BIOTEC PHARMACON

Q3 2017

Third quarter 2017

Highlights for the third quarter of 2017

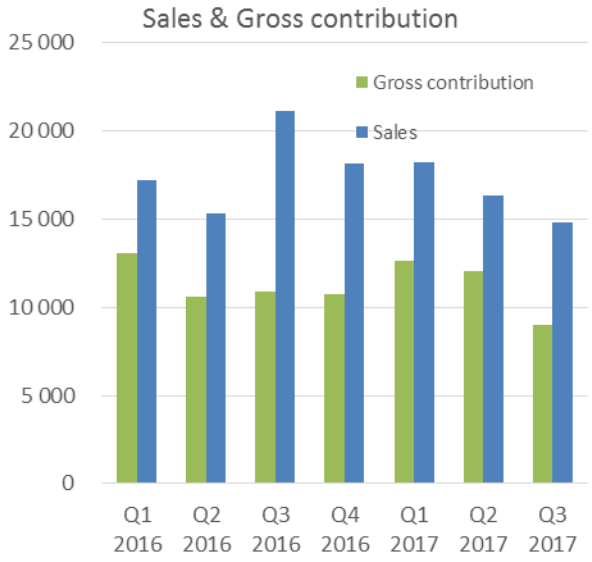
- Christian Jørgensen commenced as new CEO on October 2nd
- Group sales were NOK 14.4 million in the third quarter of 2017, down from NOK 21.1 million in the third quarter of 2016, explained by lower sales of animal health products
- EBITDA was NOK -7.3 million in the third quarter of 2017 compared to NOK -5.9 million in the third quarter of 2016
- ArcticZymes launched the SAN Elisa kit at the end of the third quarter
- Biotec Beta-glucans signed a supply agreement for delivery of M-Gard™ to the US market
- Woulgan® revenues of NOK 0.4 million in the third quarter, compared to NOK 0.4 and 0.9 million in the first two quarters of 2017

Key Financials

NOK 1.000	Q3 2017	Q3 2016	9M 2017	9M 2016
Sales	14 437	21 115	49 018	53 689
Total Revenues	16 268	22 499	53 869	58 668
EBITDA	-7 255	-5 883	-15 718	-10 952
EBIT	-7 705	-6 438	-17 082	-12 480
Net cash flow from operations	-4 323	-2 937	-20 618	-16 610
Net cash end of period	33 134	61 734	33 134	61 734

Biotec Pharmacon – Group Figures

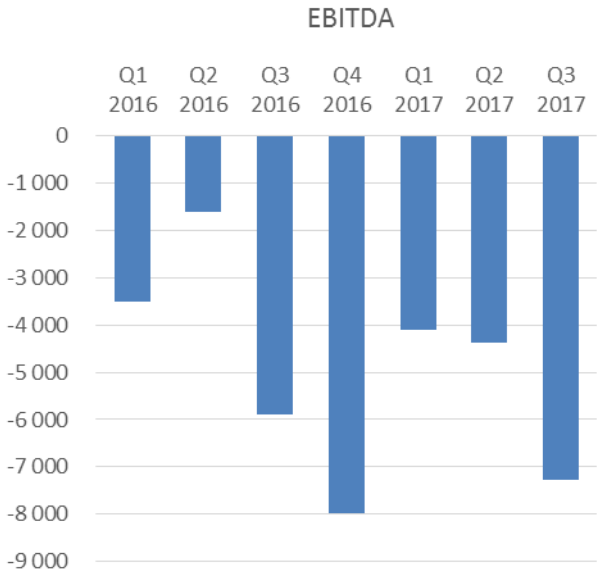
Biotec Pharmacon ASA, (hereinafter "Biotec" or "the Company") reported sales of NOK 14.4 million (21.1) for the third quarter of 2017. Earnings before tax, interest, depreciation and amortization (EBITDA) was NOK -7.3 million (-5.9) and earnings before interest and tax (EBIT) was NOK -7.7 million (-6.4) in the quarter. Net financial income was a loss of NOK -0.2 million (0.2), generating an Earnings before tax (EBT) of NOK -7.9 million (-6.2) for the quarter.



The beta-glucan segment had sales of NOK 8.8 million compared to NOK 15.1 million during the third quarter of 2016. Third quarter 2016 had extraordinary sales within animal health while third quarter 2017 had average sales. Woulgan® reported NOK 0.4 million in sales for the quarter. The weaker third quarter resulted from stock building by some customers in previous quarters and year-to-date sales are in line with expectations. The enzyme segment had third quarter sales of NOK 5.6 million compared to NOK 6.0 million in the third quarter of 2016.

