	
	2018	2017	2018	2017
Net book value (opening balance)	7 034	6 357	7 119	5 465
Net investement	251	203	672	1 471
Depreciation and amortization	-253	-200	-761	-577
Net book value (ending balance)	**7 033**	**6 360**	**7 033**	**6 360**

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. September 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	430 774	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 0.06 million per 30. September 2018.

Note 6 Shareholders

The 20 largest shareholders as of 30. September 2018	Shares	Ownership
Ormestad Tellef	3 440 659	7,12
Pro AS	2 030 626	4,20
Aka AS	1 450 000	3,00
Clearstream Banking	1 322 719	2,74
MP Pensjon	1 173 239	2,43
Danske Bank Operation	1 062 335	2,20
Birkeland Odd Knut	1 030 000	2,13
Nordnet Bank AS	979 989	2,03
Belvedere AS	890 571	1,84
Nordea Bank AB Danmark	762 636	1,58
Progusan AS	750 026	1,55
Isar AS	699 853	1,45
Hartvi Wenneberg II	696 033	1,44
Nordnet Livsforsikring	661 492	1,37
Dragesund Invest AS	597 891	1,24
Middelboe AS	588 173	1,22
Spar Kapital Investor	578 714	1,20
Kyrkjebø Arne Kjetil	515 522	1,07
Spiralen Industrier AS	474 639	0,98
Catilina Invest AS	470 000	0,97
20 largest shareholders aggregated	**20 175 117**	**41,76**

Note 7 Interims result

(Amounts in NOK 1 000)	Q3-2018	Q2-2018	Q1-2018	Q4-2017	Q3-2017
Sales revenues	22 148	10 871	14 242	17 669	14 437
Sales growth % (year-over-year)	53 %	-25 %	-13 %	-3 %	-32 %
Gross profit %	66 %	75 %	68 %	65 %	60 %
EPS	-0,01	-0,10	-0,15	-0,17	-0,18
EPS fully diluted	-0,01	-0,10	-0,15	-0,17	-0,18
EBITDA	-217	-4 205	-4 354	-7 219	-8 464
Equity	55 639	56 272	59 924	44 813	52 316
Total equity and liabilities	68 465	66 862	73 778	61 683	67 569
Equitiy (%)	81 %	84 %	81 %	73 %	77 %

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)	Q3 2018	Q3 2017	YTD 2018	YTD 2017
Sales	22 148	14 437	47 261	49 018
Cost of goods sold	-7 557	-5 825	-14 760	-15 742
Gross profit	**14 591**	**8 611**	**32 501**	**33 275**
Other revenues	945	1 831	4 064	4 851
Sum other revenues	**945**	**1 831**	**4 064**	**4 851**
Personnel expenses	-10 405	-12 170	-29 167	-32 623
Other operating expenses	-5 349	-5 528	-17 687	-21 222
Depreciation and amortization expenses	-561	-450	-1 688	-1 363
Operating profit/loss (-)	**-778**	**-7 705**	**-11 977**	**-17 082**

Note 9 Account receivables and other receivables

(Amounts in NOK 1 000)	30.09.2018	30.09.2017	31.12.2017
Accounts receivables	16 587	12 637	7 431
Reserach grants	-144	944	685
Tax grants	4 455	4 454	2 647
VAT	427	413	512
Other receivables	984	683	3 087
Total account receivables and other receivables	**22 309**	**19 131**	**14 363**

Note 10 Account payable and other current liabilities

(Amounts in NOK 1 000)	30.09.2018	30.09.2017	31.12.2017
Accounts payable	6 448	7 266	5 808
Public taxes and withholdings	1 195	1 406	2 713
Unpaid holiday pay	2 193	2 559	3 464
Other personnel	1 252	1 737	1 882
Other current liabilities	1 737	2 286	3 003
Total account payable and other current liabilities	**12 826**	**15 253**	**16 870**

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

There are no events of significance to the financial statements for the period from the financial statement date to the date of approval; 17.10.2018.

Oslo, 17 October 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