BIOTEC PHARMACON

Q2 2016

Second Quarter 2016

Highlights for the second quarter of 2016

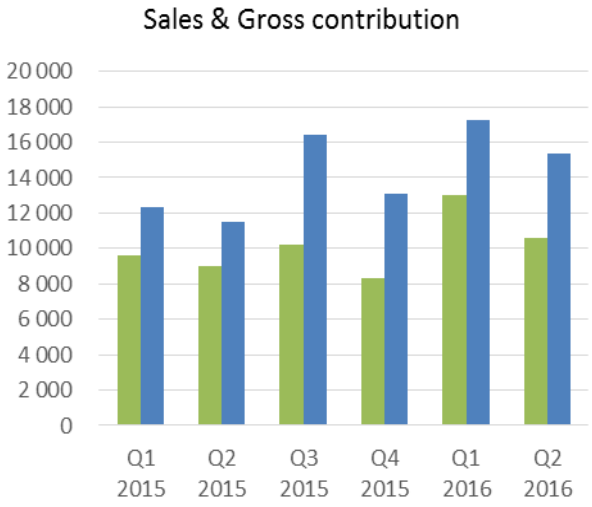
- Group sales increased with NOK 3.8 million from NOK 11.5 million in the first quarter of 2016 to NOK 15.3 million in the second quarter of 2016
- EBITDA was NOK -1.6 million in the second quarter of 2016 compared to NOK -1.0 million in the second quarter of 2015 as a result of increased spending in commercialization of Woulgan® Gel
- FDA filing of a 510K application for Woulgan® for the US market
- Woulgan® commercialization process is gaining traction with a number of user trials, a new distributor in Germany and the first commercial sale in Finland

Key financials

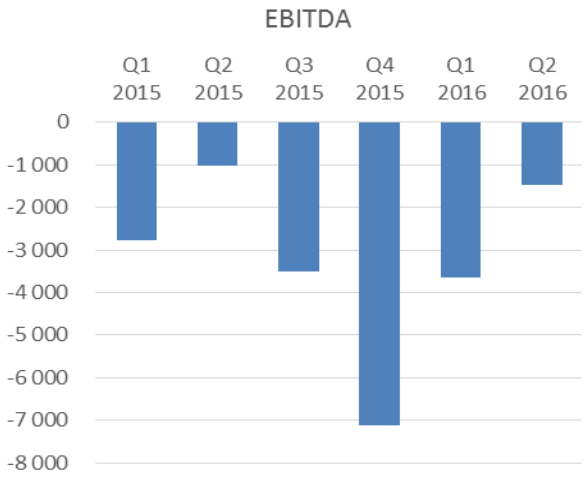
Amount in NOK 1.000	Q2 2016	Q2 2015	6M 2016	6M 2015
Sales	15 308	11 490	32 574	23 808
EBITDA	-1 581	-1 009	-5 068	-3 787
EBIT	-2 067	-1 684	- 6 042	-5 140
Net cash flow from operations	-3 022	-4 810	-13 673	-14 002
Net cash end of period	64 699	78 265	64 699	78 265

Biotec Pharmacon – Group Figures

Biotec Pharmacon ASA, (hereinafter "Biotec" or, the "Company") reported sales of NOK 15.3 million (11.5) for the second quarter of 2016. EBITDA was NOK -1.6 million (-1.0) and EBIT NOK -2.1 million (-1.7) in the quarter. Net financial income was NOK 0 million (0.4), generating a loss before tax of NOK -2.1 million (-1.3) for the quarter.



Both the beta-glucan and the enzyme segment reported growth in sales compared to the second quarter of 2015, with sales of NOK 7.5 million and NOK 7.8 million respectively. For the first six months, sales increased to NOK 32.6 million, from 23.8 million in the first six months of 2015.The group had a gross contribution of NOK 9.7 million (9.0) in the second quarter of 2016 and a gross contribution of NOK 22.8 million (18.6) for the first six months of 2016.



Reduction in EBITDA for the second quarter of 2016 compared to the same quarter last year is mainly due to increased commercial activities relating to the Woulgan® Gel.