The Group had a gross contribution of NOK 8.6 million in the third quarter of 2017 compared to NOK 10.8 million in 2016.

The reduced EBITDA for the third quarter of 2017, compared to the same quarter last year is primarily explained by lower sales within animal health.
The Company recognized no income tax in the third quarter of 2017.



The Group had 41 full-time and 4 part-time associates at the end of the third quarter. This is one less than the Company had at the end of third quarter 2016. This includes consultants on long-term contract.
Biotec hired a new CEO, Christian Jørgensen, that commenced in his position on October 2nd.

Financial position

Total equity amounted to NOK 52.3 million at the end of the third quarter 2017 compared to NOK 68.1 million at the end of 2016.

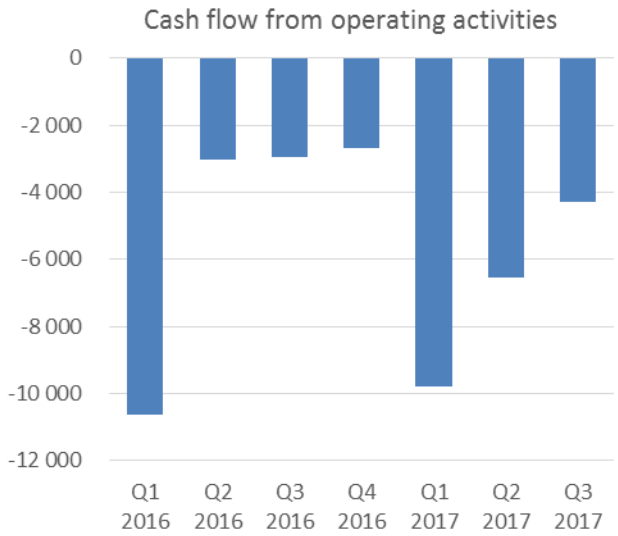
Total assets were NOK 67.6 million at the end of the third quarter of 2017, compared to NOK 85.8 million at the end of 2016.

The Company has no interest-bearing debt.

Cash flow

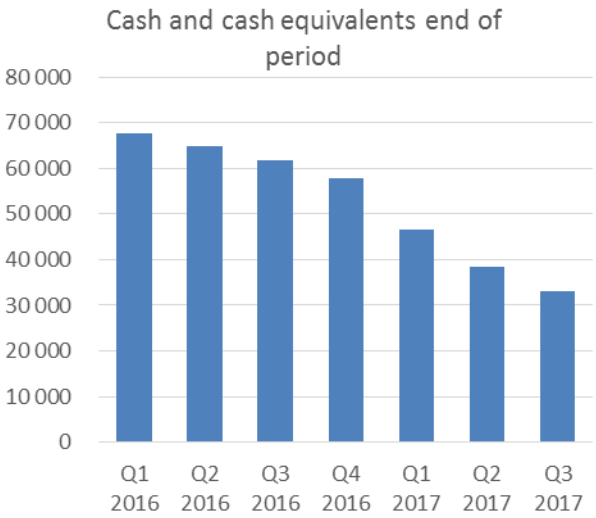
Net cash flow from operating activities was NOK -4.3 million in the third quarter 2017, compared to NOK -2.9 million in the same quarter in 2016.

The operating cash flow reflects a change in working capital of NOK 2.8 million compared to end of second quarter 2017. This is considered normal working capital fluctuations.



Net cash flow from investing activities was NOK -0.9 million while net cash flow from financing activities was NOK 0 in the third quarter.

Changes in cash and cash equivalents were NOK -5.3 million in the third quarter and NOK -24.5 million for the first 9 months. This generated a cash balance of NOK 33.1 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

The third quarter saw the strongest in-market sales so far to the General Practitioner (GP) channel via Biotec's distributor Rogg Verbandstoffe. Additionally, Sangro, Germany's largest home care company wholesaler, has already reordered stocks of Woulgan®, reflecting new customers beginning to buy Woulgan® via this channel.

Efforts to drive faster and broader adoption of Woulgan® in the market include training the wound expert nurses in home care companies. This will further support the adoption of Woulgan® in the market and create a broader base for future sales growth.

Clinicians showed strong interest in Woulgan's symposium at the Wund D.A.C.H conference in St. Gallen, reflecting the desire to explore more cost-efficient and active wound therapies. The well-attended Woulgan® symposium was held by Dermatologist Prof. Joachim Dissemond (Universitätsklinik Essen, DE) and Dr. Severin Läuchli (Universitätsspital Zürich, CH) who presented the science of SBG, clinical evidence and their personal Woulgan® experience.

