BIOTEC PHARMACON

Q2 2019

Second quarter 2019

Highlights for Q2 2019

- Group sales were up 55% to NOK 16.9 million (Q2 2018: NOK 10.9 million).
- Gross profit for the Group improved 42% to NOK 11.6 million (Q2 2018: NOK 8.2 million) due to improvements in most areas.
- ArcticZymes had second quarter sales of NOK 9.0 million growing by 58% (Q2 2018: NOK 5.7 million).
- Woulgan® continues to generate recurring revenues with NOK 1.4 million for the quarter (Q2 2018: NOK 0.5 million), driven primarily by good sales in the German market.
- Improvement in EBITDA to NOK -0.5 million (Q2 2018: NOK -3.5 million) as a result of stronger sales.
- Cash-flow for the quarter was NOK -6.8 million (Q2 2018: NOK 15.2 million, explained by NOK 22 million in capital increase). Despite the improvement in performance this is almost the same as last year ex capital increase due to changes in working capital and the timing of sales.

CEO Christian Jørgensen comments

"The performance in Q2 continued the positive development from Q1. Biotec experienced growth in all high margin areas and as stated before, even though as a small business with large customers quarterly figures might fluctuate, the performance in the first half of 2019 is a significant improvement over the same period last year.

We continue to manage the cost base and has reallocated some costs to our ArcticZymes franchise as well as having extra costs to consultants helping us in the M&A area.

The general healthcare savings initiatives influence all players in the wound care market. Especially smaller companies with limited market power face issues when market conditions tighten. We continue to execute on our strategy working with distribution partners as well as discussing more strategic global arrangements."

Key Figures

NOK 1.000	Q2 2019	Q2 2018*	Change	YTD 2019	YTD 2018*	Change
Sales	16 853	10 871	+55%	31 669	25 113	+26%
Total revenues	18 979	12 234	+55%	34 862	28 231	+23%
Operating expenses	-14 254	-13 029	-9%	-31 216	-29 649	-5%
EBITDA	-491	-3 480	+86%	-4 400	-8 621	+49%
EBIT	-1 896	-4 770	+60%	-7 168	-11 199	+36%
Cash & cash equivalents	21 369	35 163	-39%	21 369	35 163	-39%

**2018 figures are adjusted according to IFRS16 for comparison purposes*

Introduction

Biotec Pharmacon ASA, (hereinafter "Biotec" or "the Company") is a Norwegian life sciences company focused on two technology platforms for specialised, novel enzymes and immunomodulating beta-glucan products.

Operational review

ArcticZymes

Commercial

Sales performance for the quarter was attributed by strong growth in sales to the therapeutics segment. The therapeutic segment is a relatively new market for ArcticZymes (AZ) where it started to serve virus-based gene therapy and vaccine producers in 2016. AZ's participation in the market has rapidly grown over the last 2 years through the establishment of a broad and maturing customer base.

ArcticZymes continues to attract new customers through recently launched products such as new formulations of existing enzymes and the polymerase portfolio which has attracted new In Vitro Diagnostics (IVD) companies looking to integrate AZ's enzymes into their diagnostic tests.

Innovations

Two product launches were achieved during the quarter; Cod UNG Glycerol and Triton FREE and HL-dsDNase Triton FREE. These launches represent a continuing step towards maintaining a completely EU REACH compliant product portfolio after Triton X-100 becomes subject to authorization in January 2021. Several customers have and will continue to demand availability of our enzymes without Triton X-100. Furthermore, formulation of enzymes without glycerol provides a convenient solution suitable for lyophilization (drying into powder) and automated processes. Offering enzymes in different formulations enables ArcticZymes to achieve the widest adoption of its enzymes.

ArcticZymes participation in the Virus X project, an EU funded Horizons 2020 project[1], has reached a milestone phase where numerous prototypes of newly discovered and novel enzymes have been received by ArcticZymes for potential commercial exploitation. The impact of this project is significant because some of the enzymes would not have been identified without a mass discovery and DNA sequencing effort of the scale conducted by the partners of the project. Moreover, it explains why there are few commercial examples out there for certain enzymes because it is notoriously difficult to discover them without a project on the scale of the Virus X project.

ArcticZymes expects to launch its first enzyme from the project within the next 6-12 months. Timing is largely dependent on patents and completion of product development prior to launch.

[1)] *Official link to the Virus X project* http://virus-x.eu/

Growth Initiatives

With the aid of industry consultants, ArcticZymes has exploratory discussions with several European based companies to potentially leverage complements and synergies within the respective businesses.