The group had 40 employees at the end of the second quarter, compared to 36 employees at the end of the second quarter of 2015.

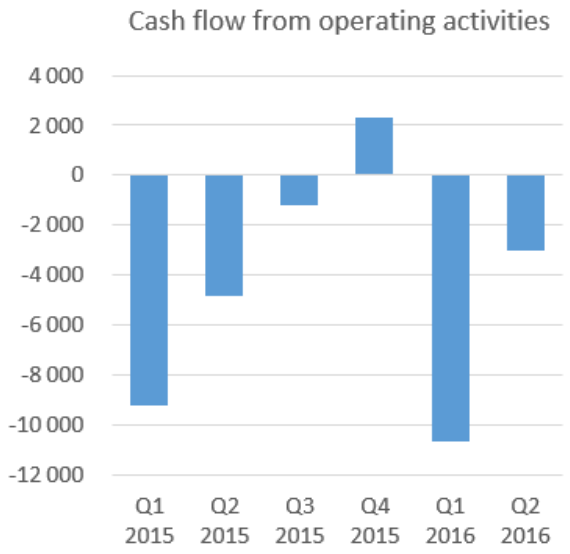
Balance Sheet

Total equity amounted to NOK 81.6 million at the end of the second quarter of 2016 compared to NOK 86.7 million at the end of 2015.

Total assets were NOK 91.1 million at the end of the second quarter of 2016, down from NOK 101.1 million at the end of 2015. The Company has no interest-bearing debt.

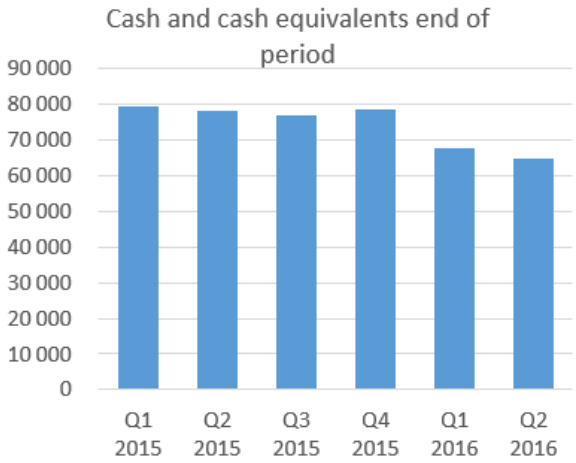
Cash Flow

Net cash flow from operating activities was NOK -3.0 million in the second quarter of 2016, compared to NOK -4.8 million in the same quarter in 2015. The operating cash flow reflects a change in working capital of NOK 8.7 million compared to end of fourth quarter 2015. This is due to normal fluctuations in the working capital.



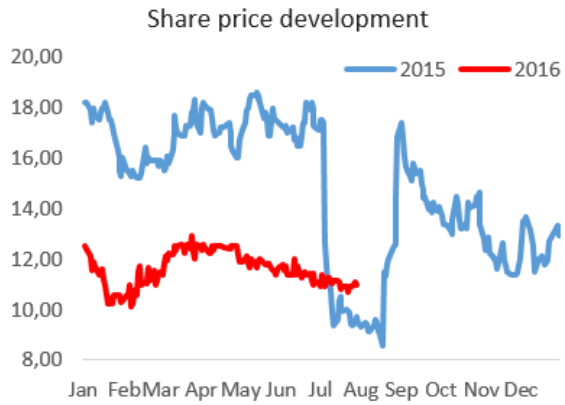
Net cash flow from investing and financing activities was NOK 0 in the second quarter and for the first six months of 2016.

Changes in cash and cash equivalents were NOK -3.0 million in the second quarter and NOK -13.6 million for the first six months. This generated a cash balance of NOK 64.7 million at the end of the quarter, compared to NOK 78.3 million at the end of 2015.



Shareholder matters

The total number of issued shares was 43,944,673 at the end of the second quarter of 2016. The number of issued employee share options was 1,167,750 at the end of the quarter. In total 203,250 of these share options can be exercised in 2016.



