



BIOTEC
PHARMACON

Q1 2020

First quarter 2020

Highlights for Q1 2020

- New Group strategy kicks off in the right direction on the promise to drive the company into profitability during 2020
- Gross profit for the Group improved 118% to NOK 26.2 million (Q1 2019: NOK 12.0 million)
- ArcticZymes had first quarter sales of NOK 18.5 million growing by 135% (Q1 2019: NOK 7.9 million)
- Biotec BetaGlucans had first quarter sales of NOK 15.8 million growing by 130% (Q1 2019: NOK 6.9 million)
- ArcticZymes growth driven by strong sales in the therapeutic segment and upsides relating to sales of enzymes to partners launching coronavirus diagnostic tests
- Secured 2020 commitment under commercial terms to supply SBG® Adjuvant for continuation of clinical trials
- The Group delivered positive EBITDA with NOK 13.8 million (Q1 2019: NOK -3.9 million)
- Cash-flow for the quarter was NOK 4.4 million (Q1 2019: NOK -3.5 million)

Interim CEO Jethro Holter comments:

“We are delighted with another outstanding quarterly performance by delivering a profitable quarter of close to NOK 13.8 million EBITDA. Both the ArcticZymes and Biotec BetaGlucans businesses have contributed to top line growth with ArcticZymes delivering the best quarterly sales performance so far. For ArcticZymes, the main growth drivers were from strong sales in the Salt Active Nuclease (SAN) product line, and upsides from Cod UNG and other enzymes, which have been rapidly incorporated into coronavirus diagnostics assays by several of our customers. We expect these short-term upsides to continue but then subside once the coronavirus outbreak passes. Longer-term the company will focus on supporting its partners in developing the next generation of COVID-19 diagnostic tests.”

“Execution of the Company’s new strategic direction following the recent structural reorganisation has got off to a flying start. Q1 performance has cemented the foundations in delivering on our promise to drive the company into profitability during 2020.”

“Furthermore, with ArcticZymes representing the company’s core business, we are inspired and excited to initiate a rebranding initiative to rename the parent company to ArcticZymes Technologies. The new name builds on ArcticZymes strong brand position, which has resonated well with its customers and shareholders. ArcticZymes Technologies extends this further by reflecting the future direction and purpose of the company.”

Key financial figures continued operations:

| NOK 1.000 | Q1 2020 | Q1 2019 | Change | YTD 2020 | YTD 2019 | Change |
|-------------------------|---------|---------|--------|----------|----------|--------|
| Sales | 34 274 | 14 816 | +131% | 34 274 | 14 816 | +131% |
| Total revenues | 35 550 | 15 883 | +124% | 35 550 | 15 883 | +124% |
| Operating expenses | -13 685 | -16 966 | -18% | -13 685 | -16 966 | -18% |
| EBITDA | 13 760 | -3 909 | NA | 13 760 | -3 909 | NA |
| EBIT | 12 801 | -5 272 | NA | 12 801 | -5 272 | NA |
| Cash & cash equivalents | 35 667 | 28 190 | +27% | 35 667 | 28 190 | +27% |

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 continue to deliver a strong performance contributing to ArcticZymes best quarterly performance.

Q1 sales have traditionally been lower than Q4 sales and representative of normal fluctuations inherent in the business. However, Q1 sales performance this year demonstrated the opposite, exceeding both earlier Q4 sales performance and all previous quarters. The main attributing factors to growth were in the therapeutic segment and molecular products associated with the coronavirus outbreak.

The therapeutic segment continues to grow through sales of the Salt Active Nuclease (SAN) product line. The segment keeps on attracting new customers and the well-established customers are regularly submitting more sizable orders. During the quarter individual bulk orders in excess of 1 MNOK have been expedited. Longer-term, we do expect this trend to continue but short-term we may experience some fluctuations in SAN product sales due to the coronavirus outbreak.