Biotec BetaGlucans

Biotec's subsidiary, Biotec BetaGlucans, develops, produces and markets immunomodulating beta-glucans. It addresses high unmet healthcare needs, such as the healing of chronic wounds and a possible adjuvant in vaccines against relapse of a certain cancer type.

BetaGlucans – Woulgan®

The focus is to drive sales in existing and new European markets through distribution partners, based on a differentiated approach to active wound healing. Outside of Europe and especially North America the aim is to identify industrial partners utilizing the benefits of SBG in own brands and products.

Markets & target groups

Most wound care products are used in outpatient settings, either in nursing homes or homecare. This requires good coverage of the market to generate substantial recurring sales revenues.

The German market is complex but sales in the region have shown in-market growth for the fifth quarter in a row. In addition, evaluations are being carried out with well-reputed distributors. The set-up and distribution in Germany is positioned for further commercial progress.

The German success is planned to be extended to the entire D-A-CH region during 2019, and a distribution agreement is signed with Publilog GmbH in Austria (a PubliCare company). The effect on Woulgan® sales from this agreement will follow the reimbursement process, where a listing is expected after January 1, 2020. In Switzerland negotiations are ongoing.

Sales in the UK are behind expectations and Woulgan® is experiencing low but increasing sales quarter by quarter.

Sales in the Nordic markets is still a challenge. However, Finland is an exception and Sweden is a potential future success, with two new tenders active as of April 1, 2019.

Initial market tests in Portugal through Excelderma Unipessoal Lda. are showing encouraging results.

Discussions with other distributors are ongoing.

During the second quarter Woulgan® was presented at both the European Wound Management Association (EWMA) in Gothenburg (SE) and the German Wound (DeWu) in Bremen (DE) with good attendance and response.

Woulgan® - Research and development

The development project defined to create a range of Woulgan®/SBG® wound healing products has been supported by a 4-year BIA-grant from The Norwegian Research Council.

These new products, as well as supplementary products for a new treatment regime, are being developed in cooperation with CMOs and external industrial partners.

The PMCF-study, as required by Notified Body and the competent authority MHRA in the UK, is finalised and the CRO is currently executing the final report to be forwarded to the Notified Body and MHRA. The focus of this study was to document the safety and usefulness of Woulgan and address outstanding issues in the product's risk profile. The study confirmed that Woulgan has a safety profile and usefulness in compliance with the CE-application assessments securing the CE-mark.

Reimbursement decision in Germany

The Ministry of Health (G-BA), sick funds, trade associations, patient groups and corporations have for quite some time been discussing the legal definition of "dressings" (Verbandmittel). This has now been finalized in the new Law on Security in Medicinal Supplies (GSAV), which basically mean that all products with a pharmaceutical, metabolic or immunologic effect (like Woulgan) are out of the standard category of reimbursable dressings and need to go through a simplified benefit assessment to get reimbursement in the new category, "Other Wound Care Products". The grace period for these products is one year.

The implementation phase however is being questioned and discussed with G-BA, as they have no clear guidelines for what clinical evidence is needed for the new "Others" category.

Many companies find they have the required documentation already, as do we, but it is not clarified at present.

BetaGlucans – Consumer and Animal Health

Biotec had sales growth within the consumer health franchise in the first half of 2019 in comparison to 2018 coming from both existing and new customers. As usual Biotec was present at major exhibitions in Europe and Asia this quarter. BetaGlucans sales within animal health experienced almost the same level of sales the first half of 2019 as in 2018 even though second quarter of 2019 was lower than the same quarter last year.

Both product areas are characterised as mostly business-to-business, where it takes time to develop a sales lead into a sales order. In most cases, the beta-glucans are integrated as ingredients into customers' final products.

BetaGlucans – Adjuvant

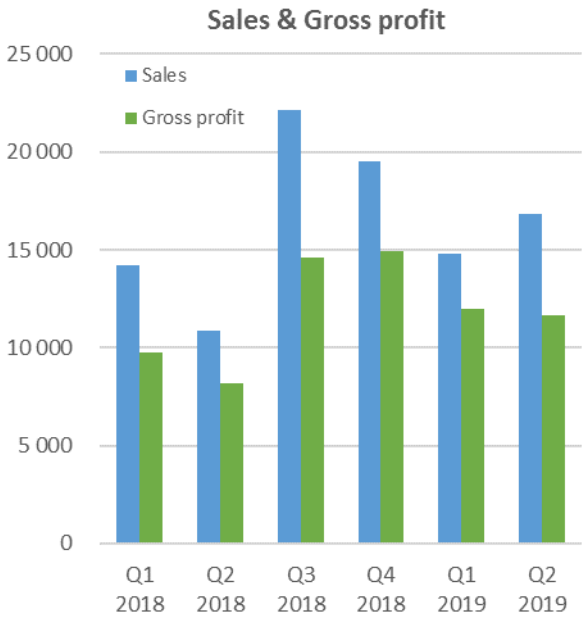
The two-armed randomised phase II neuroblastoma vaccine study at Memorial Sloan Kettering Cancer Center (MSKCC) has by end of June enrolled almost 250 patients of the 260-patient planned recruitment scheme. It is expected that the study will be fully recruited during 2019. Biotec continues the discussions with the vaccine owner, Y-Mabs, and MSKCC on how to proceed in order to bring this vaccine/SBG® treatment regime forward to registration.