Biotec obtained ethical approval from the medical council in Hamburg, which allows two leading wound centers to participate in the multicenter venous leg ulcer evaluation initiated earlier this year. This supports faster patient recruitment and further enhances the credibility of the evaluation.

Woulgan® and hydrogels as a class, continue to be reimbursed, while the G-BA's (Gemeinsamer Bundesausschuss/ The Federal Joint Committer) updated interpretation of which dressing types should qualify for reimbursement is still pending.

Woulgan® – Nordics

Navamedic continues to target key tenders, aiming to open those regions for promotion of Woulgan®.

Biotec and its partner Navamedic are preparing to host educational workshops in major centers, aimed at creating sales leads and driving faster local adoption.

The Nordic case series has recruited additional patients across sites in Sweden and Norway. The study aims to generate clinical support and generate Nordic-based evidence. The study is on track to be completed and submitted for publication in the first quarter of 2018.

Woulgan® - UK

In line with Drug Tariff's procedure, the appeal decision was delivered during the third quarter and the panel upheld Biotec's appeal. As outlined in the second quarter report, the Drug Tariff is now re-assessing Biotec's original application.

In parallel, Biotec continues to build additional evidence which could be included into a potential new application, if required. This work includes additional UK-based evidence, supported by evidence from the German and Nordic case series.

Woulgan® - Other

Biotec continues to define a commercial strategy in the US and supporting evidence to access this highly attractive market for Woulgan®.

The ongoing Post-Market Clinical Follow-up study has progressed significantly after recruitment of the Nottingham NHS-trust site in UK. This single center has included more than 10 patients during a 3 months period. The inclusion rate is anticipated to further increase as the approved protocol amendments enables broader inclusion criteria. Also contributing to the inclusion rate is the increased focus from the Clinical Research Organization (CRO) to visit the study centers. 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 standard treatment regime with a non-active gel.

Research and development

The Company has recently installed pilot production equipment to test the technology for manufacturing of the advanced gel-forming fiber 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 BetaGlucans continue to support Memorial Sloan Kettering Cancer Center in New York (MSKCC) with increasing amounts of Soluble Beta-Glucan (SBG®) for clinical trial in children with neuroblastoma. More than 150 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 promising results with respect to treatment effect. The investigators at MSKCC have thus increased the enrollment goal to 185 patients.

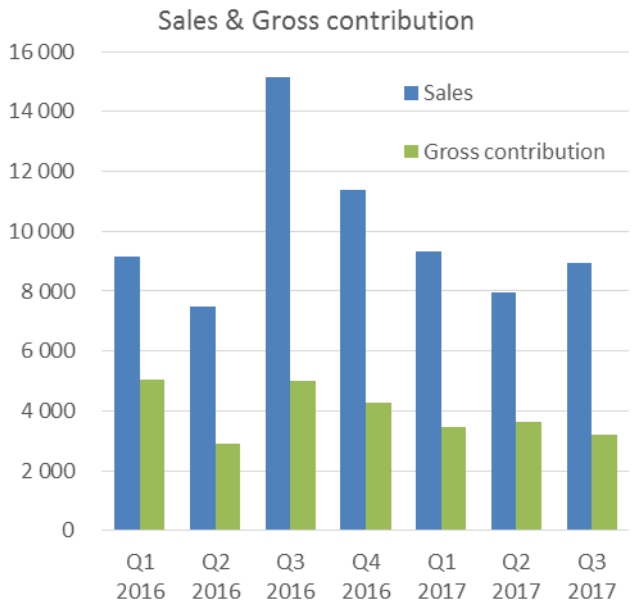
MSKCC expects to present initial data from the phase II part of the study in an upcoming cancer research congresses in the spring of 2018. Biotec continues to discuss further collaboration with MSKCC to identify how this experimental treatment regime may move into a potential commercial project.

Biotec secured one new supply agreement within consumer health with a US company during the third quarter. The customer represents a strategic important presence as the company seeks new customers to build traction in the market. Biotec continues the processes of generating additional leads. The Company attended Supply Side West, Las Vegas, at the end of the quarter where additional leads were obtained.