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 that are described in the annual report for 2015.

Business areas reporting:

Beta-glucans

Biotec Pharmacon continues to deliver on its short-term goals for 2016. Focus in the first six months has been on securing Key Opinion Leader (KOL) support and establishing market access in key regions for the Company's novel wound care product Woulgan®. In addition, the Company seeks to continue to develop sales in the animal health and nutrition business.

Woulgan® - UK

The clinical focus group successfully completed recruitment of additional 40 patients in the second quarter. The product has impressed clinicians by repeatedly demonstrating its effectiveness in reactivating stalled wounds across a variety of wound types, often in patients whose wounds have been stalled for 12 weeks or longer. The case series from the group will be submitted for publication in a UK wound journal later this year. The majority of clinicians from the focus group are enthusiastic and wish to continue working with Woulgan®. This includes presenting on their experiences, continuing further evaluations, proposing care guidelines using Woulgan® and adding Woulgan® to their local prescribing guides (formularies) for stalled wounds. In total, over 70 patients have been treated with Woulgan® in the UK during the first six months of 2016.

Biotec continues to provide the NHS with information as they process Woulgan's Drug Tariff application. In a recent response to the NHS, Biotec were able to use data from the UK clinical focus group to demonstrate Woulgan's clinical effectiveness in different types of wound, and thereby supporting the positioning of the product as a therapy for stalled wounds in general.

The Company is working closely with its distribution partner, H&R Healthcare, both in driving evaluations and promoting Woulgan® at congresses. In addition, a UK launch plan is being prepared. The launch will be dependent on Woulgan® receiving Drug Tariff approval.

Woulgan® - Nordic

Our Nordic distributor Navamedic ASA sees interesting opportunities for Woulgan® in the Nordic markets, based on clinician feedback from market evaluations. More than 170 Nordic patients have been treated with Woulgan® in the first six months of 2016. Navamedic has already increased its Woulgan® sales headcounts and more sales people are planned for the rest of 2016. Navamedic gained its first sales in Finland during the second quarter with more sales expected as more tenders are published after the summer. The Finnish team has offered Woulgan® in tenders covering 70% of the market. As outlined in previous updates, when Woulgan® is listed on a tender, it makes ordering the product in volume significantly more convenient and is thus a key requirement for larger market share in any region. In all regions, Navamedic is focused on adding Woulgan® to tenders while it renews and builds clinician support to adopt Woulgan® in parallel.

Woulgan® - Germany

In June, the Company signed a distribution agreement with Rogg Verbanstoffe GmbH (hereinafter "Rogg") for Woulgan® distribution to physician offices and pharmacies. Biotec will manage selected homecare companies and key

hospital activities directly. The agreement has an initial term of one year with the intention to prolong thereafter.

Direct management of homecare companies and key hospitals offers potentially faster sales and earlier production of German-based evidence to both drive adoption and support reimbursement in the market.

Biotec will support Rogg through its marketing division and has hired a commercial lead for Germany to coordinate commercial activities.

Picture 1: From EWMA, Bremen, May 2016

Woulgan® - US

In June 2016, Biotec submitted a 510K application for Woulgan® to the FDA. This is the first step in a process to obtain a favourable commercial positioning in this important market. Such an application will normally take 6-9 months to process. In parallel, the Company is evaluating a partner process for the US. By involving a partner earlier in the commercialization, the Company will benefit from valuable insight and input to achieve a favourable product positioning for Woulgan® in the US market.

Woulgan® - Other

Two pilot versions of the new wound care products that are currently under development have been presented to a selected group of wound care professionals for feedback on their appeal within the hospital and home care segments. Both product versions were perceived as novel, with a significant potential in wound care management. The Company continues to identify the optimal format for these two new product extensions.

During the second quarter of 2016, four sites in the UK were recruited to the ongoing Post Market Clinical Follow-up study, in addition to the already procured Swedish site. The randomised controlled trial aims to recruit a total of 80 patients suffering from diabetic foot ulcers, of which 60 will be treated with Woulgan® and 20 with the product Intrasite® as the comparator.

