BIOTEC PHARMACON

# Q2 2017

Second quarter 2017

## Highlights for the second quarter of 2017

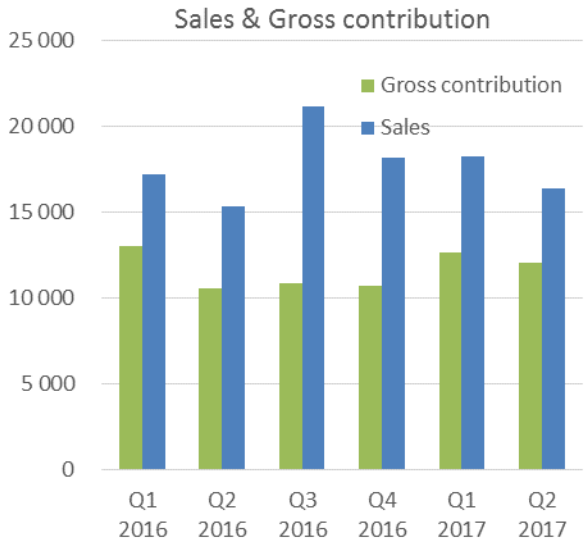
- Group sales was NOK 16.4 million in the second quarter of 2017, up from NOK 15.3 million in the second quarter of 2016
- EBITDA was NOK -4.4 million in the second quarter of 2017 compared to NOK -1.6 million in the second quarter of 2016, explained by extraordinary corporate costs and lower sales of consumer health products
- Woulgan® revenues of NOK 0.9 million in the second quarter, up from MOK 0.4 million in the first quarter
- ArcticZymes reached sales of NOK 8.4 million in the second quarter of 2017, an 8 percent growth from the second quarter last year

## Key Financials

| NOK 1.000 | Q2 2017 | Q2 2016 | 6M 2017 | 6M 2016 |
|---|---|---|---|---|
| Sales | 16 385 | 15 307 | 34 581 | 32 574 |
| Total Revenues | 17 830 | 17 009 | 37 601 | 36 169 |
| EBITDA | -4 354 | -1 581 | -8 463 | -5 068 |
| EBIT | -4 804 | -2 067 | -9 377 | -6 042 |
| | | | | |
| Net cash flow from operations | -6 549 | -3 022 | -16 325 | -13 673 |
| Net cash end of period | 38 404 | 64 699 | 38 404 | 64 699 |

# Biotec Pharmacon – Group Figures

Biotec Pharmacon ASA, (hereinafter "Biotec" or "the Company") reported sales of NOK 16.4 million (15.3) for the second quarter of 2017. Earnings before tax, interest, depreciation and amortization (EBITDA) was NOK -4.4 million (-1.6) and earnings before interest and tax (EBIT) was NOK -4.8 million (-2.1) in the quarter. Net financial income was NOK 0.1 million (0), generating an Earnings before tax (EBT) of NOK -4.7 million (-2.1) for the quarter.

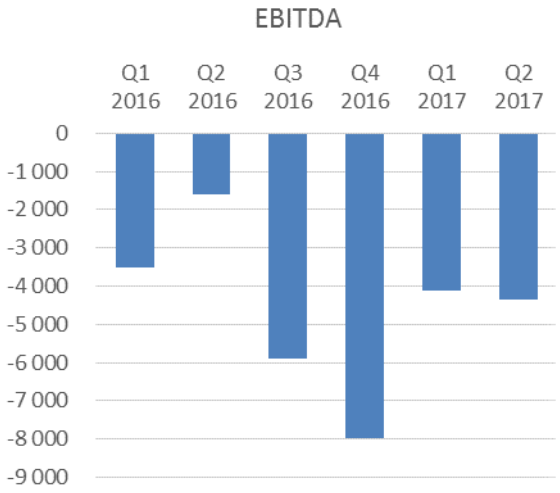



The beta-glucan segment had sales of NOK 8.0 million compared to NOK 7.5 million during the second quarter of 2016. Woulgan® continued to generate revenue growth and reported NOK 0.9 million in sales for the quarter. The enzyme segment had second quarter sales of NOK 8.4 million compared to NOK 7.8 million in the second quarter of 2016.

The Group had a gross contribution of NOK 12.1 million in the second quarter of 2017 compared to NOK 10.6 million in 2016. The increase in gross contribution is primarily explained by solid sales in ArcticZymes and sales growth for Woulgan®.

Reduced EBITDA for the second quarter of 2017, compared to the same quarter last year are partly explained by extraordinary corporate expenses relating to hiring of new CEO and lower sales within consumer health products.

The Company recognized no income tax in the second quarter of 2017.




The Group had 42 full-time and 4 part-time associates at the end of the second quarter. This is equal to what the Company had at the end of second quarter 2016. This includes consultants on long-term contract.

**Financial position**

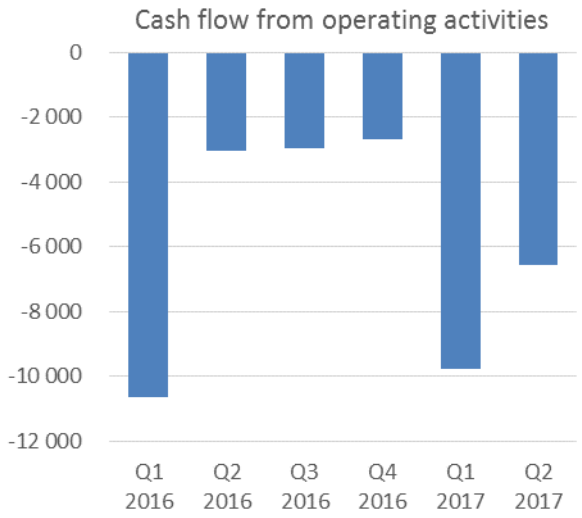
Total equity amounted to NOK 59.9 million at the end of the second quarter 2017 compared to NOK 68.1 million at the end of 2016.