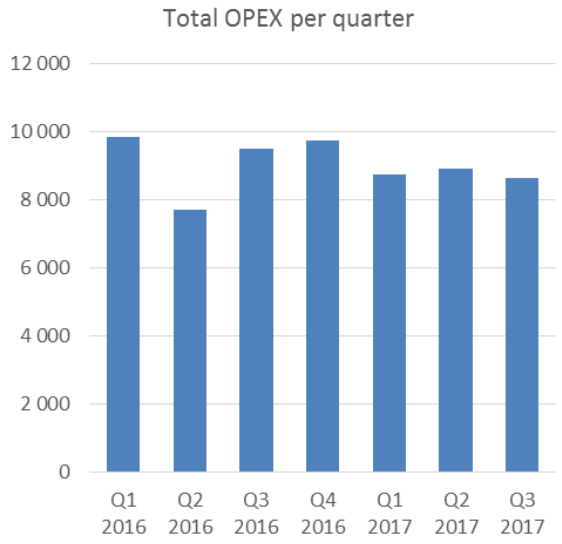
Sales of M-Glucan® to the animal health sector improved in the third quarter compared to the second quarter of 2017, but was still lower than the strong sales in the third quarter of 2016. Biotec renewed its supply agreement with its largest customer within animal health in the third quarter. The Company received an order to support the pet food market and signed the first supply agreement in this market.

Financial review beta-glucans

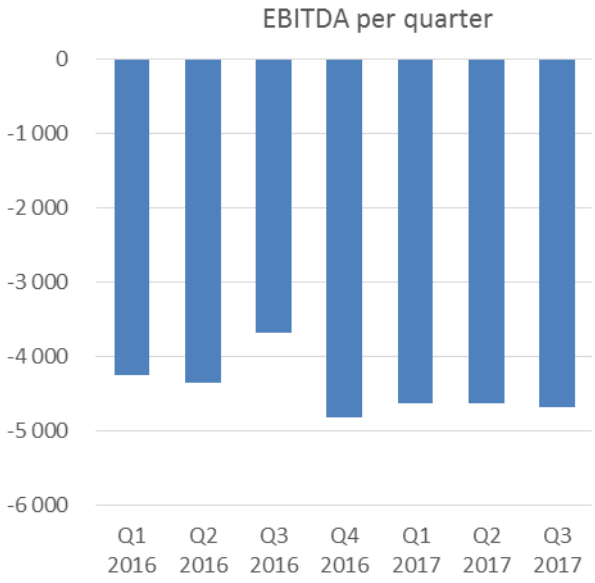
Beta-glucan sales amounted to NOK 8.8 million in the third quarter of 2017, compared to NOK 15.1 million in the third quarter of 2016. Gross contribution decreased from NOK 5.0 million in the third quarter of 2016 to NOK 3.1 million in 2017, primarily due to lower than expected sales within animal health. Woulgan® sales was NOK 0.4 million in the third quarter compared to NOK 0.4 and 0.9 million in the first and second quarter of 2017.



Operating expenses were reduced from NOK 9.5 million in the third quarter of 2016 to NOK 8.7 million in the third quarter of 2017, primarily driven by lower external services.



EBITDA for the third quarter of 2017 was NOK -4.8 million compared to NOK -3.7 million in the same period last year.



Enzymes (ArcticZymes)

Commercial updates

Several leading Next Generation Sequencing (NGS) companies which are in the early phase of developing tomorrow's leading technologies are showing commercial interests in IsoPol™ polymerase. ArcticZymes has received follow-up orders to support customers' early product development projects.

It is strategically important to enter this market early as the promising and fast evolving technologies that will lead the future are presently designed and developed.

ArcticZymes has initiated negotiations to secure new supply agreements with European and Asian based Molecular Diagnostic companies for use of the Cod UNG product. These agreements are mutually beneficial and will secure predictable, recurring and long-term business.

To support the new product launches, ArcticZymes presented its novel SAN HQ technology at a bioprocessing conference in the United States and will present additional data at the gene therapy conference in Berlin in October of 2017.

One of ArcticZymes main customers is continuing its transition of production to a centralized site in Europe. Therefore the customer did not add products for inventory during the third quarter. Existing business from other key customers is growing in alignment with expectations.

New Markets

ArcticZymes core products serves molecular diagnostic and kit manufacturers where enzymes are used as components for integration into its customer's final product offerings. These customers are primarily served through bulk enzymes sales. In evolving ArcticZymes business into new markets, the Company recently expanded its commercial ambitions to the bio-manufacturing market. ArcticZymes plans to enter this market with a strong value proposition to companies and institutes who produce viruses for gene therapy, vaccines, proteins and other bio reagents. The needs for this market vary from the core market. As an example, the quantity of enzymes consumed in manufacturing are significantly larger and sold at a lower price.

