BIOTEC PHARMACON

Q4 2019

Fourth quarter 2019

Highlights for Q4 2019

- Hired Jethro Holter as the interim CEO, replacing Christian Jørgensen.
- New Group strategy with ArcticZymes being the main strategic arm of the business and the decision to divest Woulgan.
- ArcticZymes launched M-SAN in order to gain greater market access and complement its rapidly growing sales efforts in the therapeutics segment.
- Gross profit for the Group improved 28% to NOK 18.1 million (Q4 2018: NOK 14.2 million) due to increased sales in the enzyme business.
- ArcticZymes had fourth quarter sales of NOK 16.3 million growing by 52% (Q4 2018: NOK 10.6 million).
- The Group delivered positive EBITDA with NOK 4.6 million (Q4 2018: NOK 1.8 million).
- Cash-flow for the quarter was NOK 9.2 million (Q4 2018: NOK 3.5 million).

Interim CEO Jethro Holter comments:

"We are delighted with an outstanding fourth quarter performance delivering a profitable quarter of close to NOK 4.6 million. The ArcticZymes business has proved instrumental in being the main contributor to top line growth during the quarter and 2019. The recent decision to redirect our main strategic focus towards ArcticZymes will only catalyse the growth potential and profitability of the company even more as we move into 2020 and beyond."

"The decision to divest Woulgan was a difficult, but right decision to take. Despite our best efforts with feet on the ground and marketing efforts, quarterly and annual performance fell short of our expectations. Biotec as a standalone company will never be able to generate the kind of revenues and attention that Woulgan deserves, hence Woulgan is best in the hands of a new owner with considerable marketing power."

"In supporting the new strategy and delivering our promise to drive the company into profitability during 2020, we are all reorganised and ready to achieve our milestones."

Key financial figures continued operations:

NOK 1.000	Q4 2019**	Q4 2018*	Change	YTD 2019**	YTD 2018*	Change
Sales	22 002	18 655	+18%	72 437	63 983	+13%
Total revenues	23 539	20 460	+15%	77 074	69 229	+12%
Operating expenses	-15 075	-14 210	+6%	-55 943	-49 114	+14%
EBITDA	4 568	1 802	+153%	2 727	802	+240%
EBIT	3 588	878	+308%	-1 142	-2 839	+59%
Cash & cash equivalents	31 289	31 662	-1%	31 289	31 662	-1%

**2018 figures are adjusted according to IFRS16 for comparison purposes*
*** 2019/2018 figures are adjusted according to IFRS 5 where "Assets held for sale" are reported separately*

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

A strong momentum continues in sales performance attributing to ArcticZymes best quarterly performance and fiscal year-to-date.

ArcticZymes expects fluctuations in quarterly sales to continue going forward but is still aiming at annual growth. Fluctuations are normal and will always be inherent in the business irrespective of its size. Much of the growth in sales is through new business development and broader sales across the product range where ArcticZymes continues to become less dependent on its main customer.

In particular, the major contributing factor to sales growth is in the therapeutics segment through the Salt Active Nuclease (SAN) product line. The SAN portfolio continued to develop and grow in the fourth quarter with several customers purchasing over 1 MNOK of product on an annual basis. Overall, the SAN product line has contributed greater than 25% of 2019 sales and surpassed its original growth target.

The molecular biology/molecular diagnostics segments achieved their expected growth targets. These segments are supported through ArcticZymes broadening offering of innovative products such as our DNases, Cod UNG, rSAP, polymerase, ligase, proteinase and kit product lines.

During 2019 the opportunities in the molecular diagnostic market is trending more toward liquid-biopsy based diagnostics and a resurgence of LAMP (loop-mediated isothermal amplification). The latter is a result of the initial LAMP patent portfolio protection ending. Thus, changing the business climate from one of a license models to a significant number of entities creating new diagnostic kits. ArcticZymes is well positioned to engage in both segments with its current and future polymerase and ligase portfolio. Much of our commercial efforts have been focused on building future deals in these key areas during the year.