Total assets were NOK 73.8 million at the end of the second quarter of 2017, compared to NOK 85.8 million at the end of 2016.

The Company has no interest-bearing debt.

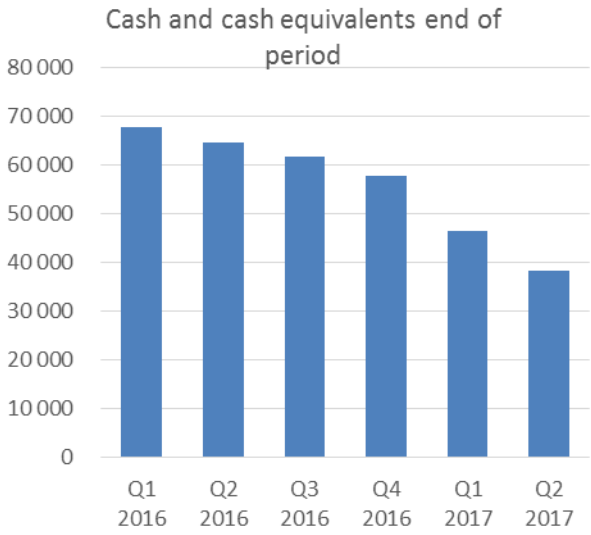
**Cash flow**

Net cash flow from operating activities was NOK -6.5 million in the second quarter 2017, compared to NOK -3.0 million in the same quarter in 2016. The operating cash flow reflects a change in working capital of NOK 2.8 million compared to end of first quarter 2017. This is considered as normal working capital fluctuations



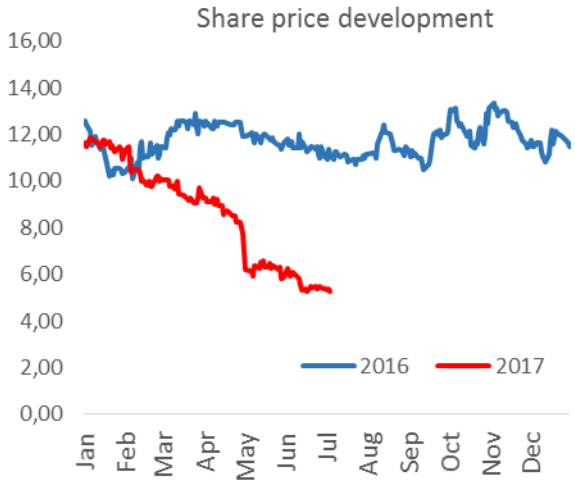

Net cash flow from investing activities was NOK -1.5 million while net cash flow from financing activities was NOK 0 in the first quarter.

Changes in cash and cash equivalents were NOK -8.1 million in the second quarter and NOK -19.3 million for the first 6 months. This generated a cash balance of NOK 38.4 million at the end of the quarter, compared to NOK 57.7 million at the end of 2016.




**Shareholder matters**

The total number of issued shares was 43,944,673 at the end of the second quarter of 2017. The number of issued employee share options was 972,000 at the end of the quarter.



**Risk factors**

Biotec´s business is exposed to a number of 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 2016, published on the Company's web site www.biotec.no

## Business area reporting

### Beta-glucans

**Woulgan® – Germany**

Biotec continues to see good growth in Germany, driven by faster product adoption in the home care channel. The German team successfully negotiated a listing and stocking of Woulgan® at Sangro Medical Service GmbH. Sangro is Germany's largest supplier to home care companies and related pharmacies with more than 3.800 customers. Achieving this milestone allows fast and convenient access to Woulgan® for the majority of small/medium medical supply stores, pharmacies and homecare companies in Germany. Biotec also gained new home care accounts during the quarter, with customers listing Woulgan® for treatment of stalled wounds.

Biotec extended the distribution agreement with Rogg Verbandstoffe GmbH. Rogg will continue to promote the benefits of Woulgan® to customers at physician offices and pharmacies and Biotec will support Rogg, by creating customer demand for Woulgan® through sales and marketing efforts. Sales to the GP and pharmacies channel is growing and both parties are encouraged about the future collaboration in the German market.

Multiple brand-building initiatives were undertaken in the second quarter, including participation at the leading German wound care conference, Deutscher Wundkongress in Bremen, and a well-attended Woulgan® symposium chaired by Prof. Joachim Dissemond, one of the most respected German wound experts. These initiatives promote the brand and generate further user interest for Woulgan®.
The German team completed an "expert opinion" with 5 specialized wound treatment centers (run by leading German-speaking KOLs) treating 28 chronic wounds of various types in the second quarter. The results will be used to support the clinical effectiveness of Woulgan® and will be presented at upcoming wound conferences.

**Woulgan® – Nordics**

Woulgan is receiving positive feedback from users but translation into sales is slow due to delays in tender renewals. Biotec expect the use of Woulgan® by clinicians' to increase as the product becomes more conveniently available.

Finland continues to deliver positive sales growth but numbers are still small given the limited overall market.

Biotec and its Nordic distributor Navamedic have built positive support for Woulgan® in two larger Swedish tenders. Both tenders are scheduled to be published before year-end. These regional tenders are strategically valuable and a positive development in either region is expected to influence progress in additional Swedish regions.

