BIOTEC PHARMACON

Q4 2017

Fourth quarter 2017

Highlights for the fourth quarter of 2017

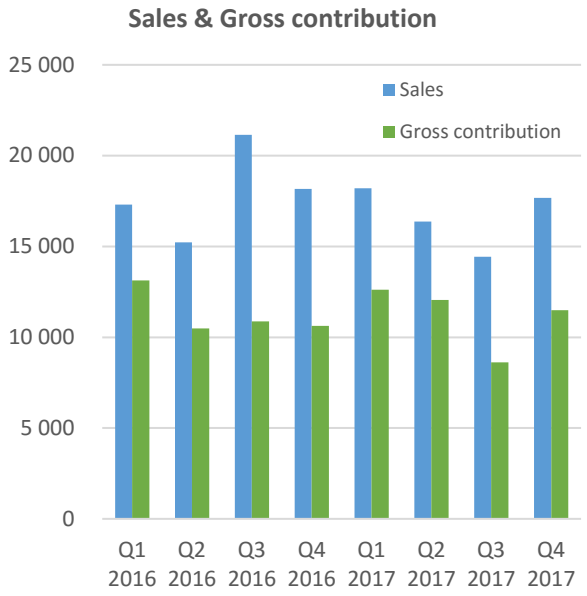
- Group sales were NOK 17.7 million in the fourth quarter of 2017, down from NOK 18.2 million in the fourth quarter of 2016, explained by lower sales of animal health products
- EBITDA was NOK -7.2 million in the fourth quarter of 2017 compared to NOK -8.1 million in the fourth quarter of 2016
- ArcticZymes launched two new Polymerase enzymes at the end of the fourth quarter
- Woulgan® was listed under Drug Tariff in the UK as of 1st December
- Woulgan® revenues increased from NOK 0.4 million in the previous quarter to NOK 0.6 million in the fourth quarter

Key Financials

NOK 1.000	Q4 2017	Q4 2016	12M 2017	12M 2016
Sales	17 669	18 215	66 686	71 904
Total Revenues	18 889	19 938	72 758	78 624
EBITDA	-7 219	-8 093	-22 937	-19 026
EBIT	-7 833	-8 476	-24 915	-20 938
Net cash flow from operations	-1 438	-2 667	-22 056	-19 277
Net cash end of period	30 593	57 672	30 593	57 672

Biotec Pharmacon – Group Figures

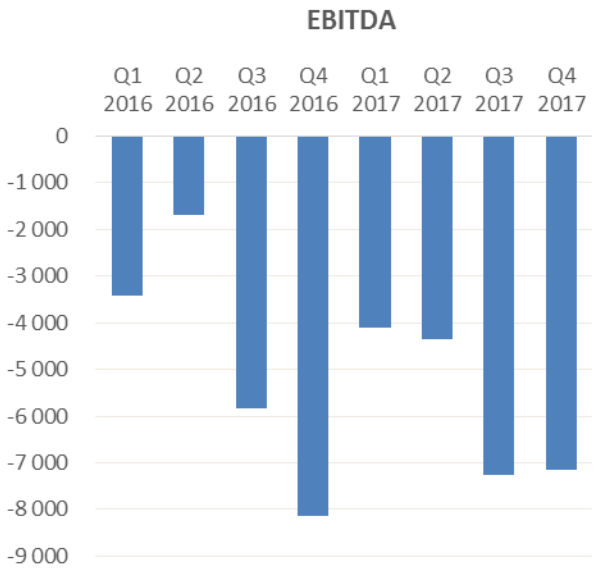
Biotec Pharmacon ASA, (hereinafter "Biotec" or "the Company") reported sales of NOK 17.7 million (18.2) for the fourth quarter of 2017. Earnings before tax, interest, depreciation and amortization (EBITDA) was NOK -7.2 million (-8.1) and earnings before interest and tax (EBIT) was NOK -7.8 million (-8.5) in the quarter. Net financial income was NOK 0.2 million (0.2), generating an Earnings before tax (EBT) of NOK -7.7 million (-8.3) for the quarter.



The beta-glucan segment had sales of NOK 8.9 million compared to NOK 11.4 million during the fourth quarter of 2016. The reduction is explained by lower demand for Biotec's animal health product M-Glucan™. Woulgan® reported NOK 0.6 million in sales for the quarter. This is equal to what the company reported in the fourth quarter last year. The enzyme segment had fourth quarter sales of NOK 8.8 million compared to NOK 6.8 million in the fourth quarter of 2016.

The Group had a gross contribution of NOK 11.5 million in the fourth quarter of 2017 compared to NOK 10.7 million in 2016. The increase in gross contribution is explained by a favorable product mix.

The improved EBITDA for the fourth quarter of 2017, compared to the same quarter last year is primarily explained by cost control, product mix in the beta-glucan segment and higher enzymes sales.
The Company recognized no income tax in the fourth quarter of 2017.



The Group had 41 full-time and 4 part-time associates at the end of the fourth quarter. This is one less than the Company had at the end of fourth quarter 2016. This includes 4 consultants on long-term contract.
Christian Jørgensen replaced Svein Lien as CEO on October 2nd 2017. Svein will maintain his employment with Biotec through the first quarter of 2018.