Beta-glucans - Other

The ongoing clinical study at Memorial Sloan Kettering is recruiting patients at a high pace, 87 patients have been enrolled at end of second quarter of 2016 as compared to 65 at end of the first quarter. The neuroblastoma patients are treated with the combination of an experimental cancer vaccine developed by Memorial Sloan Kettering Cancer Centre and Soluble Beta Glucan (SBG®) from Biotec. SBG® is used for its immunomodulatory properties. The study aims to recruit a total of 115 patients, whereof 100 are treated under phase II of the protocol focusing on not only safety but also efficacy. Biotec is exploring possibilities to provide products for other investigator-driven trials to gain more support for the application of SBG® in cancer treatment.

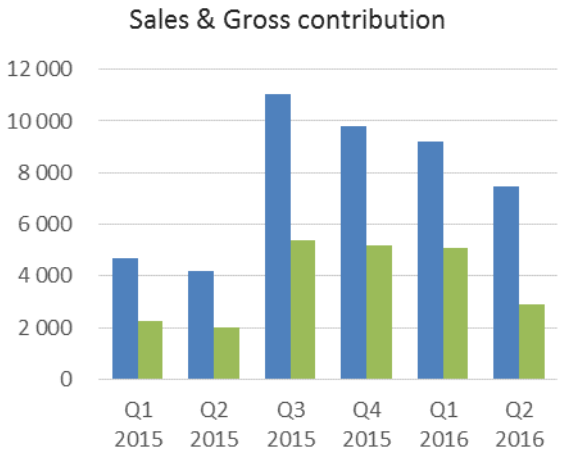
Biotec was cleared by the Court of Arbitration regarding the matter of the Company's nutrition business brought up by Sana Pharma AS. Sana Pharma has paid for costs incurred. Biotec continues the commercial relationship with Sana Pharma on a non-exclusive basis.

The Company has started to deliver its feed ingredient product M-Glucan® to the new customer that signed a supply agreement in the first quarter of 2016. In general, there is an increasing demand for Biotec's proprietary beta-glucan products used in the animal health and nutrition segment.

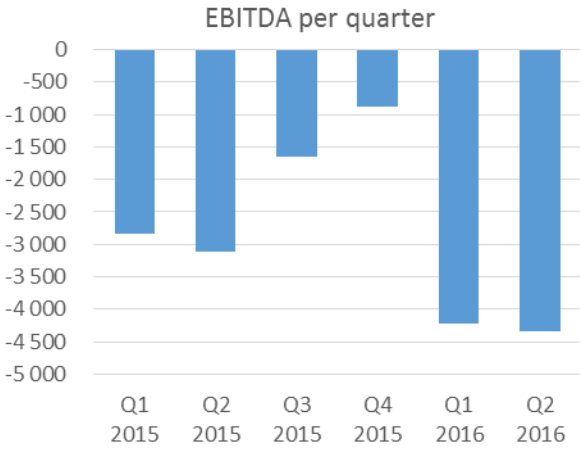
In the second quarter of 2016, Biotec secured additional grants to conduct more studies to support the scientific documentation of its animal health product M-Glucan®. Such documentation is important to grow the business and to support the uniqueness of the beta-glucans.

Financial review beta-glucans

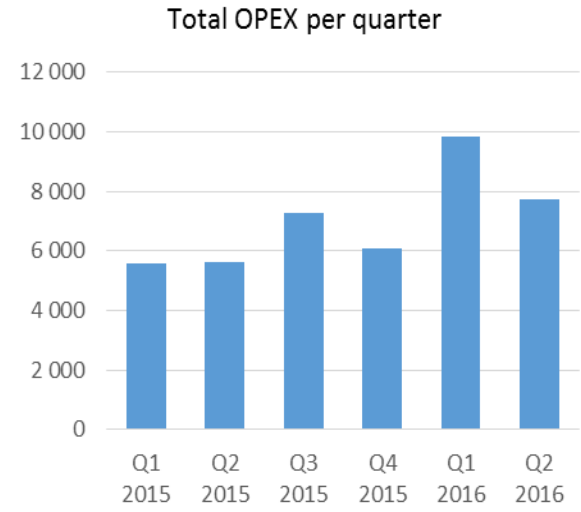
BBG sales amounted to NOK 7.5 million in the second quarter of 2016, compared to NOK 4.2 million in the second quarter of 2015. Sales for the first six months was in total NOK 16.6 million, compared to NOK 8.9 million in the same period of 2015. The increase is mainly due to sales growth within the animal health and nutrition segment.