ArcticZymes business met expectations in each geographical segment. Growth in the Americas, Europe, and Asia (Japan, Australia, Korea, and China) demonstrates a broad acceptance of the portfolio.

Innovations

ArcticZymes launched its 7th product of the year with its new M-SAN product in December 2019. It is a completely new and unique enzyme effectively complementing the SAN product line. Its performance characteristics will allow ArcticZymes to widen its serviceable market in the therapeutic segment.

ArcticZymes, in collaboration with the centre of excellence - Cell and Gene Therapy Catapult[1], presented a scientific poster[2] at the "Cell Therapy Manufacturing & Gene Therapy Congress 2019" in Amsterdam December 3rd–6th 2019. The poster describes why SAN HQ is such an effective tool in the removal of DNA impurities in the manufacturing process, improving yield and quality of the viral vectors. Cell and Gene Therapy Catapult, based in London UK, is supported by Innovate UK to assist cell and gene therapy organizations across the world to translate early stage research into commercially viable solutions.

Through both internal- and collaborative-projects, ArcticZymes has a growing portfolio of new enzyme leads in the pipeline. As some of the ongoing discovery projects, such as the Horizon 2020 funded Virus-X project[3] are entering the later stages, it is expected that selected new leads will enter development in 2020. Thus, adding to the currently ongoing development of polymerase and ligase products.

[1] https://ct.catapult.org.uk/
[2] *https://arcticzymes.com/wp-content/uploads/2020/01/Improved-enzymatic-host-cell-DNA-removal-in-AAV-manufacturing.pdf*
[3] http://virus-x.eu/

Operations
An integral part of ArcticZymes value proposition is security of supply to its customers. Unlike many of its competitors ArcticZymes philosophy is to avoid creating a backorder situation due to its inability to supply. Fortunately, ArcticZymes prides itself because it has rarely been in such a situation and has always been able to grow operation capacity with its customers and expand its product range.

In supporting the increase in future product demand, ArcticZymes implemented and qualified its second production line during the 4th quarter. With a rapidly expanding product range and foreseen increase in product demand, it is a necessity to have 2 production lines fully operational.

Several products are undergoing process development to scale up the production yield in order to meet future demands. Some of this work has been supported by the ongoing XPress project (RCN grant 256877) funded by the Research Council of Norway in which ArcticZymes, in collaboration with Vectron Biosolutions and SINTEF Industri, are working on improving production hosts and processes for industrial scale manufacturing of enzymes. Furthermore, ArcticZymes have engaged the services of specialised Contract Manufacturing Organisations (CMOs) to gain access to large scale fermenters.

Strategic initiatives
During the investors update on 10th December ArcticZymes presented it business plan with a 6-year outlook towards a strong organic growth potential. In accelerating further growth ArcticZymes is expected to complement its organic growth effort by leveraging complements and synergies through its first acquisition. Assuming terms are mutually agreed, the transaction is expected to be secured during the first half of 2020. Moving forward, ArcticZymes represents the major strategic arm of the company and offers the greatest potential for generating long-term shareholder value.

Biotec BetaGlucans

BetaGlucans – Woulgan®

The Woulgan® strategy has been reviewed by management and the Board of Directors. Despite relentless efforts, Biotec BetaGlucans (BBG) cannot create commercial success with limited resources and marketing power. Consequently, the company has decided to stop further development of Woulgan® and will search for a new product owner. The company will engage an external business development consultant to assist in this process. In the meantime, BBG will continue to fully support existing customers and prepare itself to be transaction ready.

Markets & target groups
Sales for the fourth quarter were again below expectation. Germany is still a key market and main driver for revenues, with slightly increased sales via wholesaler channel.

Sales development in the UK is slower than expected. Although being a key market for advanced wound care products the decision of our partner to sell via their special products sales force has slowed down broad market penetration. Our partner will now shift Woulgan® to the main sales force commencing January 2020.

Sales in Portugal has started to increase and Woulgan® has been represented by our partner with a booth at the national conference including an introduction of the product in the main scientific program as well as a separate symposium.

A new distribution agreement was signed with BioLogiQ in the Netherlands, a company with a product portfolio focusing on active wound healing. Initial clinical tests performed in the Netherlands can be used to back up the reimbursement process.