Financial position

Total equity amounted to NOK 44.8 million at the end of the fourth quarter 2017 compared to NOK 68.1 million at the end of 2016.

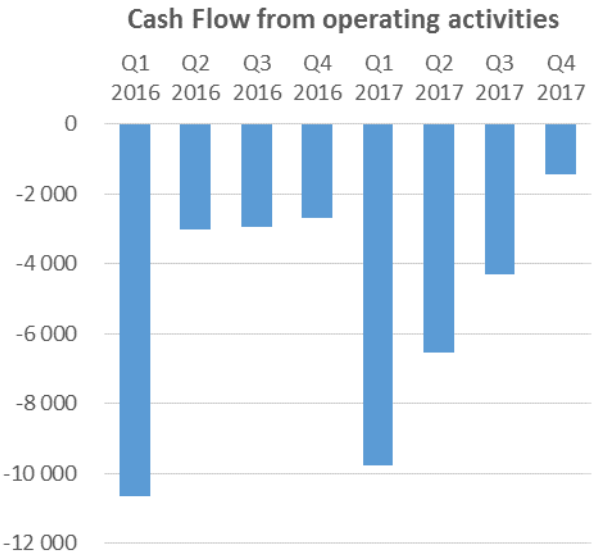
Total assets were NOK 61.7 million at the end of the fourth quarter of 2017, compared to NOK 85.8 million at the end of 2016.

The Company has no interest-bearing debt.

Cash flow

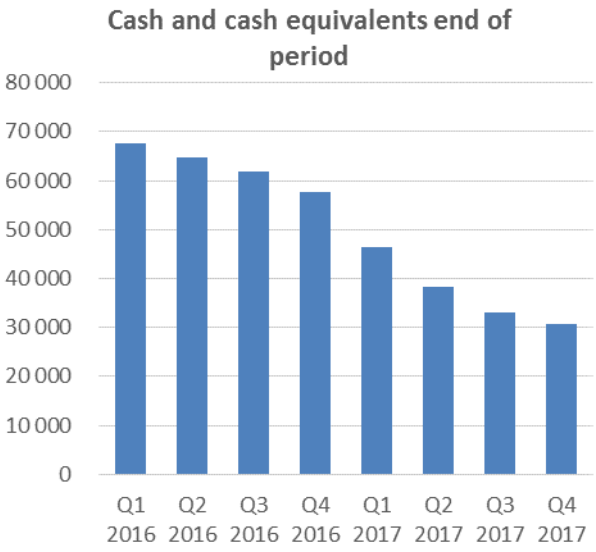
Net cash flow from operating activities was NOK -1.4 million in the fourth quarter 2017, compared to NOK -2.7 million in the same quarter in 2016.

The operating cash flow reflects a change in working capital of NOK 5.4 million compared to end of third quarter 2017. This is explained by a reduction in receivables by NOK 4.5 million, increase in liabilities of NOK 1.8 million and an increase in inventory of NOK -0.9 million.



Net cash flow from investing activities was NOK -1.1 million while net cash flow from financing activities was NOK 0 in the fourth quarter.

Changes in cash and cash equivalents were NOK -2.5 million in the fourth quarter and NOK -27.1 million for the full year. This generated a cash balance of NOK 30.6 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 fourth 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 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 2016, published on the Company's web site www.biotec.no

Business area reporting

Beta-glucans

Woulgan®

Woulgan is a CE approved advanced wound therapy, primarily positioned towards stalled and chronic wounds. Its efficacy and ability to improve quality of life are documented in several studies and accepted by reimbursement authorities.

Woulgan's main use is in the outpatient setting, meaning either community based or decentralised clinics. This puts high requirements on Biotec's market channel in terms of salesforce coverage.

Woulgan® - UK

The NHS approved Woulgan for inclusion onto the Drug Tariff, effective from December 1st. The Drug Tariff listing means that Woulgan® can be prescribed and reimbursed across the UK where local policy permits its use.

This greater access to the UK market prompted Biotec's partner to step up the promotion of Woulgan® with a dedicated sales team effective from January 2018.

A 300-patient study across multiple wound types was completed during the fourth quarter. Results are currently being analysed and publication is expected in the second half of the year.

Woulgan® – Germany

The Company continues to carry out training of wound expert nurses to support an increasing and appropriate product adoption in existing and new home care accounts.

Pending changes in the German reimbursement system continue to create uncertainty, which likely will affect product usage. It is expected that active dressings will no longer be reimbursed as dressings as from April 2019. Thereafter, any dressing with active claims such as Woulgan® need to apply to "Annex Va" (Positive List of medical devices that are approved for reimbursement) with the G-BA, the authority responsible for the reimbursement of drugs and medical devices.

Woulgan® – Nordics

The key focus in the Nordic regions is to target tenders to list Woulgan. In Norway, where Woulgan is listed with wholesalers, three educational workshops were conducted to promote Woulgan into community-based services during the fourth quarter.