EBITDA for the second quarter of 2016 was NOK -4.2 million compared to NOK -3.1 million in the same period last year.



Operating expenses increased from NOK 5.6 million in the second quarter of 2015 to NOK 7.7 million in the second quarter of 2016, mainly due to increases in personnel expenses and external services for the commercialization of Woulgan®. Operating expenses for the first six months have increased from NOK 11.2 million in 2015 to NOK 17.5 million in 2016. Biotec expects this increase to continue as Woulgan® is being launched and commercialized in several markets.



Enzymes (ArcticZymes)

Business

ArcticZymes continues its first quarter momentum with a good second quarter, resulting in sales of NOK 7.8 million. Several new orders from existing customers, as well as new customers in pilot to scale-up phase contributed to the positive result in the second quarter. The first half 2016 result exceeded a positive first half 2015. In addition, a number of new customers submitted their first orders in Europe and America. This greatly reinforces the strategic objective to broaden the business through bringing on board new partners, which in hand mitigates risk and adds diversity to the Company's business.

The Company has increased its focus on Europe, through the implementation of a dedicated European business development person at the beginning of 2016. ArcticZymes have been able to grow in scope and scale the number of existing key accounts in this territory. It is also prioritizing strategically relevant European prospects that are in the product development process.

R&D Polymerase Update

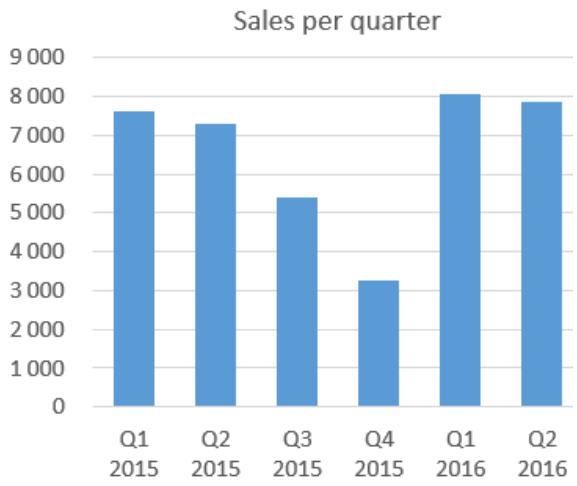
An advanced prototype of our first polymerase enzyme is ready for customer testing. ArcticZymes plans to initiate testing with a selected handful of leading companies in Molecular Diagnostics and Next Generation Sequencing in the second half of 2016. Assuming prototype-testing goes well, the first commercial material will be made available to customers via our "Early Access Program".

There is strong interest in our polymerase product developments from potential partners.

To further support the polymerase initiatives, ArcticZymes has in collaboration with Norinnova Technology Transfer and University of Tromsø, been granted funding from the Research Council of Norway, through the FORNY program. The project "MDxPol – Marine DNA polymerases as tools for next generation Molecular Diagnostic solutions", aims to support phase II of our polymerase initiative, where ArcticZymes will bring several novel polymerases to the market during 2017-2018. The strategy is to offer the customers a portfolio of slightly different polymerases, which will make it easier for them to select the most optimal enzyme for integration into their latest technologies and kit based products.