Organisation

The Group had 41 full-time and part-time employees, which includes 5 consultants on long-term contracts.

Financial review

Biotec reported sales of NOK 16.9 million (Q2 2018: 10.9m) for the second quarter of 2019. Earnings before tax, interest, depreciation and amortisation (EBITDA) were NOK -0.5 million (Q2 2018: -3.5m) and earnings before interest and tax (EBIT) were NOK -1.9 million (Q2 2018: -4.8m) in the quarter. Net financial income was a loss of NOK 0.03 million (Q2 2018: -0.2m).

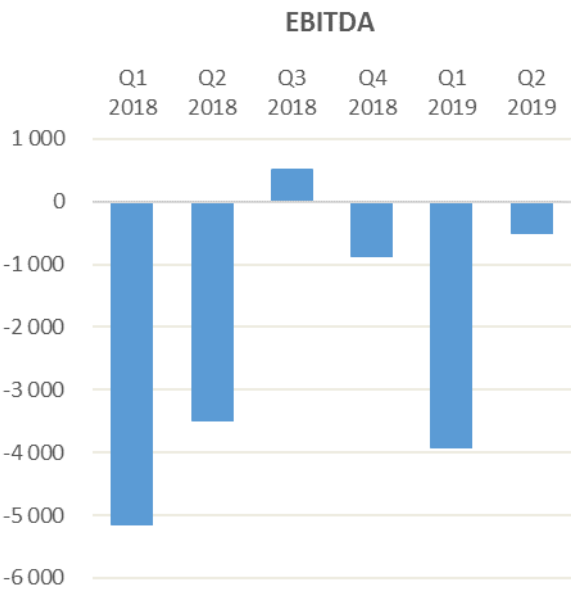


ArcticZymes had second quarter sales of NOK 9.0 million (Q2 2018: NOK 5.7m).

Sales for the BetaGlucans division were NOK 7.9 million (Q2 2018: NOK 5.2m), driven by stronger Woulgan and animal health sales compared to 2018

The improved EBITDA for Q2 2019, compared to the same quarter last year is mainly because

of strong enzymes and increased Woulgan® sales.



Note: EBITDA in all quarters of 2018 has been adjusted for comparison purposes after IFRS 16 was implemented on January 1 2019.

On January 1. 2019, Biotec Pharmacon ASA and its subsidiaries implemented IFRS 16 "Leases". This means that some operating expenses with longer commitments need to be valued over the lifetime of the contract and featured on the asset side of the balance sheet. This asset is then depreciated over the lifetime of the contract. For Biotec Pharmacon this has the effect that most of the property, plant & equipment expense are moved from operating expenses and are depreciated.

The Company recognised no income tax in the second quarter of 2019.

Financial position

Total equity amounted to NOK 46.9 million at the end of the second quarter 2019 compared to NOK 53.5 million at the end of 2018.

Total assets were NOK 73.2 million at the end of the second quarter of 2019, down from NOK 85.3 million at the end of 2018.

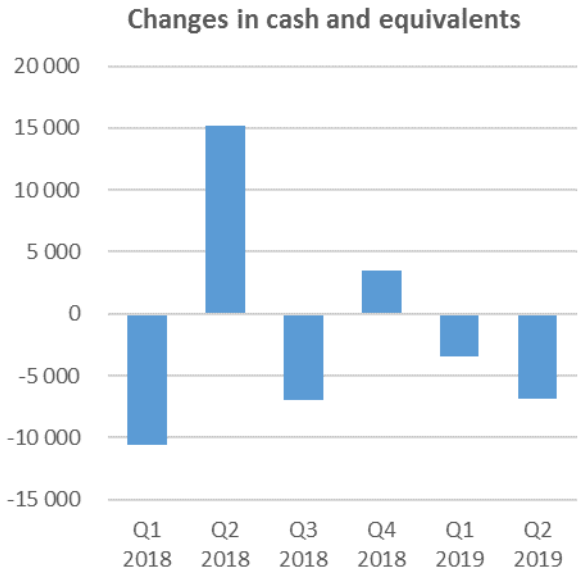
The Company has no interest-bearing debt.