The patient enrolment for the 26 patient Nordic Case series was closed in October and the patient data from the centres has been collected from many of the sites. The analysis and publication of the data is scheduled for in the first quarter of 2018.

Woulgan® - Other

The ongoing Post-Market Clinical Follow-up study (PMCF) has progressed significantly after recruitment of the Nottingham NHS-trust site in

UK. This single centre has included more than 10 patients during the last quarter. Together with the approved protocol amendments allowing broader inclusion criteria the inclusion rate is anticipated to further speed up. 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 as compared to standard treatment regime with a non-active gel. Biotec expects to finalize recruitment to the PMCF study during 2018.

Research and development

A new gel-forming dry layer dressing product is being developed for use on exuding and large surface wounds, where the Woulgan® Gel is less suitable. A pilot scale production equipment for manufacturing this advanced gel-forming fibre dressing is being employed to test several formulations. The project will prioritize development of proprietary production methods that can be patent protected.

Beta-glucans – Other

During the last two years, the clinical trial at Memorial Sloan Kettering Cancer Centre (MSKCC), where SBG® has been used in combination with cancer vaccine against high-risk neuroblastoma in children, has been expanded several times. More than 160 patients have been accrued to the trial and the study aims to recruit a total of 185 neuroblastoma patients. It is likely that the number will increase further during 2018. The trial has demonstrated that the combination of the neuroblastoma vaccine and SBG® has an excellent safety profile, and also shows promising results with respect to treatment effect.

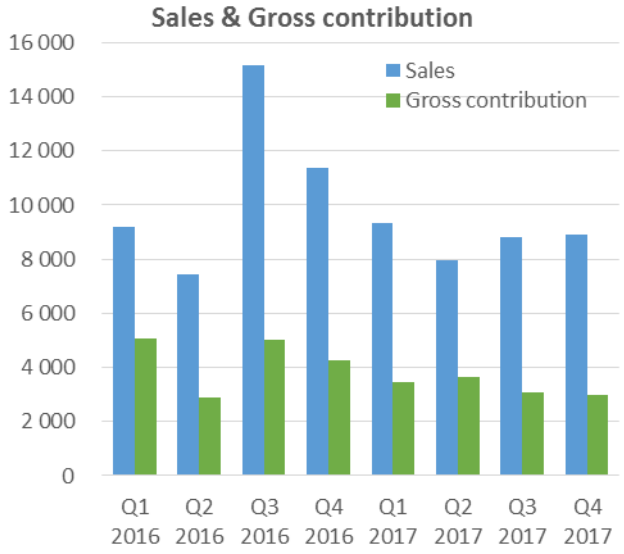
MSKCC expects to present initial data from the phase II part of the study in the second half of 2018. Biotec continues to discuss further collaboration with MSKCC to identify how this experimental treatment regime may move into a potential commercial project.

Biotec had its first significant M-Guard™ delivery to a US customer during the fourth quarter. Demand in the fourth quarter has been higher than expected and Biotec sees good opportunities to grow the business in the US going forward. Biotec will continue the process of generating additional business in this area and expects that some of the leads materialize during 2018

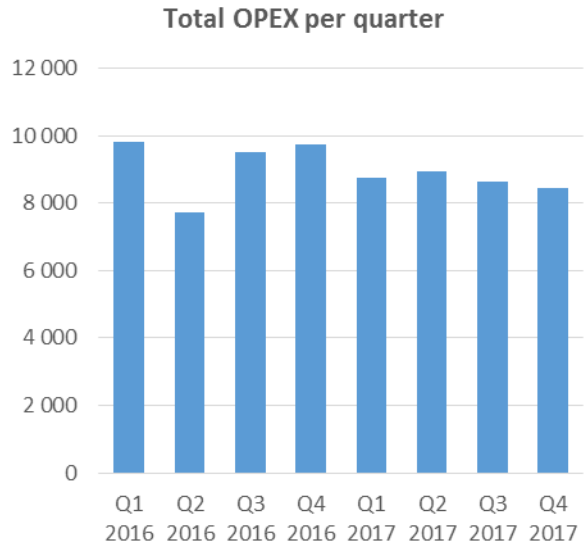
Sales of M-Glucan® to the animal health sector continued in the fourth quarter on a higher than average historic sales, but lower than the high third and fourth quarter of 2016. In this area, Biotec is dependent on customer's sales to the aquaculture industry. Our customer's sales of high quality animal feed vary during the year, which consequently influence Biotec's business.