Financial review Enzymes

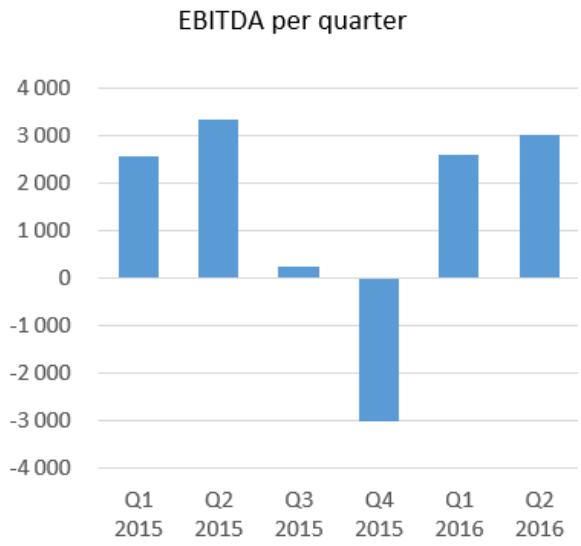
Sales in ArcticZymes amounted to NOK 7.8 million in the second quarter of 2016, up from NOK 7.3 million in the same quarter last year. The Company's sales came from a limited number of larger orders. This will continue to give fluctuations in sales per quarter going forward.



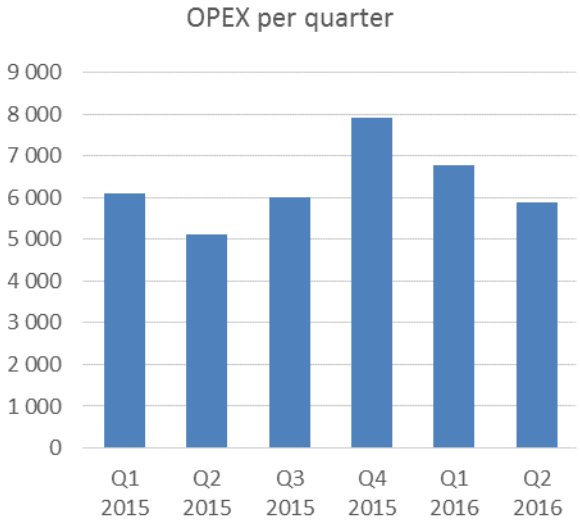
Other revenues for the first six months of 2016 showed a marginal decrease from NOK 2.8 million in 2015 to NOK 2.6 million in 2016

Other revenues mainly derive from research grants, which decreased to NOK 1.4 million from NOK 1.5 million in the second quarter last year.

EBITDA was a positive NOK 3.0 million in the second quarter of 2016, a slight reduction from NOK 3.3 million in the same quarter of 2015.



Operating expenses have increased from NOK 5.1 million in the second quarter of 2015 to NOK 5.9 million in the second quarter of 2016, mainly because of increased personnel expenses. Operating expenses for the first six months have moved from NOK 11.2 million in 2015 to NOK 12.7 million in 2016.



OUTLOOK

Biotec is in a good position for creating shareholder value in the years to come, by dedicating resources in developing commercial value from the Company's key product platforms.

In wound care, focus is on positioning Woulgan® as the key product for stalled wounds. This represents a market opportunity of at least USD 100 million in in-market sales for the Woulgan® product platform.

As earlier announced, the 2016 operational targets for Woulgan® are:

- Entering into distribution agreement(s) for Woulgan® in Germany
- Finalising the UK reimbursement process in the high-end category of the market
- Driving sales in the UK and the Nordic countries
- Continuing to develop an international sales support organization

In addition, the Woulgan® 510K submission for the US is now in process at the FDA. Such an application will normally take 6-9 months so the Company expects it to be concluded in the first quarter of 2017. Biotec will be thorough in the process of identifying a US partner, in order to ensure the best possible setup.

In parallel, Biotec BetaGlucans will focus on developing new-, and securing existing supplier agreements within animal health and nutrition, as well as pursuing opportunities within the field of cancer.

In the enzyme market, ArcticZymes has a strong product offering, in addition to valuable long-term relationships with key customers. Further development of the Company's partnerships in molecular, diagnostic and adjacent markets, should enable ArcticZymes to increase its market share going forward.

Furthermore, the Company expects the enzyme market to grow and develop structurally over the next years, as the industry represents attractive opportunities for a wide array of partnerships.