Total equity and assets per 31.12.2018 have been adjusted for comparison purposes after IFRS 16 "Leases" was implemented.

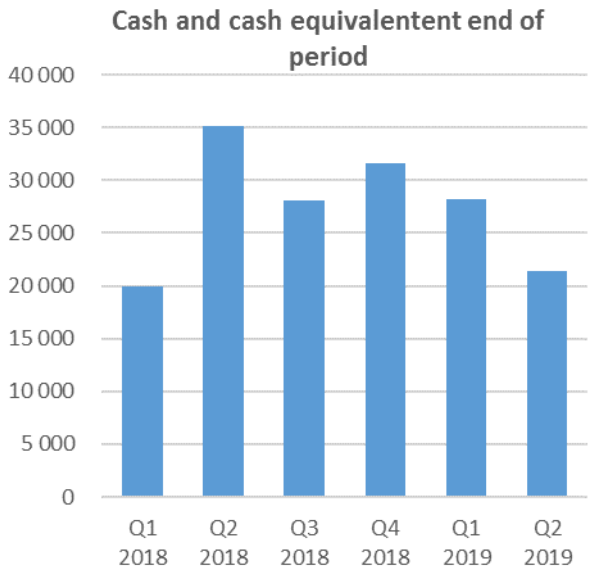
Cash flow

Net cash flow from operating activities was NOK -5.6 million in the second quarter, compared to NOK -5.2 million in the same quarter in 2018.

The operating cash flow reflects a change in working capital of NOK 4.7 million compared to the end of 2018. This is explained by an increase in receivables by NOK 0.4 million and a reduction in liabilities of NOK 5.1 million.



Changes in cash and cash equivalents was NOK -6.8 million in the second quarter. This generated a cash balance of NOK 21.4 million at the end of the quarter, compared to NOK 31.7 million at the end of 2018.



Shareholder matters

The total number of issued shares was 48,334,673 at the end of the second quarter of 2019. See the annual report for 2018 for further details on option programmes.

Risk factors

Biotec´s business is exposed to several risk factors that may affect parts or all of the Company's activities.

The most important risks the Company is exposed to are associated with commercial development in ArcticZymes and recurring use of Woulgan® for new and existing customers.

There are no substantial changes in the risk factors, which are described in the annual report for 2018 and published on the Company's website www.biotec.no.

Outlook

The Company's outlook for 2019 remains unchanged: the aims are to grow sales organically across both divisions and continue to reduce cash consumption in 2019. We intend to continue the progress we have made in the first half of 2019

Management expects revenue growth to be strongest in the second half of the year. Long-term growth is expected to be focused within ArcticZymes and Woulgan®.

Within ArcticZymes, the priority will be growing sales of the current portfolio as well as launching new products and identifying inorganic growth opportunities. The key to this business is to offer the range of products with the highest customer demand.

Within Biotec BetaGlucans, the focus is on Woulgan®. Biotec will continue to work with local partners in order to build the franchise, especially in the Nordics and Europe.

The interim financial statement 30. June 2019 (Q2)

CONSOLIDATED STATEMENT OF PROFIT & LOSS

(Amounts in NOK 1 000 - except EPS)	Q2 2019	Q2 2018*	YTD 2019	YTD 2018*
Sales revenues	16 853	10 871	31 669	25 113
Other revenues	2 126	1 363	3 193	3 118
Sum revenues	**18 979**	**12 234**	**34 862**	**28 231**
Cost of goods	-5 217	-2 685	-8 046	-7 203
Personnel expenses	-8 270	-7 490	-20 184	-18 762
Other operating expenses	-5 983	-5 539	-11 032	-10 887
Sum expenses	**-19 470**	**-15 714**	**-39 262**	**-36 852**
Earnings before interest, taxes, depr. and amort.	**-491**	**-3 480**	**-4 400**	**-8 621**
Depreciation and amortization expenses	-1 405	-1 290	-2 768	-2 579
Operating profit/loss (-) (EBIT)	**-1 896**	**-4 770**	**-7 168**	**-11 199**
Finanical income, net	-25	-155	-45	-318
Profit/loss (-) before income tax (EBT)	**-1 921**	**-4 924**	**-7 212**	**-11 518**
Tax	0	0	0	0
Net profit/loss (-)	**-1 921**	**-4 924**	**-7 212**	**-11 518**
Basic EPS (profit for the period)	-0,04	-0,10	-0,15	-0,24
Diluted EPS (profit for the period)	-0,04	-0,10	-0,15	-0,24