Financial review beta-glucans

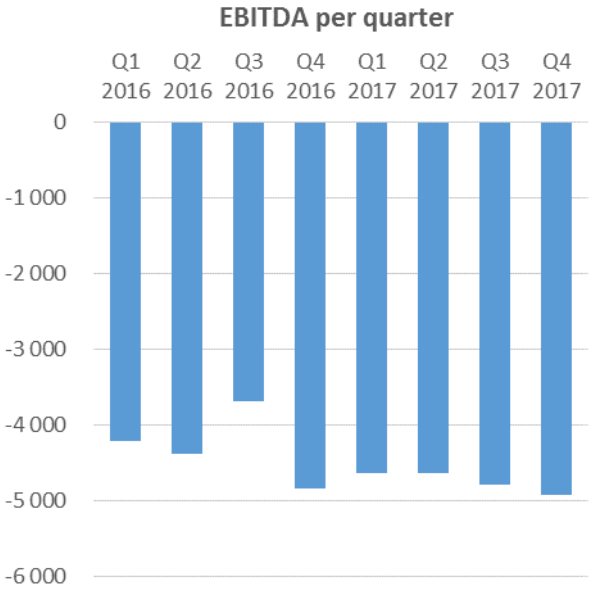
Beta-glucan sales amounted to NOK 8.8 million in the fourth quarter of 2017, compared to NOK 11.4 million in the fourth quarter of 2016. Gross contribution decreased from NOK 4.3 million in the fourth quarter of 2016 to NOK 3.0 million in 2017, primarily due to lower than expected sales within animal health. Woulgan® sales were NOK 0.6 million in the fourth quarter, the same as the last quarter in 2016. Total 2017 sales for Woulgan was NOK 2.3 million compared to NOK 0.8 million in 2016.



Operating expenses were reduced from NOK 9.8 million in the fourth quarter of 2016 to NOK 8.5 million in the fourth quarter of 2017.



EBITDA for the third quarter of 2017 was NOK -5.0 million compared to NOK -4.8 million in the same period last year.



Enzymes (ArcticZymes)

Commercial updates

ArcticZymes develops and markets a growing portfolio of novel recombinant enzymes primarily for use within molecular diagnostics and research, and more recently within bio-manufacturing of gene therapy products.

ArcticZymes main customer has completed its consolidation of manufacturing to a centralized site in Europe, and ArcticZymes product sales resumed with the first shipments to this site during the quarter.

ArcticZymes continued to expand its customer portfolio and to pursue new opportunities as a new player in the bio-manufacturing market. Following the expansion of the SAN product line earlier in the year, commercial efforts have allowed ArcticZymes to successfully triple product sales in this market during 2017. To further grow the business, ArcticZymes continued to broaden the customer base, which now exceeds 40 customers regularly purchasing SAN products or evaluating sample products.

Market usage and development

Scientists apply molecular diagnostics (MDx) in human diagnostics for detection of infectious diseases, markers for cancer, prenatal and inherited genetic diseases. DNA or genetic tests are not only performed to diagnose disease but are also utilised to prevent disease and guide treatment. In addition, enzymes are used for veterinary diagnostics, forensic medicine, industrial biotechnology and various forms of research.

More recently, novel enzymes have offered more cost effective and technical improvements in the bio-manufacturing of bio-products, such as manufacturing of viruses used in gene therapy. Such viruses carry modified DNA (i.e. therapeutic DNA payloads) and deliver the DNA into the cells that need treatment. The modified DNA, then corrects for the damaged DNA. Future advances in gene therapy is likely to open new ways of curing devastating diseases such as Duchenne muscular dystrophy (DMD), spinal muscular atrophy, age-related macular degeneration, Parkinson's, cancer, heart failure, retinitis pigmentosa, Factor IX and VII deficiencies.

Traditionally molecular enzymes have been mostly applied to PCR-based methods, which is still a growing market as the technology is constantly being developed and expanded into new applications. The market is complex because the technology includes multiple stages with various specialized solutions that allows for many possible variations. PCR based methods, as well as other amplification technologies, are fundamental to DNA sequencing technologies.

Today, much of the focus in the industry is towards fast pace innovation of Next Generation Sequencing (NGS) technologies with the prospect of wide adoption and accessibility. Clinical application of the technology makes DNA sequencing the fastest growing molecular technology today. ArcticZymes' existing, as well as new designed enzymes, are attractive integral key components and offer unique properties that are exploited by leading international companies. In most cases, ArcticZymes' enzymes are critical components and integrated into kit-based technologies and Molecular Diagnostic tests by our customers. Within bio-manufacturing, our enzymes are utilised during the manufacturing of products.

Innovation updates

ArcticZymes continues to deliver on new product development initiatives. Two new IsoPol™ polymerase enzymes, IsoPol™ SD^{+} and IsoPol™ BST^{+}, were launched during the quarter, offering enhanced features requested by customers. These products complement the expanding IsoPol™ product line of novel polymerases.

ArcticZymes will continue to expand the IsoPol™ product line with the introduction of additional unique polymerase enzymes and synergistic support products. With an expanded portfolio, ArcticZymes will be able to support both existing and new technologies within In Vitro Diagnostics (IVD) and personalised medicine. This will lead to increased accessibility and market access within the healthcare area.

Along with the SAN HQ, SAN HQ ELISA, and the new IsoPol™ enzymes, ArcticZymes has made four product launches during 2017. The extension of products and the broadening of the product lines is considered fundamental in driving new business.

During the quarter, ArcticZymes established relationships with several potential partners for sourcing unique or complimentary products for introduction into the expanding product portfolio. Material transfer agreements with potential partners allows ArcticZymes to evaluate and assess new products before a decision is taken.