Although market access is progressing more slowly in Norway and Denmark, a regional Norwegian wholesaler responsible for supply into homecare and nursing homes will shortly list Woulgan® for sales to their customers.
To further increase Key Opinion Leader (KOL) support in Norway, local clinician workshops are scheduled for October and November, where Norwegian KOLs will participate.

The Nordic case series initiated in the first quarter of 2017 has recruited 20 of 40 patients across multiple sites in Sweden with additional sites in Norway planning to participate. The study aims to generate clinical support and generate Nordic-based evidence. The study is expected to be completed and submitted for publication in first quarter of 2018.

**Woulgan® - UK**

Biotec is supporting its UK distribution partner H&R Healthcare in accelerating the sales process by managing positive evaluations and converting these experiences into repeating sales to hospital users and off-Drug Tariff accounts.

According to Drug Tariff's own procedures, Biotec's Drug Tariff appeal is likely to be decided in the third quarter. If the appeal is dismissed, the previous rejection stands and then Biotec will consider submitting a new application. If the appeal is positive, the Drug Tariff is required to re-assess the original application.

In any event, Biotec is building additional evidence which may be included into a new application. This work includes additional UK-based evidence, supported by evidence from German expert opinions and the Nordic case series.

**Woulgan® - USA**

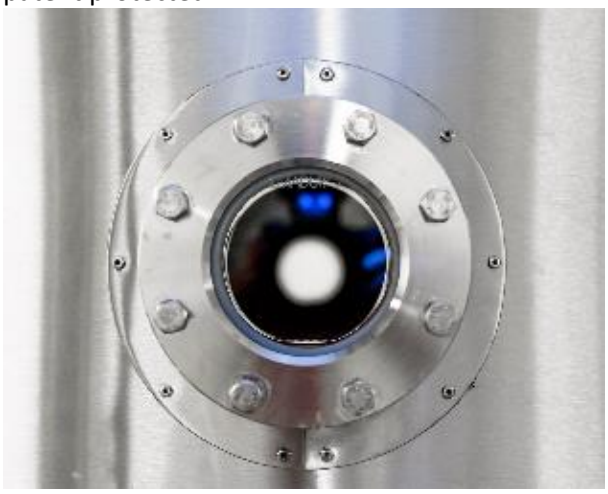
Biotec continues to identify a commercial strategy for a US market positioning for Woulgan® and the evidence required to support it.

**Woulgan® - Other**

The newly recruited Nottingham NHS-trust site in UK has started recruiting patients to the ongoing Post-Market Clinical Follow-up study. Together with the recently approved protocol amendments allowing broader inclusion criteria, the Nottingham site has seen a significant improvement on the inclusion rate.

**Research and development**

The Company is installing pilot production equipment to test the technology for manufacturing of the advanced gel-forming dressing. The new dressing product is aimed for use on exuding and large surface wounds where the Woulgan® Gel is less suitable. The initial testing of this technological platform aims at developing proprietary methods for production of gel-forming material that can be patent protected.



**Beta-glucans – Other**

Biotec continues to support Memorial Sloan Kettering Cancer Center in New York (MSKCC) with Soluble Beta-Glucan (SBG®) for clinical trial in children with neuroblastoma.
The neuroblastoma vaccine trial is progressing with a significantly higher inclusion rate than earlier. Almost 140 patients have been included in the trial. The trial has demonstrated that the combination of neuroblastoma vaccine and SBG® has excellent safety profile, and also holds promises with respect to treatment effect. The investigators at MSKCC have thus increased the enrollment goal from 145 patients to 185 patients.

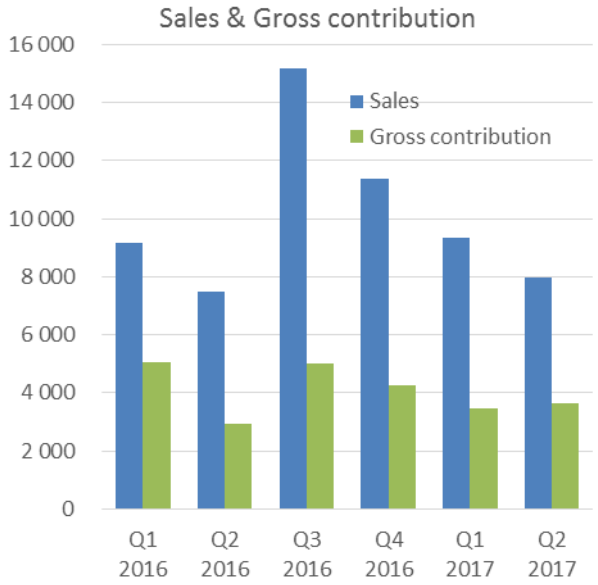
MSKCC expects to present initial data from the phase II part of the study in an upcoming cancer research congresses. Biotec continues to discuss further collaboration with MSKCC to identify how this experimental treatment regime may move into a potential commercial project.

In the nutrition segment, Biotec continues its commercial processes of generating additional leads. The product and pricing is deemed attractive by several potential customers so the focus is to close new agreements as soon as possible.