**for comparison purposes, the 2018 figures has been adjusted for IFRS 16 effects. See note 5 for futher details*

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

(Amounts in NOK 1 000)	30.06.2019	30.06.2018*	31.12.2018*
Non-current assets			
Machinery and equipment	4 003	4 647	4 596
Intangible assets	7 423	7 034	7 551
Lease assets	16 582	19 485	18 033
Other non-current assets	0	4	0
Total non-current assets	**28 008**	**31 169**	**30 181**
Current assets			
Inventories	6 583	6 547	6 560
Account receivables and other receivables	17 251	13 467	16 896
Cash and cash equivalents	21 369	35 163	31 662
Total current assets	**45 204**	**55 177**	**55 117**
Total assets	**73 212**	**86 346**	**85 298**
Equity			
Share capital	48 335	48 335	48 335
Premium paid in capital	151 039	151 039	151 039
Retained earnings	-153 373	-144 095	-146 785
Non-controlling interests	869	676	876
Total equity	**46 869**	**55 955**	**53 465**
Other long-term liabilities			
Lease liabillities	17 313	19 801	18 466
Total other long-term liabilities	**17 313**	**19 801**	**18 466**
Current liabilities			
Accounts payable and other current liabilities	9 031	10 590	13 368
Total current liabilities	**9 031**	**10 590**	**13 368**
Total equity and liabilities	**73 212**	**86 346**	**85 298**

**for comparison purposes, the 2018 figures has been adjusted for IFRS 16 effects. See note 5 for futher details*

CONSOLIDATED CASH FLOW STATEMENT

(Amounts in NOK 1 000)	Q2 2019	Q2 2018*	YTD 2019	YTD 2018*
Cash flow from operating activities:				
Profit after tax	-1 921	-4 924	-7 212	-11 518
Adjustment:				
Depreciation	1 405	1 290	2 768	2 579
Employee stock options	308	306	616	612
Non cash interest expense	138	157	277	314
Changes in working capital				
Inventory	-109	212	-23	-1 536
Account receivables and other receivables	-3 433	-425	394	892
Payables and other current liabilities	-2 072	-1 784	-5 067	-6 277
Net cash flow from operating activities	**-5 683**	**-5 168**	**-8 247**	**-14 934**
Cash flow from investing activities:				
Purchase of fixed assets	39	-734	-121	-680
Invested in intangible assets	-412	-226	-412	-421
Change in long term receivables	-7			6
Net cash flow from investing activities	**-380**	**-960**	**-534**	**-1 095**
Cash flow from financing activities:				
Capital increase		22 051		22 051
Lease liabillities	-757	-726	-1 513	-1 451
Net cash flow from financing activities	**-757**	**21 325**	**-1 513**	**20 600**
Changes in cash and cash equivalents	-6 821	15 197	-10 294	4 571
Cash and cash equivalents at the beginning of period	28 190	19 967	31 662	30 593
Cash and cash equivalents at end of period	**21 369**	**35 163**	**21 369**	**35 163**

**for comparison purposes, the 2018 figures has been adjusted for IFRS 16 effects. See note 5 for further details*

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(Amounts in NOK 1 000)	Q2 2019	Q2 2018*	YTD 2019	YTD 2018*
Equity at the beginning of period	**48 482**	**38 525**	**53 465**	**44 813**
Shared based compensation	308	306	616	612
Retained earnings	-1 882	-4 934	-7 204	-11 481
Private placement - new equity		22 051		22 051
Changes in non-controlling interests	-39	10	-8	-37
Equity at the end of period	**46 869**	**55 955**	**46 869**	**55 955**

**for comparison purposes, the 2018 figures has been adjusted for IFRS 16 effects. See note 5 for further details*

Statement by the Board of Directors and CEO

We confirm, to the best of our knowledge, that the financial statement for the period 1. January to the 30. June 2019 have been prepared in accordance with current accounting standards and that the information in the accounts gives a true and fair view of the Company and the Group's assets, liabilities, financial position and results of operation.

We also confirm, to the best of our knowledge, that the quarterly report includes a true and fair overview of the Company's and the Group's development, results and position, together with a description of the most important risks and uncertainty factors the Company and the Group are facing.