ISO13485 certification

Much of ArcticZymes success can be attributed to its ability to offer customers a combination of unique products and security of supply. In offering more added value to customers, ArcticZymes has been working intensely to transition towards a new ISO standard. Since 2015, ArcticZymes has been ISO9001 certified but transitioned into a higher and more customer relevant standard: ISO13485, in December 2017. The new standard defines new requirements to quality management system, and impacts on ability to demonstrate that products meet standards applicable to medical devices and related services as defined by customers and applicable regulatory bodies. Although ArcticZymes has no ambitions in developing medical devices, many of the company's enzymes do directly serve customers who are developing and manufacturing medical devices such as diagnostics tests and platforms.

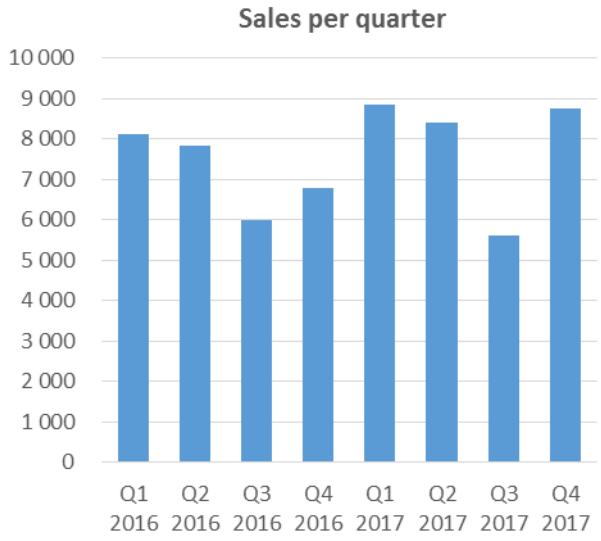
Sales cycles

Marketing of ArcticZymes products is only through Business to Business (B2B) channels. In this industry, there is usually a long sales cycle from initial contact until the first purchase order and long-term commitment is established. ArcticZymes spends extensive time and resources in building relationships, offering dedicated consultation and support as needed from the very onset of a new relationship. By doing this, ArcticZymes can ensure that its enzymes are integrated successfully into its customers' products and taken to market.

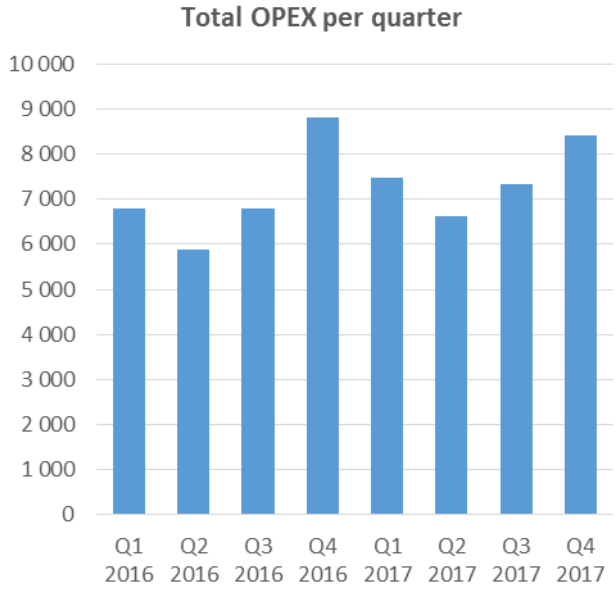
Going forward, ArcticZymes is well positioned to launch an expanded portfolio of new unique enzymes and synergistic products in established as well as new markets.

Financial review Enzymes

ArcticZymes continues to grow its business. Sales was NOK 8.8 million in the fourth quarter compared to 6.8 in the same quarter last year.

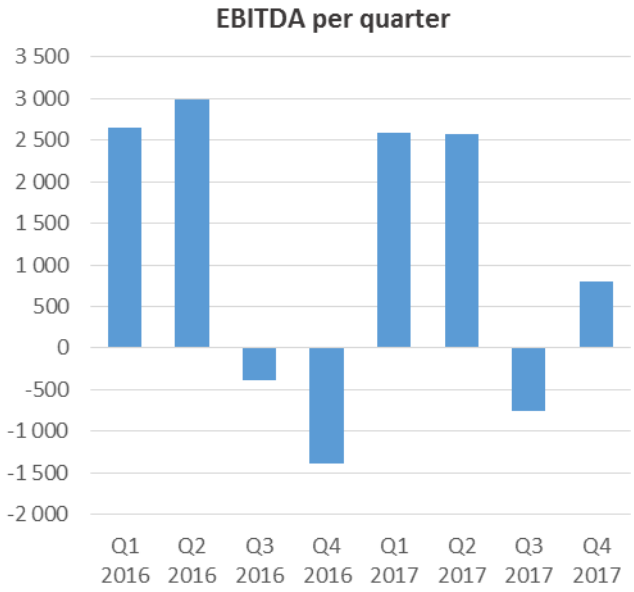


Other revenues for the fourth quarter showed NOK 0.7 million, a decrease from NOK 1.4 million in 2016. This increase is explained by lower R&D revenues for the quarter.