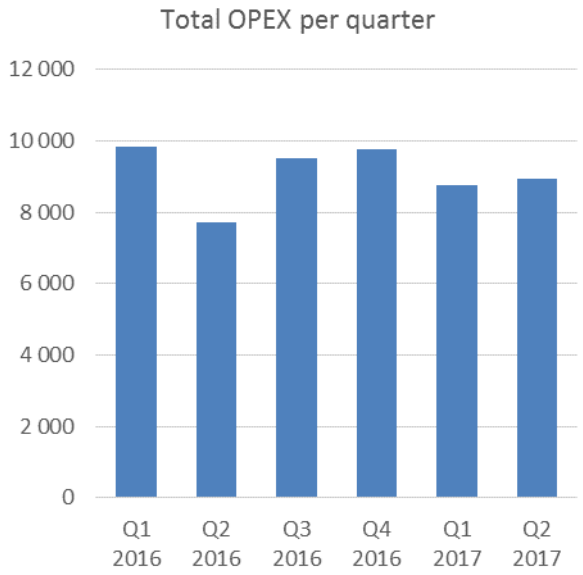
Sales of M-Glucan® to the feed sector was slightly down in the second quarter compared to previous quarters. Sales of this product has some seasonality as this ingredient is mainly included in special feed given to salmon in seasons where their immune system are particular exposed. The Company is currently assessing whether to expand this business into new geographical territories and new animal groups

## Financial review beta-glucans

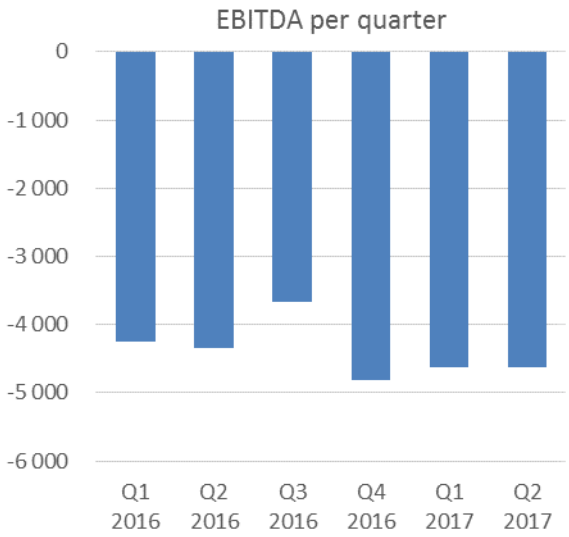
Beta-glucan sales amounted to NOK 8.0 million in the second quarter of 2017, compared to NOK 7.5 million in the second quarter of 2016. Gross contribution increased from NOK 2.9 million in the second quarter of 2016 to NOK 3.6 million in 2017, primarily due to sales of Woulgan. Woulgan® sales grew to NOK 0.9 million in the second quarter compared to NOK 0.4 million in the first quarter 2017.




Operating expenses increased from NOK 7.7 million in the second quarter of 2016 to NOK 8.8 million in the second quarter of 2017, mainly due to compensation of legal expenses in connection with arbitration received in the first half of 2016.




EBITDA for the second quarter of 2017 was NOK -4.6 million compared to NOK -4.4 million in the same period last year.



## Enzymes (ArcticZymes)

**Business**

During the second quarter, ArcticZymes launched Salt Active Nuclease High Quality (Bio manufacturing grade) – SAN HQ. This new product was developed to conform with the strict requirement demanded for use in bio manufacturing. SAN HQ was launched as planned at the Annual meeting of the American Society of Gene and Cell Therapy. A meeting attended by all key players and innovators in the gene therapy segment. For ArcticZymes the conference was fruitful to introduce the benefits SAN HQ can offer in the research, development and manufacturing of viruses utilized in gene therapy. Over 20 companies from all geographical regions expressed a keen interest in exploring the uniqueness's of SAN HQ and customer evaluations have been initiated.

Development of a complementary product, the SAN ELISA immunoassay kit, is progressing. The first prototype kits have been made available to a few selected customers. Depending on customer feedback and performance, ArcticZymes plans to launch the SAN ELISA immunoassay before year-end.

Last quarter, ArcticZymes communicated that its largest partner is in a process of consolidating their business and thereby centralize manufacturing and operations. As a result, they will temporarily pause manufacturing of certain products using ArcticZymes' enzymes. This is likely to affect third quarter sales for this account but is not expected to have any major effect on their long-term end user sales. More importantly, ArcticZymes efforts to support the customer aides in securing a long-term commitment with growing demand in supply from a strategic partner.

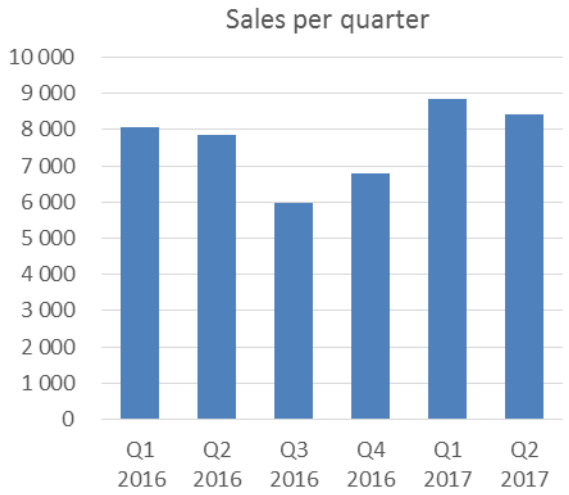

**IsoPol™ Polymerase Update**

Several of ArcticZymes' customers have tested IsoPol™ for potential use in Molecular Diagnostics applications using LAMP technology. LAMP is one of the leading isothermal amplification technologies, which is a highly desirable alternative to PCR. Until recently, LAMPs commercial adoption has been restricted to a handful of companies due to broad patent protection that now has expired. Consequently, there is renewed interest within the commercial community in LAMP technology. The technology is expected to be widely adopted by new commercial players to fuel their molecular diagnostic platforms. Ongoing customer evaluations of the first IsoPol™ polymerase have indicated that many aspects of this enzyme performs better than the leading isothermal polymerase enzyme used today. With further engineering, ArcticZymes plans to launch additional IsoPol™ polymerase enzymes. It is likely that ArcticZymes will be able to offer the Molecular Diagnostic community with an optimal isothermal polymerase for use in LAMP technology.