Financial statement 2nd quarter 2016

INCOME STATEMENT - THE GROUP

(Amounts in NOK 1.000 - exept EPS)	Q2 2016	Q2 2015	Jan - June 2016	Jan - June 2015
Sales	15 307	11 490	32 574	23 808
Cost of goods sold	-4 741	-2 486	-8 917	-5 206
Gross profit	**10 566**	**9 004**	**23 657**	**18 602**
Other revenues	1 702	1 968	3 595	3 798
Sum other revenues	**1 702**	**1 968**	**3 595**	**3 798**
Personell expenses	-7 593	-6 093	-18 938	-15 053
Other expenses	-6 256	-5 891	-13 385	-11 136
EBITDA	**-1 581**	**-1 009**	**-5 068**	**-3 786**
Depreciation and amortization expenses	-488	-675	-974	-1 353
EBIT	**-2 067**	**-1 684**	**-6 042**	**-5 139**
Finanical income, net	-15	388	152	622
EBT	**-2 082**	**-1 296**	**-5 890**	**-4 517**
Tax	0	0	0	0
Earnings after tax	**-2 082**	**-1 296**	**-5 890**	**-4 517**
Basic EPS (profit for the period)	-0,05	-0,03	-0,13	-0,10
Diluted EPS (profit for the period)	-0,05	-0,03	-0,13	-0,10

BALANCE SHEET - THE GROUP

(Amounts in NOK 1.000)	2016-06-30	2015-06-30	2015-12-31
Non-current assets			
Machinery and equipment	3 479	4 936	4 118
Intangible assets	4 742	4 785	5 074
Other financial assets	11	119	77
Total non-current assets	**8 232**	**9 840**	**9 269**
Current assets			
Inventories	3 743	3 486	2 904
Trade receivables and other receivables	14 471	14 976	10 555
Cash and cash equivalents	64 699	78 266	78 343
Total current assets	**82 912**	**96 728**	**91 802**
Total assets	**91 144**	**106 568**	**101 071**
Equity			
Share capital	43 945	43 946	43 945
Share premium capital	133 378	133 376	133 378
Other equity	-96 345	-78 933	-91 064
Non-controlling interests	677	437	489
Total equity	**81 655**	**98 826**	**86 749**
Current liabilities			
Trade-, short term-, and other payables	9 489	7 742	14 322
Total current liabilities	**9 489**	**7 742**	**14 322**
Total equity and liabilities	**91 144**	**106 568**	**101 071**

CHANGES IN EQUITY - THE GROUP

(Amounts in NOK 1000)	Share capital	Share premium capital	Own shares	Minority interests	Other reserves	Total equity
Balance at 2014-12-31	**43 623**	**129 224**	**0**	**437**	**-74 417**	**98 867**
Total comprehensive income/-loss for the period	0	0	0	52	-17 344	-17 292
Transactions with shareholders:						
Employee stock option provision	322	4 154	0	0	734	5 210
Purchase of own shares	0	0	-172	0	0	-172
Sale of own shares	0	0	137	0	0	137
Total transactions with shareholders	322	4 154	-35	0	734	5 175
Balance at 2015-12-31	**43 945**	**133 378**	**-35**	**489**	**-91 027**	**86 750**
Total comprehensive income/-loss for the period	0	0	0	0	-3 810	-3 810
Transactions with shareholders:						
Employee stock option provision	0	0	0	0	367	367
Total transactions with shareholders	0	0	0	0	367	367
Balance at 2016-03-31	**43 945**	**133 378**	**-35**	**489**	**-94 470**	**83 307**
Total comprehensive income/-loss for the period	0	0	0	188	-2 270	-2 082
Transactions with shareholders:						
Employee stock option provision	0	0	0	0	430	430
Total transactions with shareholders	0	0	0	0	430	430
Balance at 2016-06-30	**43 945**	**133 378**	**-35**	**677**	**-96 311**	**81 655**