Operating expenses have decreased from NOK 8.8 million in the fourth quarter of 2016 to NOK 8.4 million in the fourth quarter of 2017, primarily because of cost control

EBITDA showed a profit of NOK 0.8 million for the third fourth of 2017, which is an improvement of NOK 2.2 million compared to the same quarter in 2016.



OUTLOOK

Since Woulgan became CE approved, Biotec has spent efforts and resources to demonstrate the clinical and commercial potential of the product in selected markets. To reach these markets, additional commercial resources are needed to fully realise Woulgan's potential, including a sizable sales force to move sales in very fragmented markets. The investments needed to build strong market channels and salesforce is hard to justify for a single-product business. We are reviewing the go-to-market strategy to ensure further growth of the franchise with less consumption of the company's financial resources.

During the last years, ArcticZymes has turned around to a profitable growth opportunity for Biotec. During 2018, efforts to grow the business

organically with an active pipeline of new product launches will be continued.

ArcticZymes aims to broaden its approach going forward and develop value from technologies and competences that reside with new partners and complimentary products. To execute on these opportunities within the next few years, ArcticZymes needs to invest more resources into R&D, commercial activities and potential M&A activities.

Biotec is currently evaluating possible strategies for bringing the novel “neuroblastoma” treatment regime to the next level of early regulatory approval. Biotec is in discussions with Memorial Sloan Kettering Cancer Center to renew the current clinical trial agreement, review commercial implications and to secure a common understanding on the further development of this treatment regime.

Biotec will in 2018 focus on cash consumption and expects operating cash flow to be significantly improved than in 2017.

Due to timing of selected orders and new product delivery, we expect a soft start in the first quarter of 2018.

Statement by the Board of Directors and CEO

We confirm, to the best of our knowledge, that the financial statement for the period 1. January to the 31. December 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 Q4 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, 31 January 2018
The Board of Directors of Biotec Pharmacon ASA

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

The interim financial statement 31. December 2017 (Q4)

CONSOLIDATED STATEMENT OF PROFIT & LOSS

(Amounts in NOK 1.000 - exept EPS)	Q4		YTD	
	2017	2016	2017	2016
Sales revenues	17 669	18 215	66 686	71 190
Other revenues	1 220	1 723	6 072	7 433
Sum revenues	**18 889**	**19 938**	**72 758**	**78 624**
Cost of goods sold	-6 184	-7 530	-21 927	-26 736
Personnel expenses	-13 407	-12 568	-46 030	-43 151
Other operating expenses	-6 516	-7 934	-27 738	-27 764
Sum expenses	**-26 108**	**-28 032**	**-95 695**	**-97 650**
Earnings before interest, taxes, depr. and amort. (EBITDA)	**-7 219**	**-8 093**	**-22 937**	**-19 026**
Depreciation and amortization expenses	-615	-383	-1 978	-1 912
Operating profit/loss (-) (EBIT)	**-7 833**	**-8 476**	**-24 915**	**-20 938**
Finanical income, net	160	181	112	550
Profit/loss (-) before income tax (EBT)	**-7 674**	**-8 296**	**-24 803**	**-20 389**
Tax	0	0	0	0
Net profit/loss (-)	**-7 674**	**-8 296**	**-24 803**	**-20 389**
Basic EPS (profit for the period)	-0,17	-0,19	-0,56	-0,46
Diluted EPS (profit for the period)	-0,17	-0,19	-0,56	-0,46

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK 1.000)	31.12.2017	31.12.2016
Non-current assets		
Machinery and equipment	4 589	3 168
Intangible assets	7 119	5 465
Other non-current assets	9	37
Total non-current assets	**11 717**	**8 671**
Current assets		
Inventories	5 011	2 775
Account receivables and other receivables	14 363	16 716
Cash and cash equivalents	30 593	57 672
Total current assets	**49 966**	**77 163**
Total assets	**61 683**	**85 834**
Equity		
Share capital	43 945	43 945
Premium paid in capital	133 378	133 378
Retained earnings	-133 223	-109 815
Non-controlling interests	713	580
Total equity	**44 813**	**68 087**
Current liabilities		
Accounts payable and other current liabilities	16 870	17 746
Total current liabilities	**16 870**	**17 746**
Total equity and liabilities	**61 683**	**85 834**