Woulgan® - Research and development

New products containing SBG® as active ingredient are being developed with financial support by the 4-year BIA-grant from the Norwegian Research Council. Due to the strategic decision to divest Woulgan, BBG will continue R&D projects until certain milestones are met.

BetaGlucans – Consumer and Animal Health

BBG experienced growth in sales of M-Gard® in Q4 2019 versus the same quarter last year. The company is working on expanding the "funnel" of potential leads and has successfully engaged new customers in USA, Asia and Europe who buy M-Gard®. The growth of M-Gard® in this quarter was mainly driven by new customers.
Sales of M-Glucan® to the feed sector was slightly down in the fourth quarter compared to same quarter last year. Sales of this product has some seasonality as this ingredient is mainly included in special feed given to salmon in seasons where the salmon is challenged by infectious agents and environmental stress.

BetaGlucans – Adjuvant

The two-armed randomised phase II neuroblastoma vaccine study at Memorial Sloan Kettering Cancer Center (MSKCC) has been expanded to recruit up to 296 patients. By end of 2019, the study had recruited less than 300 patients. The increased number of patients to be included reflects a continued promising effect of this combined treatment, with SBG® as an oral adjuvant in addition to the cancer vaccine.

BBG continues the discussions with the vaccine owner, Y-Mabs, and MSKCC on how to proceed in order to bring this into a licensing deal.

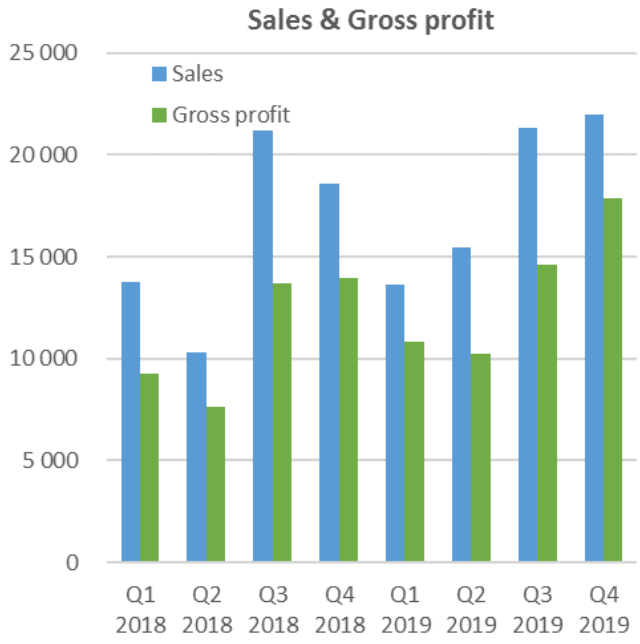
Organisation

The Group had 34 full-time and part-time employees, which includes 4 consultants on long-term contracts at the end of 2019. The group was restructured in December 2019 due to decision to divest Woulgan.

Financial review

The Biotec group reported sales of NOK 22,0 million (Q4 2018: 18.7 m) for the fourth quarter of 2019. Earnings before tax, interest, depreciation and amortisation (EBITDA) were NOK 4.6 million (Q4 2018: 1.8 m) and earnings before interest and tax (EBIT) were NOK 3.6 million (Q4 2018: 0.9 m) in the quarter. Net financial income was a loss of NOK -0.2 million (Q4 2018: 0.02 m).