The launch of the new SAN HQ ELISA immunoassay product in the third quarter is a key milestone for ArcticZymes. It facilitates ArcticZymes entry into the bio-manufacturing arena with a complete offering for elimination of DNA contamination during bio-manufacturing. Compared to current technologies used in the market, ArcticZymes solution offers bio-manufacturers the opportunity to better streamline their manufacturing processes and benefit from cost savings.

Within this market, ArcticZymes is focusing its efforts towards the utility of viruses as delivery systems in therapeutics (gene therapy). Using viruses as delivery systems are still in the early phases of development.

The recent endorsement of the gene and cell therapy market by the newly appointed FDA Director in August has attracted attention in the industry and financial markets with stocks rising 20-50% for several gene and cell therapy companies.
These companies represents a new customer base and ArcticZymes has made good progress in

attracting interest for its new SAN products with over 30 ongoing prospects across different stakeholders. Furthermore, ArcticZymes has attracted interest in the pharma world by receiving its first order from a top 5 pharmaceutical company.
The newly launched SAN product line supports ArcticZymes strategic initiatives presented at the Capital Markets Day and will be a key factor in achieving both short- and long-term sales growth.

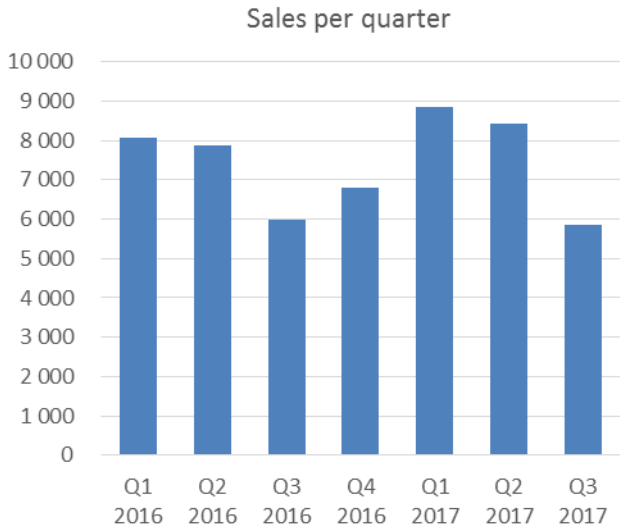
Expanding Product Offering
A key part of ArcticZymes expansion going forward is introduction of new innovative products, and ArcticZymes is on track with bringing 5 new products to the market during 2017, or early 2018, which include:

- 2 SAN products addressing the new bio-manufacturing market segment (already launched)
- 2 new IsoPol™ enzymes by enabling tomorrow's leading next generation sequencing technologies
- 1 new enzyme portfolio within Proteinases. The new portfolio creates opportunities within molecular technologies that ArcticZymes have not been able to serve. It fits well with ArcticZymes strategy to diversify its product offering, thus leveraging the client's value chain.

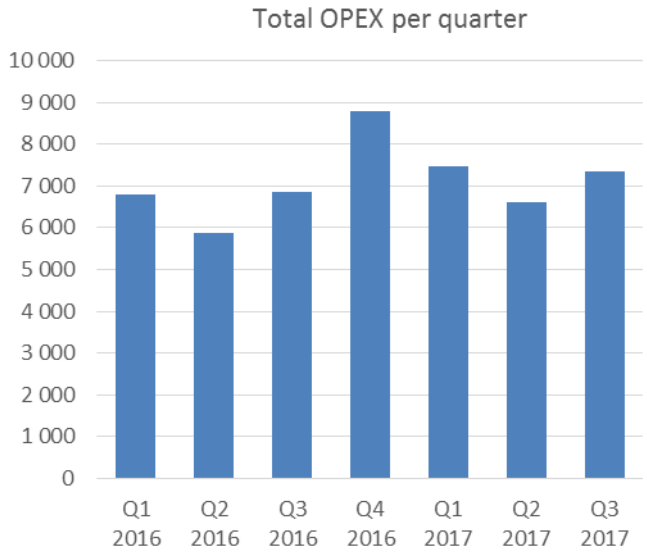
ArcticZymes innovation pipeline has doubled its product range over the last 2 years with strategically targeted product developments. The new products will play an important role in driving short- and long-term growth expectations as it enters 2018.

Financial review Enzymes

ArcticZymes develops as expected. A reduction in sales for the third quarter is explained by one of the most important customers having moved their production from the US to Europe during the quarter. Sales was NOK 5.6 million in the third quarter compared to 6.0 in the same quarter last year.