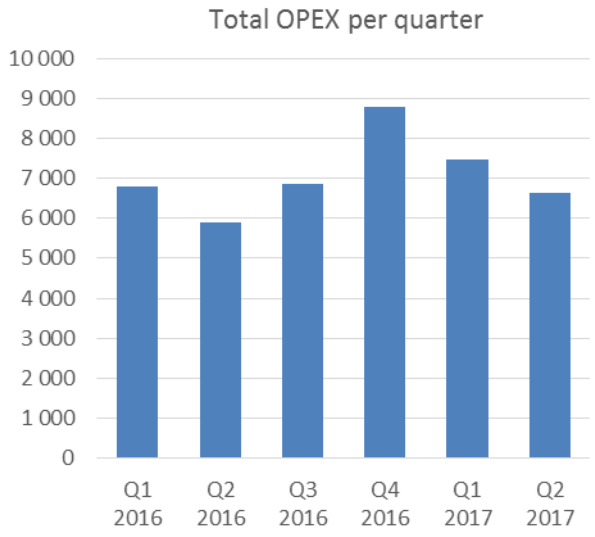
ArcticZymes is on track to bring two new IsoPol™ enzymes to the market before end of 2017.

## Financial review Enzymes

ArcticZymes develops as planned, and improved its quarter on quarter sales with sales revenues of NOK 8.4 million. The increased sales volume is a result of growth with existing customers, new customers and new product launches over the previous 12 months. In addition, ArcticZymes are entering new markets such as gene therapy, which had a positive impact on sales.

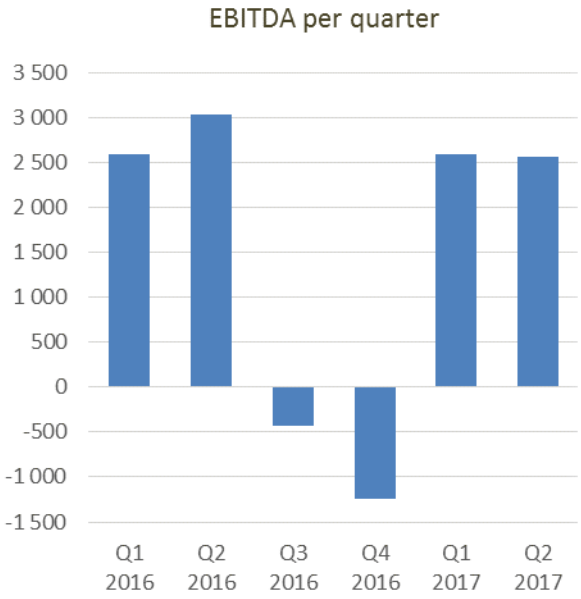



Other revenues for the second quarter shows NOK 0.8 million, a decrease from NOK 1.2 million in 2016. This decrease is explained by reduction in R&D revenues for the quarter.




Operating expenses have increased from NOK 5.9 million in the second quarter of 2016 to NOK 6.6 million in the second quarter of 2017, mainly because of increase in external services relating to projects and provisions for royalties.

EBITDA showed a profit of NOK 2.6 million for the second quarter of 2017, which is a reduction of NOK 0.4 million compared to the same quarter in 2016.




## OUTLOOK

Biotec will continue to pursue its commercial focus of driving sales and achieving key operational milestones in 2017.

For Woulgan®, and within wound care, focus will be on building sales and commercial traction in key markets and to obtain UK drug tariff approval.

Further advancing the development of the Woulgan® technology platform into new wound care products will be a key priority.

Within animal health, Biotec will continue to focus on customer satisfaction and to expand the opportunity into additional areas. Biotec's partner in this segment is considering a renewal and expansion of its production capacity and the Company will assist in all possible ways to create confidence in this decision.

As for consumer health, Biotec will focus on building commercial relationships that can be turned into long-term business opportunities.

There should be commercial opportunities emerging in the cancer adjuvant area going forward, and Biotec will become more active in identifying viable options and potential partnerships.

ArcticZymes has a solid position for further growth with a strong product offering, valuable and long-term relationships with key customers and a promising pipeline of novel enzymes that will lead to new product launches during 2017.

## 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 2017 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 half year 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, 16 August 2017
The Board of Directors of Biotec Pharmacon ASA

| | | |
|---|---|---|
| Erik Thorsen<br>Chairman | Martin Hunt<br>Director | Inger Rydin<br>Director |
| Masha Strømme<br>Director | Ingrid Skjæveland<br>Director | Svein W. F. Lien<br>CEO |