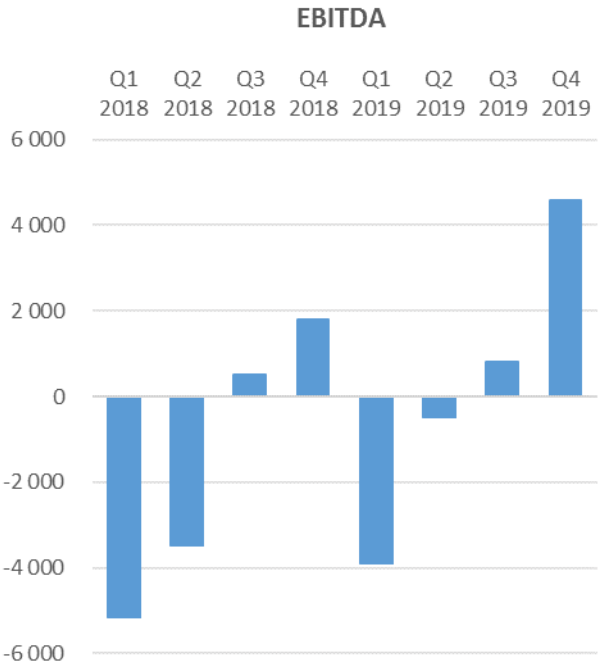
All financial group figures are excluding "Assets held for sale" - Woulgan. EBIT for Woulgan in the fourth quarter was a loss of NOK-1.9 million (Q4 2018: -2.8 m). Net profit for the fourth quarter in the group was NOK 1.5 million (Q4 2018: NOK -1.9 m).



ArcticZymes had fourth quarter sales of NOK 16.3 million (Q4 2018: NOK 10.6 m).

Sales for the BetaGlucans division exclusive of Woulgan was NOK 5.7 million (Q4 2018: NOK 8.0 m). Reduction in sales is primarily explained by lower animal health sales. Woulgan had NOK 1.1 million in sales for the fourth quarter. (Q4 2018: NOK 0.9 m)

The improved EBITDA for Q4 2019, compared to the same quarter last year is mainly because of improved enzymes sales. Expenses relating to restructuring have all been accrued for in the fourth quarter. Biotec is not carrying any costs into 2020.



Note: EBITDA in all quarters of 2018 has been adjusted for comparison purposes after IFRS 16 was implemented on January 1 2019. Only Q4 2018 and Q4 2019 are presented as continued operations, excluding "Assets held for Sale" – Woulgan.

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 expenses are moved from operating expenses and are depreciated.

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

Financial position

Total equity amounted to NOK 43.6 million at the end of 2019 compared to NOK 50.0 million at the end of 2018.

Total assets excluding "Assets held for sale" were NOK 67.4 million at the end of the fourth quarter of 2019, down from NOK 82.0 million at the end of 2018. "Assets held for sales" totals NOK 7.2 at the end of 2019.

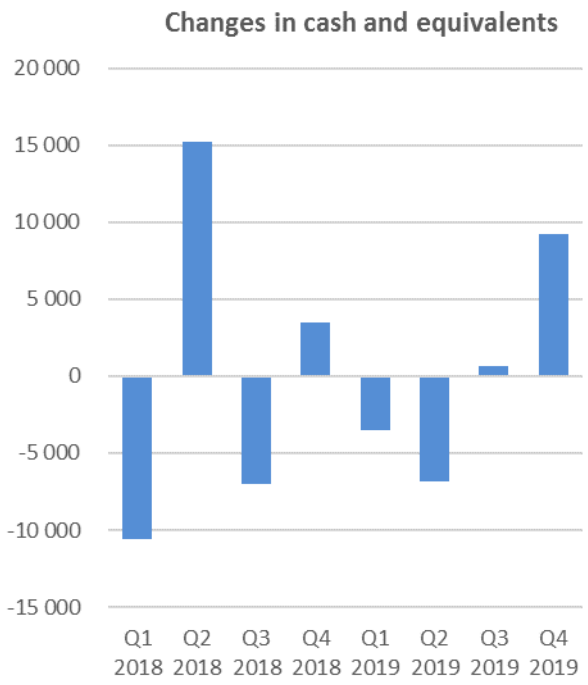
The Company has no interest-bearing debt.