Oslo, 14.08.2019
The Board of Directors of Biotec Pharmacon ASA

Marie Ann Roskrow Chairman	Arne Reinemo Director	Inger Rydin Director
Volker Wedershoven Director	Ingrid Skjæveland Director (Employee repr.)	Christian Jørgensen CEO

Notes to the interim accounts for 30. June 2019 (Q2)

Note 1 - Basis of preparation of financial statements

The assumptions applied in the financial statements for 2019 that may affect the use of accouting principles, book values of assets and liabilities, revenues and expenses are similar to the assumtions found/used in the financial statement for 2018.
These financial statements are the unaudited interim consolidated financial statements (hereafter "the Interim Financial Statements") of Biotec Pharmacon ASA and its subsidiaries (hereafter "the Group") for the period ended 30. June 2019. 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 2018 (hereafter "the Annual Financial Statements"), as they provide an update of previously reported information.
The quarterly reports require management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets and liabilities, income and expenses.
Income tax expense or benefit is recognized based upon the best estimate of the weighted average income tax rate expected for the full financial year. Deferred tax asset is accounted at NOK 0 in the balance sheet.

IFRS 15 Revenue from contracts with customers was effective from 01.01.2018. The Group has evaluated the potential implications of the standard and have not identified any remunerative contracts which will change the practice for recognition and measurement of sale.

Note 2 - Analysis of operating revenue and -expenses, segment information

Services provided by the parent company are expensed at both segments according to agreements with actual subsidiary.
Corporate overhead costs remain unallocated.

(Amounts in NOK 1 000)	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Sales revenue:				
Beta-Glucans	7 851	5 170	14 798	13 075
Enzymes	9 002	5 701	16 871	12 038
Group operating sales revenues	**16 853**	**10 871**	**31 669**	**25 113**
Gross profit				
Beta-Glucans	3 315	2 616	7 467	6 249
Enzymes	8 322	5 569	16 156	11 661
Group gross profit	**11 636**	**8 186**	**23 623**	**17 910**
Other revenues				
Beta-Glucans	1 088	400	1 348	999
Enzymes	1 037	964	1 845	2 120
Group other revenues	**2 126**	**1 363**	**3 193**	**3 119**
Operating expenses:				
Beta-Glucans	-5 140	-6 227	-11 660	-14 162
Enzymes	-7 658	-5 597	-16 543	-13 222
Unallocated corporate expenses	-1 455	-1 206	-3 013	-2 265
Group operating expenses	**-14 254**	**-13 029**	**-31 216**	**-29 649**
Operating profit/loss (-) (EBITDA)				
Beta-Glucans	-737	-3 211	-2 846	-6 914
Enzymes	1 701	936	1 458	558
Unallocated corporate expenses	-1 455	-1 206	-3 013	-2 265
Operating profit/loss (-) (EBITDA)	**-491**	**-3 480**	**-4 400**	**-8 621**
Depreciation and amortization:				
Beta-Glucans	-797	-733	-1 594	-1 467
Enzymes	-488	-475	-976	-951
Unallocated corporate expenses	-120	-80	-198	-161
Group depreciation and amortization	**-1 405**	**-1 290**	**-2 768**	**-2 579**
Profit/loss (-) before income tax (EBIT)				
Beta-Glucans	-1 534	-3 944	-4 440	-8 381
Enzymes	1 213	461	482	-393
Unallocated corpoate expenses	-1 575	-1 286	-3 211	-2 426
Profit/loss (-) before income tax (EBIT)	**-1 896**	**-4 770**	**-7 168**	**-11 199**

Note 3 Share options

The Group has a share based option scheme. Per 30.06.2019, there were 0 outstanding options in the Group. The fair value of the historic 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.

	2019 Average exercise price	2019 Number of share options	2018 Average exercise price	2018 Number of share options
As of 01.01.	11.93	362 000	14,95	972 000
Expired during the year	11.93	362 000	16,74	610 000
Outstanding at 30. June		**0**		**362 000**

CEO Christian Jørgensen has an agreement giving him the right to receive 500 000 options:

Awarded options	Option strike price	Options earned at share
100 000	NOK 8.00 per share	NOK 11.00 per share
100 000	NOK 8.00 per share	NOK 14.00 per share
100 000	NOK 8.00 per share	NOK 17.00 per share
100 000	NOK 8.00 per share	NOK 20.00 per share
100 000	NOK 8.00 per share	NOK 23.00 per share

Christian Jørgensen's options have a three-year vesting period and a two-year declaration period after award (05.09.2017) CFO B. Sørvoll, CSO R.Engstad and MD ArcticZymes J. Holter has been awarded 200.000 options each under the same program as the CEO. The vesting period is three years (2018-2020), with an additional two-year declaration period (until 2022).