## The interim financial statement 30. June 2017 (Q2)

### CONSOLIDATED STATEMENT OF PROFIT & LOSS

| *(Amounts in NOK 1.000 - exept EPS)* | Q2 2017 | Q2 2016 | YTD 2017 | YTD 2016 |
|---|---|---|---|---|
| Sales revenues | 16 385 | 15 307 | 34 581 | 32 574 |
| Other revenues | 1 445 | 1 702 | 3 020 | 3 595 |
| **Sum revenues** | **17 830** | **17 009** | **37 601** | **36 169** |
| Cost of goods sold | -4 334 | -4 741 | -9 917 | -8 917 |
| Personnel expenses | -8 519 | -7 593 | -20 453 | -18 938 |
| Other operating expenses | -9 332 | -6 256 | -15 695 | -13 385 |
| **Sum expenses** | **-22 185** | **-18 590** | **-46 065** | **-41 240** |
| **Earnings before interest, taxes, depr. and amort. (EBITDA)** | **-4 354** | **-1 581** | **-8 463** | **-5 068** |
| Depreciation and amortization expenses | -450 | -488 | -913 | -974 |
| **Operating profit/loss (-) (EBIT)** | **-4 804** | **-2 067** | **-9 377** | **-6 042** |
| Finanical income, net | 98 | -15 | 181 | 152 |
| **Profit/loss (-) before income tax (EBT)** | **-4 706** | **-2 082** | **-9 196** | **-5 890** |
| Tax | 0 | 0 | 0 | 0 |
| **Net profit/loss (-)** | **-4 706** | **-2 082** | **-9 196** | **-5 890** |
| Basic EPS (profit for the period) | -0,11 | -0,05 | -0,21 | -0,13 |
| Diluted EPS (profit for the period) | -0,11 | -0,05 | -0,21 | -0,13 |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| *(Amounts in NOK 1.000)* | 30.06.2017 | 30.06.2016 | 31.12.2016 |
|---|---|---|---|
| **Non-current assets** | | | |
| Machinery and equipment | 4 143 | 3 479 | 3 168 |
| Intangible assets | 6 357 | 4 742 | 5 465 |
| Other non-current assets | 209 | 11 | 37 |
| **Total non-current assets** | **10 708** | **8 232** | **8 671** |
| | | | |
| **Current assets** | | | |
| Inventories | 4 298 | 3 743 | 2 775 |
| Account receivables and other receivables | 20 368 | 14 471 | 16 716 |
| Cash and cash equivalents | 38 404 | 64 699 | 57 672 |
| **Total current assets** | **63 070** | **82 912** | **77 163** |
| | | | |
| **Total assets** | **73 778** | **91 144** | **85 834** |
| | | | |
| **Equity** | | | |
| Share capital | 43 945 | 43 945 | 43 945 |
| Premium paid in capital | 133 378 | 133 378 | 133 378 |
| Retained earnings | -118 109 | -96 345 | -109 815 |
| Non-controlling interests | 711 | 677 | 580 |
| **Total equity** | **59 924** | **81 655** | **68 087** |
| | | | |
| **Current liabilities** | | | |
| Accounts payable and other current liabilities | 13 854 | 9 489 | 17 746 |
| **Total current liabilities** | **13 854** | **9 489** | **17 746** |
| | | | |
| **Total equity and liabilities** | **73 778** | **91 144** | **85 834** |

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| *(Amounts in NOK 1.000)* | Q2 | | YTD | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| **Equity at the beginning of period** | **64 153** | **83 306** | **68 087** | **86 750** |
| Shared based compensation | 478 | 430 | 1 033 | 797 |
| Retained earnings | -4 738 | -2 270 | -9 327 | -6 080 |
| Change in non-controlling interest | 31 | 188 | 131 | 188 |
| **Equity at the end of period** | **59 924** | **81 655** | **59 924** | **81 655** |

## CONSOLIDATED CASH FLOW STATEMENT

| *(Amounts in NOK 1.000)* | Q2 | | YTD | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| Cash flow from operating activities: | | | | |
| Profit after tax | -4 706 | -2 082 | -9 196 | -5 890 |
| Adjustment: | | | | |
| Depreciation | 450 | 486 | 913 | 974 |
| Amortization | | | | 33 |
| Employee stock options | 478 | 429 | 1 033 | 796 |
| Changes in working capital | | | | |
| Inventory | -500 | -212 | -1 523 | -839 |
| Account receivables and other receivables | -2 969 | -1 173 | -3 652 | -3 914 |
| Payables and other current liabilities | 698 | -470 | -3 901 | -4 833 |
| **Net cash flow from operating activities** | **-6 549** | **-3 022** | **-16 325** | **-13 673** |
| | | | | |
| Cash flow from investing activities: | | | | |
| Purchase of fixed assets | -723 | -4 | -1 504 | -4 |
| Invested in intangible assets | -641 | | -1 268 | |
| Change in long term receivables | -171 | 18 | -171 | 33 |
| **Net cash flow from investing activities** | **-1 536** | **14** | **-2 943** | **29** |
| | | | | |
| Cash flow from financing activities: | | | | |
| **Net cash flow from financing activities** | **0** | **0** | **0** | **0** |
| | | | | |
| Changes in cash and cash equivalents | -8 085 | -3 006 | -19 268 | -13 644 |
| Cash and cash equivalents at the beginning of period | 46 489 | 67 705 | 57 672 | 78 343 |
| **Cash and cash equivalents at end of period** | **38 404** | **64 699** | **38 404** | **64 699** |

## Notes to the interim accounts for 30. June 2017 (Q2)

### Note 1 - Basis of preparation of financial statements

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 2017. 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 2016 (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 2016. 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.

A number of new standards, amendments to standards and interpretations are not effective for the quarterly report and have not been applied in preparing these consolidated financial statements. 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:

***IFRS 9 Financial Instruments*** addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard is effective as of 01.01.2018. IFRS 9 will replace IAS 39 Financial Instrument: recognition and Measurement. The parts of IAS 39 that have not been amended has been transferred and included in IFRS 9. The standard shall be implemented retrospectively, but it is not a requirement to prepare comparative figures. The Group has no plans regarding early implementation of the standard and implementation of the standard is not assumed to have material impact on the Group.

***IFRS 15 Revenue from contracts with customers.*** The standard is effective as of 01.01.2018. The standard replaces all existing standards and interpretations relating to revenue recognition. The core principle of IFRS 15 is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. With some few exceptions, the standard is applicable for all remunerative contracts and includes a model for recognition and measurement of sale of individual non-financial assets. The Company is evaluating potential implications of the standard and has recognized some areas where the standard might have a limited impact. The Company will continue analysing the impact of the new standard.