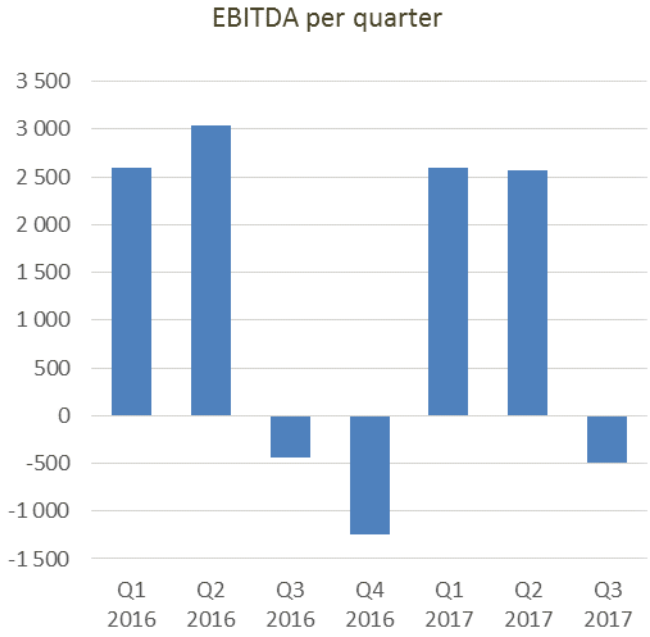


Other revenues for the third quarter showed NOK 1.1 million, an increase from NOK 0.6 million in 2016. This increase is explained by increase in R&D revenues for the quarter.



Operating expenses have increased from NOK 6.8 million in the third quarter of 2016 to NOK 7.3 million in the third quarter of 2017, mainly because of increase in external services relating to projects and provisions for royalties.

EBITDA showed a loss of NOK 0.8 million for the third quarter of 2017, which is a reduction of NOK 0.3 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.

As for consumer health, Biotec will continue to 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.

Moving forward, ArcticZymes will ramp up efforts bringing further innovations to market as part of its strategic goal to become a leading commercial supplier of quality and unique enzymes.

The interim financial statement 30. September 2017 (Q3)

CONSOLIDATED STATEMENT OF PROFIT & LOSS

(Amounts in NOK 1.000 - exept EPS)	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Sales revenues	14 437	21 115	49 018	53 689
Other revenues	1 831	1 384	4 851	4 979
Sum revenues	**16 268**	**22 499**	**53 869**	**58 668**
Cost of goods sold	-5 825	-10 289	-15 742	-19 206
Personnel expenses	-12 170	-11 644	-32 623	-30 582
Other operating expenses	-5 528	-6 445	-21 222	-19 830
Sum expenses	**-23 523**	**-28 378**	**-69 587**	**-69 618**
Earnings before interest, taxes, depr. and amort. (EBITDA)	**-7 255**	**-5 883**	**-15 718**	**-10 952**
Depreciation and amortization expenses	-450	-555	-1 363	-1 529
Operating profit/loss (-) (EBIT)	**-7 705**	**-6 438**	**-17 082**	**-12 480**
Finanical income, net	-229	235	-48	387
Profit/loss (-) before income tax (EBT)	**-7 934**	**-6 204**	**-17 129**	**-12 094**
Tax	0	0	0	0
Net profit/loss (-)	**-7 934**	**-6 204**	**-17 129**	**-12 094**
Basic EPS (profit for the period)	-0,18	-0,14	-0,39	-0,28
Diluted EPS (profit for the period)	-0,18	-0,14	-0,39	-0,28

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK 1.000)	30.09.2017	30.09.2016	31.12.2016
Non-current assets			
Machinery and equipment	4 844	3 144	3 168
Intangible assets	6 360	4 577	5 465
Other non-current assets	24	2	37
Total non-current assets	**11 228**	**7 723**	**8 671**
Current assets			
Inventories	4 077	3 151	2 775
Account receivables and other receivables	19 131	16 341	16 716
Cash and cash equivalents	33 134	61 733	57 672
Total current assets	**56 342**	**81 225**	**77 163**
Total assets	**67 569**	**88 947**	**85 834**
Equity			
Share capital	43 945	43 945	43 945
Premium paid in capital	133 378	133 378	133 378
Retained earnings	-125 739	-101 968	-109 815
Non-controlling interests	733	651	580
Total equity	**52 316**	**76 006**	**68 087**
Current liabilities			
Accounts payable and other current liabilities	15 253	12 941	17 746
Total current liabilities	**15 253**	**12 941**	**17 746**
Total equity and liabilities	**67 569**	**88 947**	**85 834**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK 1.000)	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Equity at the beginning of period	**59 924**	**81 655**	**68 087**	**86 750**
Shared based compensation	325	555	1 358	1 352
Retained earnings	-7 955	-6 177	-17 282	-12 257
Change in non-controlling interest	22	-28	153	161
Equity at the end of period	**52 316**	**76 006**	**52 316**	**76 006**