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

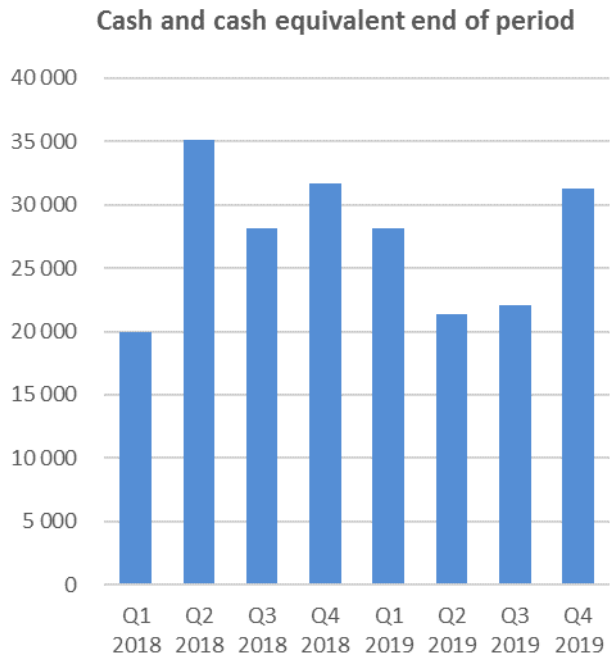
Cash flow

Net cash flow from operating activities was NOK 12.7 million in the fourth quarter, compared to NOK 8.7 million in the same quarter in 2018.

The operating cash flow reflects a change in working capital of NOK 2.6 million compared to the end of 2018. This is explained by a decrease in receivables by NOK 1.6 million, decrease in inventory of NOK 0.7 million and an increase in liabilities of NOK 0.3 million.



Changes in cash and cash equivalents was NOK 9.2 million in the fourth quarter. This generated a cash balance of NOK 31.3 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 fourth 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 of or all of the Company's activities.

The most important risks the Company is exposed to are associated with commercial development in ArcticZymes.

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 2020 and beyond was outlined during the investor update on the 10th December 2019. The number 1 goal is to drive the Group into profitability during 2020. An organisation restructuring has been completed and optimised to support ArcticZymes which represents the main strategic and high growth part of the business. Biotec BetaGlucans has been scaled back and will serve as a source of cash while the business remains profitable. Furthermore, efforts are underway to divest the Woulgan business. Overall the organisation is aligned and ready to execute on the new strategic direction.

The interim financial statement 31. December 2019 (Q4)

CONSOLIDATED STATEMENT OF PROFIT & LOSS

(Amounts in NOK 1 000 - except EPS)	Q4 2019	Q4 2018*	YTD 2019	YTD 2018*
Sales revenues	23 103	19 508	77 247	66 769
Other revenues	2 475	1 985	7 148	6 048
Sum revenues	**25 577**	**21 492**	**84 395**	**72 817**
Cost of goods	-4 106	-4 606	-18 900	-19 366
Personnel expenses	-12 458	-11 074	-44 388	-40 241
Other operating expenses	-6 113	-6 644	-21 804	-22 007
Sum expenses	**-22 676**	**-22 324**	**-85 093**	**-81 613**
Earnings before interest, taxes, depr. and amort.	**2 901**	**-831**	**-697**	**-8 797**
Depreciation and amortization expenses	-1 379	-1 309	-5 468	-5 175
Operating profit/loss (-) (EBIT)	**1 522**	**-2 140**	**-6 165**	**-13 971**
Finanical income, net	-121	83	73	-289
Profit/loss (-) before income tax (EBT)	**1 401**	**-2 058**	**-6 092**	**-14 260**
Tax	0	0	0	0
Net profit/loss (-)	**1 401**	**-2 058**	**-6 092**	**-14 260**
Basic EPS (profit for the period)	0,03	-0,04	-0,13	-0,30
Diluted EPS (profit for the period)	0,03	-0,04	-0,13	-0,30

**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)	31.12.2019	31.12.2018*
Non-current assets		
Machinery and equipment	3 141	4 596
Intangible assets	6 808	7 551
Lease assets	15 865	18 033
Other non-current assets	0	0
Total non-current assets	**25 814**	**30 181**
Current assets		
Inventories	5 821	6 560
Account receivables and other receivables	15 347	17 645
Cash and cash equivalents	31 289	31 662
Total current assets	**52 457**	**55 867**
Total assets	**78 270**	**86 048**
Equity		
Share capital	48 335	48 335
Premium paid in capital	151 039	151 039
Retained earnings	-153 414	-146 785
Non-controlling interests	1 331	876
Total equity	**47 291**	**53 465**
Other long-term liabilities		
Lease liabillities	12 653	18 466
Total other long-term liabilities	**12 653**	**18 466**
Current liabilities		
Accounts payable and other current liabilities	18 327	14 117
Total current liabilities	**18 327**	**14 117**
Total equity and liabilities	**78 270**	**86 048**