CONSOLIDATED CASH FLOW STATEMENT

(Amounts in NOK 1.000)	Q4 2017	Q4 2016	YTD 2017	YTD 2016
Cash flow from operating activities:				
Profit after tax	-7 674	-8 096	-24 803	-20 389
Adjustment:				
Depreciation	615	383	1 978	1 912
Amortization				33
Employee stock options	170	422	1 529	1 773
Changes in working capital				
Inventory	-934	177	-2 236	129
Account receivables and other receivables	4 554	889	2 354	-4 912
Payables and other current liabilities	1 831	3 558	-877	2 177
Net cash flow from operating activities	**-1 438**	**-2 667**	**-22 056**	**-19 277**
Cash flow from investing activities:				
Purchase of fixed assets	-167	-242	-2 629	-300
Invested in intangible assets	-951	-1 054	-2 422	-1 054
Change in long term receivables	15	-52	28	7
Net cash flow from investing activities	**-1 103**	**-1 348**	**-5 024**	**-1 347**
Cash flow from financing activities:				
Purchase of own shares		-230		-230
Sale of own shares		184		184
Net cash flow from financing activities	**0**	**-46**	**0**	**-46**
Changes in cash and cash equivalents	-2 541	-4 061	-27 079	-20 671
Cash and cash equivalents at the beginning of period	33 134	61 733	57 672	78 343
Cash and cash equivalents at end of period	**30 593**	**57 672**	**30 593**	**57 672**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK 1.000)	Q4 2017	Q4 2016	YTD 2017	YTD 2016
Equity at the beginning of period	**52 316**	**76 006**	**68 087**	**86 750**
Shared based compensation	171	423	1 529	1 772
Retained earnings	-7 654	-8 226	-24 936	-20 480
Own shares, net purchase/sales		-46		-46
Change in non-controlling interest	-20	-70	133	91
Equity at the end of period	**44 813**	**68 087**	**44 813**	**68 087**

Notes to the interim accounts for 31. December 2017 (Q4)

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 31.December 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 Group does not expect any significant impact on its balance sheet or equity applying the classification and measurement requirements in IFRS 9. The Group expects to continue to measuring at fair value its financial assets currently held at fair value.
IFRS 9 requires the Group to record expected credit losses on all its trade receivables, either on a 12-month or lifetime basis. The Group expects to apply the simplified approach and record a 12-month expected losses on all trade receivables.
The standard shall be implemented retrospectively, but it is not a requirement to prepare comparative figures.
Based on the financial assets and liabilities held by the Group, the standard is not expected to have any significant impact on the financial statements.

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 objective of the standard is to provide a five-step approach to revenue recognition that includes identifying contracts with customers, identifying performance obligations, determining transaction prices, allocating transaction prices to performance obligations, and recognizing revenue when or as performance obligations are satisfied.
The Group has evaluated the potential implications of the standard and have not recognized any areas where the standard will have any significant influence to the financial statements.

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 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 a 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.
A lessee can choose to apply the standard using either a full retrospective or a modified retrospective approach.
The Group has not yet completed the analysis of the impact of the new standard, but expects changes related to rent of offices and production facilities.

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)	Q4 2017	Q4 2016	YTD 2017	YTD 2016
Sales revenue:				
Beta-Glucans	8 911	11 430	35 051	43 190
Enzymes	8 757	6 785	31 628	28 714
Unallocated revenues corporate level			7	
Group operating sales revenues	**17 669**	**18 215**	**66 686**	**71 904**
Gross profit				
Beta-Glucans	2 997	4 323	13 169	17 249
Enzymes	8 487	6 362	31 584	27 920
Unallocated revenues corporate level			7	
Group gross profit	**11 484**	**10 685**	**44 760**	**45 168**
Other revenues				
Beta-Glucans	478	652	2 591	2 479
Enzymes	743	1 072	3 481	4 224
Unallocated revenues corporate level				-1
Group other revenues	**1 220**	**1 723**	**6 072**	**6 702**
Operating expenses:				
Beta-Glucans	-8 468	-9 760	-34 812	-36 821
Enzymes	-8 432	-8 818	-29 856	-28 297
Unallocated corporate expenses	-3 024	-1 924	-9 101	-5 797
Group operating expenses	**-19 923**	**-20 502**	**-73 768**	**-70 915**
Operating profit/loss (-) (EBITDA)				
Beta-Glucans	-4 993	-4 785	-19 052	-17 094
Enzymes	798	-1 384	5 209	3 847
Unallocated corporate expenses	-3 024	-1 924	-9 094	-5 798
Operating profit/loss (-) EBITDA	**-7 218**	**-8 093**	**-22 937**	**-19 045**
Amortization:				
Beta-Glucans	-377	-234	-1 329	-1 316
Enzymes	-236	-135	-639	-540
Unallocated corporate expenses	-2	-14	-10	-56
Group amortization	**-615**	**-383**	**-1 978**	**-1 912**
Profit/loss (-) before income tax (EBIT)				
Beta-Glucans	-5 370	-5 018	-20 381	-18 410
Enzymes	563	-1 519	4 570	3 307
Unallocated corpoate expenses	-3 026	-1 938	-9 104	-5 854
Profit/loss (-) before income tax EBIT	**-7 833**	**-8 476**	**-24 915**	**-20 956**

Note 3 Share options

The Group has a share based option scheme. Per 31.12.2017, there were 927,000 outstanding options comprising of 39 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 31. December		**972 000**		**1 175 250**

Expiry date, exercise price, and outstanding options:

Expiry date	Average exercise price	2017 Number of share options	2016 Number of share options
2018, 31 May	18,42	452 500	452 500
2019, 31 May	11,93	519 500	519 500
Outstanding at 31. Deember		**972 000**	**972 000**
Exercisable options at 31. December		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 31.12.2017 a total of NOK 16.894 million had been expensed, of which NOK 0.17 million applies to Q4 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)*	Q4		YTD	
	2017	**2016**	**2017**	**2016**
Net book value (opening balance)	4 844	3 144	3 168	4 118
Net investement	167	242	2 629	300
Depreciation and amortization	-421	-216	-1 208	-1 246
Net book value (ending balance)	**4 589**	**3 168**	**4 589**	**3 168**