CONSOLIDATED CASH FLOW STATEMENT

(Amounts in NOK 1.000)	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Cash flow from operating activities:				
Profit after tax	-7 934	-6 204	-17 129	-12 094
Adjustment:				
Depreciation	450	555	1 363	1 529
Amortization		0		33
Employee stock options	326	555	1 358	1 351
Changes in working capital				
Inventory	221	592	-1 302	-247
Account receivables and other receivables	1 452	-1 887	-2 200	-5 801
Payables and other current liabilities	1 163	3 452	-2 708	-1 381
Net cash flow from operating activities	**-4 323**	**-2 937**	**-20 618**	**-16 610**
Cash flow from investing activities:				
Purchase of fixed assets	-930	-54	-2 462	-58
Invested in intangible assets	-203	0	-1 471	
Change in long term receivables	185	26	13	59
Net cash flow from investing activities	**-948**	**-28**	**-3 920**	**1**
Cash flow from financing activities:				
Net cash flow from financing activities	**0**	**0**	**0**	**0**
Changes in cash and cash equivalents	-5 271	-2 963	-24 538	-16 609
Cash and cash equivalents at the beginning of period	38 405	64 697	57 672	78 343
Cash and cash equivalents at end of period	**33 134**	**61 734**	**33 134**	**61 734**

Notes to the interim accounts for 30. September 2017 (Q3)

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. September 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. Based on the financial assets ande liabilities held by the Group the standard is not expected to have any significant impact to the financial statments.

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 Group has evaluated the potential implications of the standard and have not recognized any areas where the standard will have any influence at the financial statements. The Group 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.

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 2017	Q3 2016	YTD 2017	YTD 2016
Sales revenue:				
Beta-Glucans	8 835	15 119	26 140	31 760
Enzymes	5 602	5 996	22 871	21 929
Unallocated revenues corporate level	0		7	
Group operating sales revenues	**14 437**	**21 115**	**49 018**	**53 689**
Gross profit				
Beta-Glucans	3 081	4 982	10 171	12 926
Enzymes	5 530	5 844	23 097	21 557
Unallocated revenues corporate level	0		7	
Group gross profit	**8 610**	**10 826**	**33 275**	**34 482**
Other revenues				
Beta-Glucans	777	812	2 113	1 826
Enzymes	1 054	572	2 738	3 153
Unallocated revenues corporate level		0		0
Group other revenues	**1 831**	**1 384**	**4 851**	**4 979**
Operating expenses:				
Beta-Glucans	-8 653	-9 510	-26 344	-27 061
Enzymes	-7 334	-6 811	-21 424	-19 479
Unallocated corporate expenses	-1 710	-1 772	-6 077	-3 873
Group operating expenses	**-17 697**	**-18 089**	**-53 845**	**-50 413**
Operating profit/loss (-) (EBITDA)				
Beta-Glucans	-4 795	-3 715	-14 060	-12 310
Enzymes	-750	-395	4 411	5 231
Unallocated corporate expenses	-1 710	-1 772	-6 070	-3 873
Operating profit/loss (-) EBITDA	**-7 255**	**-5 883**	**-15 718**	**-10 952**
Amortization:				
Beta-Glucans	-317	-405	-952	-1 082
Enzymes	-130	-136	-404	-405
Unallocated corporate expenses	-2	-14	-7	-42
Group amortization	**-450**	**-555**	**-1 363**	**-1 529**
Profit/loss (-) before income tax (EBIT)				
Beta-Glucans	-5 112	-4 120	-15 012	-13 392
Enzymes	-880	-531	4 007	4 826
Unallocated corpoate expenses	-1 713	-1 786	-6 077	-3 915

Profit/loss (-) before income tax EBIT	**-7 705**	**-6 438**	**-17 082**	**-12 480**

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. September		**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. September		**972 000**	**972 000**
Exercisable options at 30. September		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 (2016,2017: 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 30.09.2017 a total of NOK 16.724 million had been expensed, of which NOK 0.33 million applies to Q3 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 *(Amounts in NOK 1.000)*	Q3		YTD	
	2017	2016	2017	2016
Net book value (opening balance)	**4 143**	**3 479**	**3 168**	**4 118**
Net investement	952	55	2 462	59
Depreciation and amortization	-250	-388	-786	-1 030
Net book value (ending balance)	**4 844**	**3 144**	**4 844**	**3 144**