**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)	Q4 2019	Q4 2018*	YTD 2019	YTD 2018*
Cash flow from operating activities:				
Profit after tax	1 401	-2 058	-6 092	-14 260
Adjustment:				
Depreciation	654	596	2 565	2 272
Depreciation IFRS	726	726	2 903	2 903
Employee stock options	-1 005	208	-83	862
Non cash interest expense	138	157	554	628
Changes in working capital				
Inventory	-331	-324	739	-1 549
Account receivables and other receivables	7 471	5 152	1 559	-3 282
Payables and other current liabilities	4 417	803	4 950	-2 766
Net cash flow from operating activities	**13 471**	**5 262**	**7 094**	**-15 191**
Cash flow from investing activities:				
Purchase of fixed assets	-80	-193	-688	-1 269
Invested in intangible assets	0	-772	-412	-1 444
Change in long term receivables	0	-12	0	9
Net cash flow from investing activities	**-80**	**-977**	**-1 100**	**-2 704**
Cash flow from financing activities:				
Capital increase				22 051
Prinicpal portion of the lease liabillity	-4 157	-775	-6 367	-3 087
Net cash flow from financing activities	**-4 157**	**-775**	**-6 367**	**18 964**
Changes in cash and cash equivalents	9 235	3 510	-373	1 070
Cash and cash equivalents at the beginning of period	22 055	28 154	31 662	30 593
Cash and cash equivalents at end of period	**31 289**	**31 662**	**31 289**	**31 662**

**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)	Q4 2019	Q4 2018*	YTD 2019	YTD 2018*
Equity at the beginning of period	**46 895**	**55 315**	**53 465**	**44 813**
Shared based compensation	-1 005	209	-81	862
Retained earnings	1 078	-1 436	-6 547	-14 421
Private placement - new equity				22 051
Changes in non-controlling interests	323	-622	455	161
Equity at the end of period	**47 291**	**53 465**	**47 291**	**53 465**

**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 31. December 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, 29.01.2020
The Board of Directors of Biotec Pharmacon ASA

Marie Ann Roskrow
Chairman

Volker Wedershoven
Director

Marit Sjo Lorentzen
Director

Ingrid Skjæveland
Director (Employee repr.)

Jethro Holter
Interim CEO

Notes to the interim accounts for 31. December 2019 (Q4)

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 31. December 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)	Q4 2019	Q4 2018	YTD 2019	YTD 2018
Sales revenue:				
Beta-Glucans	6 767	8 857	32 055	34 303
Enzymes	16 336	10 643	45 192	32 457
Unallocated corporate expenses		8		8
Group operating sales revenues	**23 103**	**19 508**	**77 247**	**66 769**
Gross profit				
Beta-Glucans	2 747	4 229	14 354	15 511
Enzymes	16 250	10 665	43 993	31 883
Unallocated corporate expenses				8
Group gross profit	**18 997**	**14 894**	**58 347**	**47 403**
Other revenues				
Beta-Glucans	1 112	1 123	3 162	2 621
Enzymes	1 363	862	3 986	3 428
Group other revenues	**2 475**	**1 985**	**7 148**	**6 048**
Operating expenses:				
Beta-Glucans	-6 796	-8 164	-25 107	-29 923
Enzymes	-8 556	-8 508	-33 634	-28 381
Unallocated corporate expenses	-3 219	-886	-7 451	-3 944
Group operating expenses	**-18 571**	**-17 559**	**-66 192**	**-62 248**
Operating profit/loss (-) (EBITDA)				
Beta-Glucans	-2 937	-2 812	-7 591	-11 791
Enzymes	9 056	3 018	14 345	6 930
Unallocated corporate expenses	-3 219	-979	-7 451	-3 936
Operating profit/loss (-) (EBITDA)	**2 901**	**-773**	**-697**	**-8 797**
Depreciation and amortization:				
Beta-Glucans	-788	-743	-3 180	-2 943
Enzymes	-513	-488	-1 976	-1 914
Unallocated corporate expenses	-78	-91	-312	-317
Group depreciation and amortization	**-1 379**	**-1 322**	**-5 468**	**-5 175**
Profit/loss (-) before income tax (EBIT)				
Beta-Glucans	-3 725	-3 555	-10 771	-14 734
Enzymes	8 544	2 531	12 369	5 016
Unallocated corpoate expenses	-3 297	-1 070	-7 764	-4 253
Profit/loss (-) before income tax (EBIT)	**1 522**	**-2 094**	**-6 165**	**-13 971**