***IFRS 16 Leases*** regulates matters relating to leased assets. It requires all leases to be recognized in the statement of financial position is a right to use asset with subsequent depreciation This standard is not ratified by the EU but is expected to be effective as of 01.01.2019. The Group has not yet completed the analysis of the impact of the new standard and has no plans regarding early implementation of the standard.

### 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 2017 | Q2 2016 | YTD 2017 | YTD 2016 |
|---|---|---|---|---|
| *Sales revenue:* | | | | |
| Beta-Glucans | 7 957 | 7 488 | 17 305 | 16 641 |
| Enzymes | 8 420 | 7 819 | 17 269 | 15 932 |
| Unallocated revenues corporate level | 7 | | 7 | |
| **Group operating sales revenues** | **16 385** | **15 307** | **34 581** | **32 573** |
| *Gross profit* | | | | |
| Beta-Glucans | 3 625 | 2 912 | 7 090 | 7 943 |
| Enzymes | 8 418 | 7 653 | 17 567 | 15 714 |
| Unallocated revenues corporate level | 7 | | 7 | |
| **Group gross profit** | **12 051** | **10 565** | **24 664** | **23 657** |
| *Other revenues* | | | | |
| Beta-Glucans | 677 | 455 | 1 336 | 1 014 |
| Enzymes | 769 | 1 218 | 1 684 | 2 581 |
| Unallocated revenues corporate level | | 29 | | |
| **Group other revenues** | **1 445** | **1 702** | **3 020** | **3 595** |
| *Operating expenses:* | | | | |
| Beta-Glucans | -8 936 | -7 717 | -17 691 | -17 552 |
| Enzymes | -6 621 | -5 885 | -14 090 | -12 668 |
| Unallocated corporate expenses | -2 294 | -247 | -4 367 | -2 101 |
| **Group operating expenses** | **-17 851** | **-13 849** | **-36 148** | **-32 320** |
| *Operating profit/loss (-) (EBITDA)* | | | | |
| Beta-Glucans | -4 635 | -4 350 | -9 265 | -8 595 |
| Enzymes | 2 566 | 2 986 | 5 161 | 5 627 |
| Unallocated corporate expenses | -2 287 | -218 | -4 360 | -2 101 |
| **Operating profit/loss (-) EBITDA** | **-4 354** | **-1 582** | **-8 464** | **-5 068** |
| *Amortization:* | | | | |
| Beta-Glucans | -315 | -339 | -635 | -677 |
| Enzymes | -132 | -135 | -274 | -270 |
| Unallocated corporate expenses | -2 | -14 | -5 | -28 |
| **Group amortization** | **-450** | **-488** | **-913** | **-975** |
| *Profit/loss (-) before income tax (EBIT)* | | | | |
| Beta-Glucans | -4 950 | -4 685 | -9 900 | -9 272 |
| Enzymes | 2 434 | 2 851 | 4 887 | 5 357 |
| Unallocated corpoate expenses | -2 290 | -232 | -4 365 | -2 129 |
| **Profit/loss (-) before income tax EBIT** | **-4 804** | **-2 066** | **-9 377** | **-6 044** |

**Note 3 Share options**

The Group has a share based option scheme. Per 31.12.2016, there were 1,175,250 outstanding options comprising of 41 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.

| | 2017 | | 2016 | |
|---|---|---|---|---|
| | Average exercise price | Number of share options | Average exercise price | Number of share options |
| As of 01.01. | 15,41 | 1 175 250 | 18,17 | 655 750 |
| Granted during the year | | | 11,93 | 519 500 |
| Expired during the year | 17,61 | -203 250 | | |
| **Outstanding at 30. June** | | **972 000** | | **1 175 250** |

Expiry date, exercise price, and outstanding options:

| | Average exercise price | 2017 | 2016 |
|---|---|---|---|
| Expiry date | | Number of share options | |
| 2018, 31 May | 18,42 | 452 500 | 452 500 |
| 2019, 31 May | 11,93 | 519 500 | 519 500 |
| **Outstanding at 30. June** | | **972 000** | **972 000** |
| Exercisable options at 30. June | | 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: 66,3%), expected dividend yield (2016: 0%), expected term of 3 years, annual risk free interest rate (2016:1.53%). The volatility is based on market data from the last year. The fair value is expensed over the vesting period. Per 30.06.2017 a total of NOK 16.394 million had been expensed, of which NOK 0.48 million applies to Q2 2017. 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<br>*(Amounts in NOK 1.000)* | Q2 | | YTD | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| **Net book value (opening balance)** | **3 734** | **3 796** | **3 168** | **4 118** |
| Net investement | 723 | 4 | 1 504 | 4 |
| Depreciation and amortization | -314 | -319 | -528 | -640 |
| **Net book value (ending balance)** | **4 143** | **3 479** | **4 143** | **3 479** |

| Intangible asset<br>*(Amounts in NOK 1.000)* | Q2 | | YTD | |
|---|---|---|---|---|
| | 2017 | 2016 | 2017 | 2016 |
| **Net book value (opening balance)** | **5 853** | **4 908** | **5 465** | **5 075** |
| Net investement | 641 | | 1 268 | |
| Depreciation and amortization | -137 | -167 | -375 | -334 |
| **Net book value (ending balance)** | **6 357** | **4 742** | **6 357** | **4 742** |