Intangible asset *(Amounts in NOK 1.000)*	Q3		YTD	
	2017	2016	2017	2016
Net book value (opening balance)	**6 357**	**4 742**	**5 465**	**5 075**
Net investement	203		1 471	
Depreciation and amortization	-200	-166	-577	-499
Net book value (ending balance)	**6 360**	**4 577**	**6 360**	**4 577**

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 2017

Name, position	No of shares	No of options
Erik Thorsen, Chairman	23 500	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	600 829	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. September 2017	Shares	Ownership
Tellef Ormestad	3 095 469	7,04 %
AKA AS	1 450 000	3,30 %
Danske Bank AS	1 203 805	2,74 %
Clearstream Banking S.A.	1 101 664	2,51 %
Nordnet Bank AB	909 314	2,07 %
MP Pensjon	818 239	1,86 %
Birkeland Odd Knut	800 000	1,82 %
Progusan AS	750 026	1,71 %
Nordnet Livsforsikring AS	729 830	1,66 %
Belvedere AS	700 095	1,59 %
Nordea Bank AB	698 055	1,59 %
Hartvig Wennberg AS	696 033	1,58 %
Arne Kjetil Kyrkjebø	660 140	1,50 %
Isar AS	650 550	1,48 %
Pro AS	592 068	1,35 %
Trapesa AS	553 411	1,26 %
Spiralen Industrier AS	474 639	1,08 %
Catalina Invest AS	470 000	1,07 %
Middelboe AS	405 000	0,92 %
Jomani AS	400 212	0,91 %
20 largest shareholders aggregated	**17 158 550**	**39,05 %**

Note 7 Interims result

(Amounts in NOK 1.000)	Q3-2017	Q2-2017	Q1-2017	Q4-2016	Q3-2016
Sales revenues	16 268	16 385	18 196	18 215	21 115
Sales growth % (year-over-year)	-23 %	7 %	19 %	39 %	29 %
Gross profit %	60 %	74 %	69 %	59 %	51 %
EPS	-0,18	-0,11	-0,10	-0,19	-0,14
EPS fully diluted	-0,18	-0,11	-0,10	-0,19	-0,14
EBITDA	-7 255	-4 354	-4 109	-8 093	-5 883
Equity	52 316	59 924	64 153	68 087	76 006
Total equity and liabilities	67 569	73 778	77 311	85 834	88 947
Equitiy (%)	77 %	81 %	83 %	79 %	85 %

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)	Q3 2017	Q3 2016	YTD 2017	YTD 2016
Sales	14 437	21 115	49 018	53 689
Cost of goods sold	-5 825	-10 289	-15 742	-19 206
Gross profit	**8 611**	**10 826**	**33 275**	**34 482**
Other revenues	1 831	1 384	4 851	4 979
Sum other revenues	**1 831**	**1 384**	**4 851**	**4 979**
Personnel expenses	-12 170	-11 644	-32 623	-30 582
Other operating expenses	-5 528	-6 445	-21 222	-19 830
Depreciation and amortization expenses	-450	-555	-1 363	-1 529
Operating profit/loss (-) (EBIT)	**-7 705**	**-6 438**	**-17 082**	**-12 480**

Note 9 Account receivables and other receivables

(Amounts in NOK 1.000)	30.09.2017	30.09.2016	31.12.2016
Accounts receivables	12 637	12 058	11 957
Reserach grants	944	327	1 344
Tax grants	4 454	4 330	2 589
VAT	413	156	657
Other receivables	683	766	169
Total account receivables and other receivables	**19 131**	**17 638**	**16 716**

Note 10 Account payable and other current liabilities

(Amounts in NOK 1.000)	30.09.2017	30.09.2016	31.12.2016
Accounts payable	7 266	5 812	7 181
Public taxes and withholdings	1 406	1 347	2 087
Unpaid holiday pay	2 559	2 347	3 253
Other personnel	1 737	1 220	2 324
Other current liabilities	2 286	3 496	2 902
Total account payable and other current liabilities	**15 253**	**14 223**	**17 746**

Note 11 Events after balance sheet date, 30. September 2017

There are no events of significance to the financial statements for the period from the financial statement date to the date of approval; 18. Ocotber 2017.

Oslo, 18 October 2017
The Board of Directors of Biotec Pharmacon ASA

Erik Thorsen Chairman	Martin Hunt Director	Inger Rydin Director
Masha Strømme Director	Ingrid Skjæveland Director	Christian Jørgensen CEO