Note 3 Share options

The Group has a share based option scheme. Per 31.12.2019, 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. 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		2018	
	Average exercise price	Number of share options	Average exercise price	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 31. December		**0**		**362 000**

Interim CEO J. Holter, CFO B. Sørvoll and CSO R.Engstad has been given the right to receive 200 000 options each:

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

The vesting period is two and a half years (2018-2020), with an additional one and a half year declaration period (until 31.12.2022).

Expiry date, exercise price, and outstanding options:

Expiry date	Average exercise price	2019 Number of share options	2018 Number of share options
2019, 31 May	11.93	362 000	362 000
Outstanding at 30. December		**0**	**362 000**
Exercisable options at 31. December		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 31.12.2019 a total of NOK 17.7 million had been expensed, of which NOK -1.0 million applies to Q4 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)*	Q4 2019	Q4 2018	YTD 2019	YTD 2018
Net book value (opening balance)	4 138	4 746	4 596	4 589
Net investement	80	193	688	1 281
Depreciation and amortization	-343	-342	-1 410	-1 270
Net book value (ending balance)	**3 875**	**4 597**	**3 875**	**4 597**

Intangible asset *(Amounts in NOK 1 000)*	Q4 2019	Q4 2018	YTD 2019	YTD 2018
Net book value (opening balance)	7 133	7 033	7 551	7 119
Net investement	0	772	412	1 444
Depreciation and amortization	-325	-253	-1 155	-1 014
Net book value (ending balance)	**6 808**	**7 551**	**6 808**	**7 551**

Lease assets *(Amounts in NOK 1 000)*	Q4 2019	Q4 2018	YTD 2019	YTD 2018
Net book value (opening balance)	1 586	18 762	18 033	20 933
Depreciation	-725	-725	-2 901	-2 901
Net book value (ending balance)	**860**	**18 033**	**15 131**	**18 033**

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 implementated 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	31.12.2019	31.12.2018
Lease assets	15 131	18 033
Fixed assets	10 683	12 148
Sum Fixed assets	**25 813**	**30 181**
Lease liabilities	12 653	18 466
Current liabilities	18 327	13 368
Sum liabilities	**30 979**	**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	31.12.2019	31.12.2018*	Changes
Sum revenues	84 395	72 817	11 578
Property, plant & equipment	-3 139	-3 165	26
Other expenses	-81 954	-78 449	-3 505
Sum expenses	-85 093	-81 613	-3 479
EBITDA	**-697**	**-8 797**	**8 099**
Depreciation	-5 468	-5 175	-294
EBIT	**-6 165**	**-13 971**	**7 806**
Net financials	73	-289	362
EBT	**-6 092**	**-14 260**	**8 168**

**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 31. December 2019:

Name, position	No of shares	No of options
Marie Roskrow, Chairperson	0	0
Volker Wedershoven, Director	0	0
Ingrid Skjæveland, Director	16 087	0
Marit Sjo Lorentzen, employee observer	20 331	0
Børge Sørvoll, CFO	25 428	*
Rolf Engstad, CSO Biotec BetaGlucans AS	581 174	*
Jethro Holter, Interim CEO	564	*