Expiry date, exercise price, and outstanding options:

Expiry date	Average exercise price	2019 Number of share options	2018
2019, 31 May	11.93	362 000	362 000
Outstanding at 30. June		**0**	**362 000**
Exercisable options at 30. June		0	362 000

The fair value of employee share options are calculated according to the Black-Scholes method. The most important parameters are share price at grant date, exercise prices shown above, volatility (2016, 2017: 66.3%, 58.4%), expected dividend yield (2016,2017: 0%), expected term of 3 years, annual risk free interest rate (2016, 2017:1.53%, 1.50%). The volatility is based on market data from the last year. The fair value is expensed over the vesting period. Per 30.06.2019 a total of NOK 18.4 million had been expensed, of which NOK 0.3 million applies to Q2 2019. 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)*	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Net book value (opening balance)	4 361	4 279	4 596	4 589
Net investement	-39	678	121	680
Depreciation and amortization	-319	-309	-715	-619
Net book value (ending balance)	**4 003**	**4 647**	**4 003**	**4 647**

Intangible asset *(Amounts in NOK 1 000)*	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Net book value (opening balance)	7 310	7 006	7 551	7 119
Net investement	412	283	412	421
Depreciation and amortization	-299	-255	-540	-509
Net book value (ending balance)	**7 423**	**7 034**	**7 423**	**7 034**

Lease assets *(Amounts in NOK 1 000)*	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Net book value (opening balance)	17 307	20 208	18 033	20 933
Depreciation	-725	-725	-1 451	-1 451
Net book value (ending balance)	**16 582**	**19 485**	**16 582**	**19 485**

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 Lease assets

IFRS 16 Leases regulates matters relating to leased assets. It requires all leases to be recognized in the statement of financial position as a right to use asset with subsequent depreciation. This standard was endorsed 31.10.2017 by the EU and was implemented 01.01.2019. IFRS 16 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single on-balance sheet model similar to the accounting for financial leases under IAS 17. At the commencement date the lessee will recognize 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. Agreements and contracts coming in under IFRS 16 are recognized as an asset and liability. This has a positive impact on EBITDA and increase fixed assets for the Group. It will also effects some KPI´s. The Group´s contracts contain same type of assets and is calculated using the same model. The Group use a full retrospective method and a 3% discount rate. The lease period includes options. Variable expenses are excluded from lease period and is not recognized.

(Amounts in NOK 1 000)

Financial position	30.06.2019 IFRS 16 adjusted	30.06.2018 IFRS 16 adjusted	01.01.2019 IFRS 16 adjusted
Lease assets	16 582	19 485	18 033
Fixed assets	11 427	11 681	12 148
Other non-current assets		4	
Sum Fixed assets	**28 008**	**31 169**	**30 181**
Lease liabilities	17 313	19 801	18 466
Current liabilities	9 030	10 590	13 368
Sum liabilities	**26 343**	**30 391**	**31 834**

1. Right of use is calculated from inception of contract
2. Net present value of liability maturing more than 12 months
3. Next years instalment is part of current liabilities

Profit & Loss statement	30.06.2019	30.06.2018*	30.06.2018	Changes
Sum revenues	34 862	28 231	28 231	0
Property, plant & equipment	-1 777	-1 789	-3 241	1 451
Other expenses	-37 485	-35 062	-35 062	0
Sum expenses	-39 262	-36 852	-38 303	1 451
EBITDA	**-4 400**	**-8 621**	**-10 072**	**1 451**
Depreciation	-2 768	-2 579	-1 128	-1 451
EBIT	**-7 168**	**-11 199**	**-11 200**	**0**
Net financials	-45	-318	-4	-314
EBT	**-7 212**	**-11 518**	**-11 204**	**-314**

**for comparison purposes, the 2018 figures has been adjusted for IFRS 16 effects.*

Note 6 Related party disclosures

Shares owned or controlled by directors and senior management per 30. June 2019:

Name, position	No of shares	No of options
Marie Roskrow, Chairman	0	0
Inger Rydin, Director	0	0
Volker Wedershoven, Director	0	0
Arne Reinemo, Director	0	0
Ingrid Skjæveland, Director	16 087	0
Marit Sjo Lorentzen, employee observer	20 331	0
Christian Jørgensen, CEO	77 000	*
Børge Sørvoll, CFO	25 428	*
Rolf Engstad, CSO Biotec BetaGlucans AS	581 174	*
Jethro Holter, Managing Director ArcticZymes AS	564	*
Finn Ketler, VP Wound Care, Biotec Betaglucans AS	0	0