**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 2017:

| Name, position | No of shares | No of options |
|---|---|---|
| Erik Thorsen, Chairman | 23 500 | 0 |
| Jan Raa, Director | 331 105 | 0 |
| Inger Rydin, Director | 0 | 0 |
| Martin Hunt, Director | 0 | 0 |
| Masha LG Strømme, Director | 0 | 0 |
| Ingrid Skjæveland, Director | 16 087 | 17 500 |
| Elisabeth Andreassen, employee observer | 26 629 | 10 000 |
| Svein Lien, CEO | 550 829 | 160 000 |
| Børge Sørvoll, CFO | 17 428 | 70 000 |
| Rolf Engstad, CSO Biotec BetaGlucans AS | 370 774 | 80 000 |
| Jethro Holter, Managing Director ArcticZymes AS | 564 | 80 000 |
| Stuart Devine, VP Global Marketing Woulgan, Biotec Betaglucans AS | 45 187 | 30 000 |

**Note 6 Shareholders**

| The 20 largest shareholders as of 30. June 2017 | Shares | Ownership |
|---|---|---|
| Tellef Ormestad | 3 073 269 | 6,99 % |
| AKA AS | 1 450 000 | 3,30 % |
| Danske Bank AS | 1 260 517 | 2,87 % |
| Nordnet Bank AB | 983 395 | 2,24 % |
| Clearstream Banking S.A. | 918 514 | 2,09 % |
| MP Pensjon | 828 239 | 1,88 % |
| Birkeland Odd Knut | 800 000 | 1,82 % |
| Progusan AS | 750 026 | 1,71 % |
| Nordnet Livsforsikring AS | 710 331 | 1,62 % |
| Belvedere AS | 700 095 | 1,59 % |
| Hartvig Wennberg AS | 696 033 | 1,58 % |
| Arne Kjetil Kyrkjebø | 652 146 | 1,48 % |
| Nordea Bank AB | 652 071 | 1,48 % |
| Isar AS | 534 099 | 1,22 % |
| Trapesa AS | 502 556 | 1,14 % |
| Catalina Invest AS | 470 000 | 1,07 % |
| Spiralen Industrier AS | 449 639 | 1,02 % |
| Jomani AS | 434 043 | 0,99 % |
| Pro AS | 384 821 | 0,88 % |
| Nordea Bank AB | 376 803 | 0,86 % |
| **20 largest shareholders aggregated** | **16 626 597** | **37,84 %** |

**Note 7 Interims result**

| *(Amounts in NOK 1.000)* | Q2-2017 | Q1-2017 | Q4-2016 | Q3-2016 | Q2-2016 |
|---|---|---|---|---|---|
| Sales revenues | 16 385 | 18 196 | 18 215 | 21 115 | 15 308 |
| Sales growth % (year-over-year) | 7 % | 19 % | 39 % | 29 % | 33 % |
| Gross profit % | 74 % | 69 % | 59 % | 51 % | 69 % |
| EPS | -0,11 | -0,10 | -0,19 | -0,14 | -0,05 |
| EPS fully diluted | -0,11 | -0,10 | -0,19 | -0,14 | -0,05 |
| EBITDA | -4 354 | -4 109 | -8 093 | -5 883 | -1 609 |
| Equity | 59 924 | 64 153 | 68 087 | 76 006 | 81 655 |
| Total equity and liabilities | 73 778 | 77 311 | 85 834 | 88 947 | 91 144 |
| Equitiy (%) | 81 % | 83 % | 79 % | 85 % | 90 % |

**Note 8 Alternative Performance Measures**

Information provided 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”.
The reconciliation to the IFRS accounts is as follows:

| (Amounts in NOK 1.000 - exept EPS) | Q2 2017 | Q2 2016 | YTD 2017 | YTD 2016 |
|---|---|---|---|---|
| Sales | 16 385 | 15 307 | 34 581 | 32 574 |
| Cost of goods sold | -4 334 | -4 741 | -9 917 | -8 917 |
| **Gross profit** | **12 051** | **10 566** | **24 664** | **23 657** |
| Other revenues | 1 445 | 1 702 | 3 020 | 3 595 |
| **Sum other revenues** | **1 445** | **1 702** | **3 020** | **3 595** |
| Personnel expenses | -8 519 | -7 593 | -20 453 | -18 938 |
| Other operating expenses | -9 332 | -6 256 | -15 695 | -13 385 |
| Depreciation and amortization expenses | -450 | -488 | -913 | -974 |
| **Operating profit/loss (-) (EBIT)** | **-4 804** | **-2 067** | **-9 377** | **-6 042** |

**Note 9 Account receivables and other receivables**

| (Amounts in NOK 1.000) | 30.06.2017 | 30.06.2016 | 31.12.2016 |
|---|---|---|---|
| Accounts receivables | 13 827 | 9 614 | 11 957 |
| Reserach grants | 1 225 | 138 | 1 344 |
| Tax grants | 3 549 | 3 382 | 2 589 |
| VAT | 598 | 626 | 657 |
| Other receivables | 1 168 | 710 | 169 |
| **Total account receivables and other receivables** | **20 368** | **14 471** | **16 716** |

**Note 10 Account payable and other current liabilities**

| (Amounts in NOK 1.000) | 30.06.2017 | 30.06.2016 | 31.12.2016 |
|---|---|---|---|
| Accounts payable | 6 734 | 4 882 | 7 181 |
| Public taxes and withholdings | 1 499 | 1 560 | 2 087 |
| Unpaid holiday pay | 1 656 | 1 491 | 3 253 |
| Other personnel | 1 550 | 904 | 2 324 |
| Other current liabilities | 2 413 | 654 | 2 902 |
| **Total account payable and other current liabilities** | **13 854** | **9 489** | **17 746** |

**Note 11 Events after balance sheet date, 30. June 2017**

There are no events of significance to the financial statements for the period from the financial statement date to the date of approval; 16. August 2017.