Intangible asset *(Amounts in NOK 1.000)*	Q4		YTD	
	2017	**2016**	**2017**	**2016**
Net book value (opening balance)	6 360	4 577	5 465	5 075
Net investement	951	1 054	2 422	1 054
Depreciation and amortization	-192	-168	-769	-666
Net book value (ending balance)	**7 119**	**5 465**	**7 119**	**5 465**

Intangible assets (Research and development, patents and licenses):
Research expenses are expensed when incurred. Development of products are capitalized as intangible assets when:

- It is technically feasible to complete the intangible asset enabling it for use or sale.
- Management intends to complete the intangible asset and use or sell it.
- The Company has the ability to make use of the intangible asset or sell it.
- A future economic benefit to the Company for using the intangible asset may be calculated.
- Available technical, financial and other resources are sufficient to complete the development and use of or sale of the intangible asset.
- The development expense of the intangible asset can be measured reliably.

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

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

Note 5 Related party disclosures

Shares owned or controlled by directors and senior management per 31. December 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 until 30.September 2017	607 064	160 000
Christian Jørgensen,CEO from 1. October 2017	62 000	0
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 31. December 2017	Shares	Ownership
Tellef Ormestad	3 127 969	7,12 %
AKA AS	1 450 000	3,30 %
Danske Bank AS	1 213 794	2,76 %
Clearstream Banking S.A.	1 168 114	2,66 %
Birkeland Odd Knut	1 030 000	2,34 %
Nordnet Bank AB	876 303	1,99 %
Pro AS	874 169	1,99 %
MP Pensjon	873 239	1,99 %
Nordea Bank AB	750 785	1,71 %
Progusan AS	750 026	1,71 %
Belvedere AS	700 095	1,59 %
Isar AS	699 853	1,59 %
Hartvig Wennberg AS	696 033	1,58 %
Arne Kjetil Kyrkjebø	694 119	1,58 %
Nordnet Livsforsikring AS	661 648	1,51 %
Middelboe AS	481 660	1,10 %
Spiralen Industrier AS	474 639	1,08 %
Catalina Invest AS	470 000	1,07 %
Rolf Engstad	370 774	0,84 %
Tarago AS	344 787	0,78 %
20 largest shareholders aggregated	**17 708 007**	**40,30 %**

Note 7 Interims result

(Amounts in NOK 1.000)	Q4-2017	Q3-2017	Q2-2017	Q1-2017	Q4-2016
Sales revenues	17 669	16 268	16 385	18 196	18 215
Sales growth % (year-over-year)	-3 %	-11 %	7 %	19 %	39 %
Gross profit %	65 %	60 %	74 %	69 %	59 %
EPS	-0,17	-0,18	-0,11	-0,10	-0,19
EPS fully diluted	-0,17	-0,18	-0,11	-0,10	-0,19
EBITDA	-7 218	-8 093	-4 354	-4 109	-8 093
Equity	44 813	52 316	59 924	64 153	68 087
Total equity and liabilities	61 683	67 569	73 778	77 311	85 834
Equitiy (%)	73 %	77 %	81 %	83 %	79 %

Note 8 Alternative Performance Measures

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

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

	Q4		YTD	
(Amounts in NOK 1.000 - exept EPS)	2017	2016	2017	2016
Sales	17 669	18 215	66 686	71 904
Cost of goods sold	-6 184	-7 530	-21 927	-26 736
Gross profit	**11 484**	**10 685**	**44 760**	**45 168**
Other revenues	1 220	1 723	6 072	6 702
Sum other revenues	**1 220**	**1 723**	**6 072**	**6 702**
Personnel expenses	-13 407	-12 568	-46 030	-43 151
Other operating expenses	-6 516	-7 934	-27 738	-27 764
Depreciation and amortization expenses	-615	-383	-1 978	-1 912
Operating profit/loss (-)	**-7 833**	**-8 476**	**-24 915**	**-20 956**

Note 9 Account receivables and other receivables

(Amounts in NOK 1.000)	31.12.2017	31.12.2016
Accounts receivables	7 431	11 957
Reserach grants	685	1 344
Tax grants	2 647	2 589
VAT	512	657
Other receivables	3 087	169
Total account receivables and other receivables	**14 363**	**16 716**

Note 10 Account payable and other current liabilities

(Amounts in NOK 1.000)	31.12.2017	31.12.2016
Accounts payable	5 808	7 181
Public taxes and withholdings	2 713	2 087
Unpaid holiday pay	3 464	3 253
Other personnel	1 882	2 324
Other current liabilities	3 003	2 902
Total account payable and other current liabilities	**16 870**	**17 746**

Note 11 Events after balance sheet date, 31. December 2017

There are no events of significance to the financial statements for the period from the financial statement date to the date of approval; 31. January 2018.

Oslo, 31 January 2018
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