The coronavirus pandemic affects us all. In joining the fight, ArcticZymes is making a positive contribution where its enzymes, such as Cod UNG and the DNases, have been or are in the process of being integrated into COVID-19 diagnostics tests by several of its customers. Sales associated with COVID-19 were the main contributor to the upside in growth and reason for exceeding Q1 expectations. It is expected that the elevated demand of enzymes for COVID-19 diagnostic

testing will be transient while the outbreak continues to develop and peak. From a business perspective, the coronavirus pandemic will contribute in short-term upsides to sales, but once the outbreak subsides, the demand for testing will decline along with the demands for enzymes. More long-term, seasonal outbreaks will demand acute periods of testing.

ArcticZymes will continue its efforts towards securing the long-term potential in getting its enzymes integrated into the next generation of COVID-19 tests and other variants of the virus as it evolves.

Aside from coronavirus related sales, growth in sales is progressing as planned.

Innovations

ArcticZymes continues to launch new products with the introduction of a new formulation of dsDNase. Furthermore, a new patent application related to novel ligases is filed. The ligase offers desirable features specifically requested by customers which are not present in other commercially available ligases today. ArcticZymes expects to launch the enzyme in commercial scale quantities later in the year.

Strategic initiatives

ArcticZymes initiated negotiations with a European based enzyme company in order to acquire them. Despite best efforts, ArcticZymes was unable to reach a fair price to make the transaction worthwhile without excessively overpaying. Both parties mutually agreed to terminate the negotiations in good faith. ArcticZymes will advance negotiations with other targets. However, the coronavirus outbreak will likely delay M&A activities because site visits are restricted. Until international lockdowns are removed, progress on the M&A front will be limited.

Biotec BetaGlucans

BetaGlucans – Woulgan®

Woulgan sales delivered to expectation. As outlined earlier, our intentions are to support existing customers while the company finds a new product owner for the Woulgan® business.

Divestment of Woulgan® is progressing as planned. All potential target companies have been approached by external business development consultant. We have already received several positive responses where the other party would like to engage in deeper discussions. Further positive responses are expected as we enter the second quarter.

BetaGlucans – Consumer and Animal Health

Biotec BetaGlucans continues to experience growth in sales of M-Gard® in Q1 2019 versus the same quarter last year. Momentum is largely being driven by new customers and suspected upsides relating to bulk B2B sales to manufacturers as they position themselves towards providing immune enhancing nutritional products to help build up resistance against coronavirus.

Sales of M-Glucan® to the feed sector were higher in the Q1 compared to same quarter last year. A large order from our main customer came earlier than expected and was the main contributor to sales.

BetaGlucans – Adjuvant

Biotec BetaGlucans has made its first step towards converting its earlier activities around the adjuvant (Soluble Beta Glucan – SBG®) into commercial value. It has secured commitment under commercial terms to supply SBG® for continuation of clinical trials for the remainder of 2020. The first SBG® order was expediated during Q1.

Furthermore, progress is being made and discussions are advancing with respect to a longer-term licensing deal for utilisation of SBG®

as an adjuvant to be used in combination with a vaccine for treatment of neuroblastoma.

Organisational Aspects

Response to Coronavirus Pandemic

In response to the ongoing coronavirus outbreak, the company's priority is to protect its employees but also to prioritize and mitigate risks to its supply chain and serve its customers.

Strict hygiene measures are implemented at all facilities, non-operational personnel are working from home office and all in-person meetings are prohibited in order to minimize risks. The company has proactively assembled backup support to ensure continuity of its operations in the event of sickness. Our warehouses are being stocked more regularly and processes with our logistics partners are being monitored to reduce unnecessary disruption or delays with shipments to our customers.

Overall, the company has implemented all necessary measures to ensure it can operate as effectively and safely as possible during these unprecedented times.