*See note 3 for further details

Note 7 Shareholders

The 20 largest shareholders as of 31. Dec. 2019	Shares	Ownership
Tellef Ormestad	3 601 735	7,45 %
Pro AS	2 307 216	4,77 %
Clearstream Banking	1 490 053	3,08 %
Danske Bank Operation	1 486 140	3,07 %
Aka AS	1 450 000	3,00 %
MP Pensjon	1 173 239	2,43 %
Odd Knut Birkeland	1 030 000	2,13 %
Belvedere AS	971 647	2,01 %
Nordnet Bank AS	924 058	1,91 %
Nordnet Livsforsikring	889 905	1,84 %
Progusan AS	750 026	1,55 %
Isar AS	699 853	1,45 %
Hartvig Wenneberg II	696 033	1,44 %
Middelboe AS	618 173	1,28 %
Dragesund Invest AS	597 891	1,24 %
Nordea Bank AB Danmark	595 939	1,23 %
Rolf Einar Engstad	581 174	1,20 %
Spar Kapital Investor	578 714	1,20 %
Jomani AS	554 225	1,15 %

Catilina Invest AS	470 000	0,97 %
20 largest shareholders aggregated	**21 466 021**	**44,41 %**

Note 8 Interim results

(Amounts in NOK 1 000)	Q4-2019	Q3-2019	Q2-2019	Q1-2019	Q4-2018*
Sales revenues	23 103	22 476	16 853	14 816	19 508
Sales growth % (year-over-year)	18 %	1 %	55 %	4 %	10 %
Gross profit %	82 %	70 %	69 %	81 %	76 %
EPS	0,03	-0,01	-0,04	-0,11	-0,04
EPS fully diluted	0,03	-0,01	-0,04	-0,11	-0,04
EBITDA	2 901	802	-491	-3 909	-867
Equity	47 291	46 895	46 869	48 482	53 267
Total equity and liabilities	78 270	77 477	73 212	76 859	85 298
Equitiy (%)	60 %	61 %	64 %	63 %	62 %

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

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:

	Q4		YTD	
(Amounts in NOK 1 000 - exept EPS)	2019	2018*	2019	2018*
Sales	23 103	19 508	77 247	66 769
Cost of goods	-4 106	-4 606	-18 900	-19 366
Gross profit	**18 997**	**14 902**	**58 347**	**47 403**
Other revenues	2 475	1 985	7 148	6 048
Sum other revenues	**2 475**	**1 985**	**7 148**	**6 048**
Personnel expenses	-12 458	-11 074	-44 388	-40 241
Other operating expenses	-6 113	-4 467	-21 804	-22 007
Depreciation and amortization expenses	-1 379	-3 486	-5 468	-5 175
Sum expenses	**-19 950**	**-19 027**	**-71 660**	**-67 422**
Operating profit/loss (-)	**1 522**	**-2 140**	**-6 165**	**-13 971**

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

Note 10 Account receivables and other receivables

(Amounts in NOK 1 000)	31.12.2019	31.12.2018
Accounts receivables	10 642	12 796
Reserach grants	1 345	406
Tax grants	2 337	3 121
VAT	370	427
Other receivables	652	895
Total account receivables and other receivables	**15 347**	**17 645**

Days of maturity	Not due	0-30	31-60	61-90	Over 90-
Outstanding 31.12.2019	7 642	2 091	231	399	278
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 31.12.2018	5 504	560	1	0	10
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)	31.12.2019	31.12.2018
Accounts payable	4 675	6 075
Public taxes and withholdings	1 679	1 216
Unpaid holiday pay	2 782	2 981
Other personnel	4 596	999
Other current liabilities	4 594	2 846
Total account payable and other current liabilities	**18 327**	**14 117**

Note 12 Events after balance sheet date, 31. December 2019

There are no events of significance to the financial statements for the period from the financial statement date to the date of approval; 29.01.2020

Oslo, 29.01.2020
The Board of Directors of Biotec Pharmacon ASA

Marie Ann Roskrow Chairman	Marit Sjo Lorentzen Director	Volker Wedershoven Director
Ingrid Skjæveland Director - employee repr.		Jethro Holer Interim CEO