CASH FLOW ANALYSIS - THE GROUP

	Q2		Jan - June	
(Amounts in NOK 1.000)	2016	2015	2016	2015
Cash flow from operating activities:				
Profit after tax	-2 082	-1 298	-5 890	-4 517
Adjustment:				
Depreciation	486	675	974	1 352
Amortization	0	0	33	0
Employee stock options	429	0	796	0
Changes in working capital				
Inventory	-212	479	-839	906
Account receivables and other receivables	-1 173	-4 241	-3 914	-7 223
Payables and other current liabilities	-470	-425	-4 833	-4 520
Net cash flow from operating activities	**-3 022**	**-4 810**	**-13 673**	**-14 002**
Cash flow from investing activities:				
Purchase of fixed assets	-4	-525	-4	-525
Change in long term receivables	18	14	33	34
Net cash flow from investing activities	**14**	**-511**	**29**	**-491**
Cash flow from financing activities:				
Cashflow from private placement	0	4 475	0	4 475
Net cash flow from financing activities	**0**	**4 475**	**0**	**4 475**
Changes in cash and cash equivalents	-3 006	-845	-13 644	-10 018
Cash and cash equivalents at the beginning of period	67 705	79 110	78 343	88 283
Cash and cash equivalents at end of period	**64 699**	**78 265**	**64 699**	**78 265**

Notes to the interim accounts for 2nd quarter 2016

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 June 30 2016. 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 December 31 2015 (hereafter "the Annual Financial Statements"), as they provide an update of previously reported information.

The accounting policies used in the Interim Financial Statements are consistent with those used in the Annual Financial Statements. The presentation of the Interim Financial Statements is consistent with the Annual Financial Statements. Where necessary, the comparatives have been reclassified or extended from the previously reported Interim Financial Statements to take into account any presentational changes made in the Annual Financial Statements or in these Interim Financial Statements.

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.

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.

	Q2		Jan - June	
(Amounts in NOK 1.000)	**2016**	**2015**	**2016**	**2015**
Sales revenue:				
Beta-Glucans	7 488	4 203	16 641	8 911
Enzymes	7 819	7 287	15 932	14 897
Group operating sales revenues	**15 307**	**11 490**	**32 573**	**23 808**
Gross profit				
Beta-Glucans	2 912	1 993	7 943	4 239
Enzymes	7 653	7 011	15 714	14 363
Group gross profit	**10 565**	**9 004**	**23 657**	**18 602**
Other revenues				
Beta-Glucans	455	512	1 014	1 022
Enzymes	1 218	1 456	2 581	2 771
Unallocated revenues corporate level	29	0	0	5
Group other revenues	**1 702**	**1 968**	**3 595**	**3 798**
Operating expenses:				
Beta-Glucans	-7 717	-5 625	-17 552	-11 220
Enzymes	-5 885	-5 104	-12 668	-11 220
Unallocated corporate expenses	-247	-1 254	-2 101	-3 747
Group operating expenses	**-13 849**	**-11 983**	**-32 320**	**-26 187**
EBITDA				
Beta-Glucans	-4 350	-3 120	-8 595	-5 959
Enzymes	2 986	3 363	5 627	5 914
Unallocated corporate expenses	-218	-1 254	-2 100	-3 742
EBITDA	**-1 582**	**-1 011**	**-5 068**	**-3 787**
Amortization:				
Beta-Glucans	-339	-425	-677	-851
Enzymes	-135	-225	-270	-450
Unallocated corporate expenses	-14	-25	-28	-51
Group amortization	**-488**	**-675**	**-975**	**-1 352**
EBIT				
Beta-Glucans	-4 685	-3 545	-9 272	-6 810
Enzymes	2 851	3 138	5 357	5 464
Unallocated corpoate expenses	-232	-1 279	-2 128	-3 793
EBIT	**-2 066**	**-1 686**	**-6 043**	**-5 139**

Oslo, August 16, 2016
The Board of Directors of Biotec Pharmacon ASA

Erik Thorsen Chairman	Olav Flaten Director	Inger Rydin Director	
Richard Godfrey Director	Masha Strømme Director	Gerd Nilsen Director	Svein W. F. Lien CEO