*See note 3 for further details

Note 7 Shareholders

The 20 largest shareholders as of 30. June 2019	Shares	Ownership
Ormestad Tellef	3 581 931	7,41 %
Pro AS	2 307 216	4,77 %
Aka AS	1 450 000	3,00 %
Clearstream Banking	1 436 269	2,97 %
Danske Bank Operation	1 302 530	2,69 %
MP Pensjon	1 173 239	2,43 %
Birkeland Odd Knut	1 030 000	2,13 %
Belvedere AS	971 647	2,01 %
Nordnet Bank AS	926 167	1,92 %
Progusan AS	750 026	1,55 %
Nordnet Livsforsikring	740 580	1,53 %
Isar AS	699 853	1,45 %
Hartvig Wenneberg II	696 033	1,44 %
Nordea Bank AB Danmark	599 137	1,24 %
Dragesund Invest AS	597 891	1,24 %
Middelboe AS	588 173	1,22 %
Engstad Rolf Einar	581 174	1,20 %
Spar Kapital Investor	578 714	1,20 %
Catilina Invest AS	470 000	0,97 %
Spiralen Industrier AS	462 799	0,96 %
20 largest shareholders aggregated	**20 943 379**	**43,33 %**

Note 8 Interims result

(Amounts in NOK 1 000)	Q2-2019	Q1-2019	Q4-2018	Q3-2018	Q2-2018
Sales revenues	16 853	14 816	19 508	22 148	10 871
Sales growth % (year-over-year)	55 %	4 %	10 %	25 %	-25 %
Gross profit %	69 %	81 %	76 %	66 %	75 %
EPS	-0,04	-0,11	-0,04	-0,01	-0,10
EPS fully diluted	-0,04	-0,11	-0,04	-0,01	-0,10
EBITDA	-491	-3 909	-867	509	-3 480
Equity	46 869	48 482	53 465	55 168	55 955
Total equity and liabilities	73 212	76 859	85 298	87 559	86 346
Equitiy (%)	64 %	63 %	63 %	63 %	65 %

Note 9 Alternative Performance Measures

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

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

(Amounts in NOK 1 000 - exept EPS)	Q2 2019	Q2 2018	YTD 2019	YTD 2018
Sales	16 853	10 871	31 669	25 113
Cost of goods	-5 217	-2 685	-8 046	-7 203
Gross profit	**11 636**	**8 186**	**23 623**	**17 910**
Other revenues	2 126	1 363	3 193	3 118
Sum other revenues	**2 126**	**1 363**	**3 193**	**3 118**
Personnel expenses	-8 270	-7 490	-20 184	-18 762
Other operating expenses	-5 983	-5 539	-11 032	-10 887
Depreciation and amortization expenses	-1 405	-1 290	-2 768	-2 579
Operating profit/loss (-)	**-1 896**	**-4 770**	**-7 168**	**-11 199**

Note 10 Account receivables and other receivables

(Amounts in NOK 1 000)	30.06.2019	30.06.2018
Accounts receivables	10 063	7 718
Reserach grants	1 328	340
Tax grants	4 136	3 888
VAT	570	352
Other receivables	1 154	1 170
Total account receivables and other receivables	**17 251**	**13 467**

Days of maturity	Not due	0-30	31-60	61-90	Over 90-
Outstanding 30.06.2019	7 888	2 016	20	76	64
Historical loss - %	0 %	0 %	0 %	0 %	0 %
Future estimation of losses - %	0 %	0 %	0 %	0 %	0 %
Expected loss	0	0	0	0	0
Provision for losses	**0**	**0**	**0**	**0**	**0**

Days of maturity	Not due	0-30	31-60	61-90	Over 90-
Outstanding 30.06.2018	6 276	947	311	41	142
Historical loss - %	0 %	0 %	0 %	0 %	0 %
Future estimation of losses - %	0 %	0 %	0 %	0 %	0 %
Expected loss - %	0 %	0 %	0 %	0 %	0 %
Provision for losses	**0**	**0**	**0**	**0**	**0**

Biotec's main customers are large corporations and Universities. Historic losses on receivables are close to zero. Due to payment system in the US and interaction with Norway, all payments from the US will be recorded later than actual payment.

Note 11 Account payable and other current liabilities

(Amounts in NOK 1 000)	30.06.2019	30.06.2018
Accounts payable	3 814	4 760
Public taxes and withholdings	1 319	1 577
Unpaid holiday pay	1 500	1 449
Other personnel	1 670	1 133
Other current liabilities	728	1 671
Total account payable and other current liabilities	**9 031**	**10 590**

Note 12 Events after balance sheet date, 30. June 2019

There are no events of significance to the financial statements for the period from the financial statement date to the date of approval; 14.08.2019

Oslo, 14 August 2019
The Board of Directors of Biotec Pharmacon ASA

Marie Ann Roskrow Chairperson	Arrne Reinenmo Director	Inger Rydin Director
Volker Wedershoven Director	Ingrid Skjæveland Director - employee repr.	Christian Jørgensen CEO