Corporate Strategy

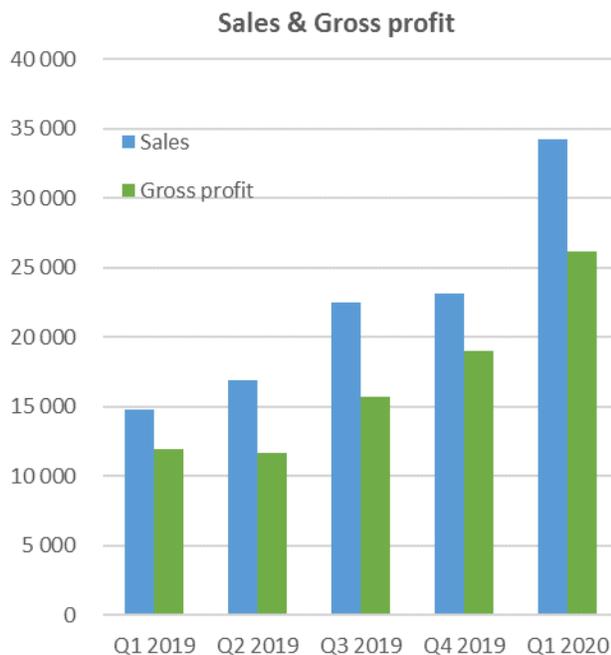
Execution of the company's new strategic direction outlined in Q4 2019 has started very well and progresses according to plan. Benefits of the structural reorganisation are evident and directly contributed to the first quarters financial performance. The Company will continue to execute on achieving its primary strategic goal to become a profitable organisation during 2020.

In supporting the new strategic direction, it is timely to refresh the Company's brand position and external facing image. With the assistance of a professional marketing company we have embarked on a project to rebrand the Company. The proposal is to rebrand Biotec Pharmacon under the new name "ArcticZymes

Technologies”. The new name resonates well with the Company’s core business, its corporate strategy to expand beyond simply enzymes, and incorporates the ArcticZymes name which has a strong global brand position.

Financial review

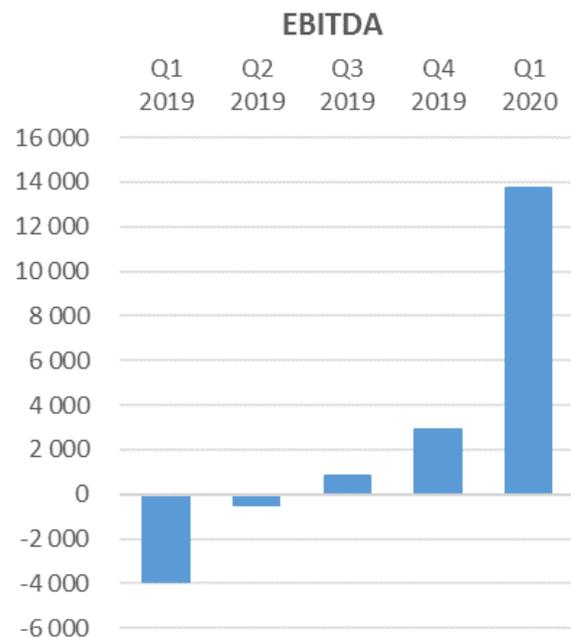
The Biotec group reported sales of NOK 34.3 million (Q1 2019: 14.8 m) for the first quarter of 2020. Earnings before tax, interest, depreciation and amortisation (EBITDA) were NOK 13.8 million (Q1 2019: -3.9 m) and earnings before interest and tax (EBIT) were NOK 12.8 million (Q1 2019: -5.3 m) in the quarter. Net financial income was a profit of NOK 0.9 million (Q1 2019: -0.02 m).



ArcticZymes had first quarter sales of NOK 18.5 million (Q1 2019: NOK 7.9 m).

Sales for the BetaGlucans division was NOK 15.8 million (Q1 2019: NOK 6.9 m). Increase is explained by higher animal health sales, higher consumer health sales and introduction of SBG sales within the adjuvant area.

The improved EBITDA for Q1 2020 compared to the same quarter last year is primarily because of improved sales in all areas of the business. Expenses are also reduced as the Group was restructured in Q4 2019. All expenses relating to restructuring were accrued for in the fourth quarter. Biotec is not carrying any costs into 2020.



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 first quarter of 2020.

Financial position

Total equity amounted to NOK 60.3 million at the end of first quarter 2020 compared to NOK 46.5 million at the end of 2019.

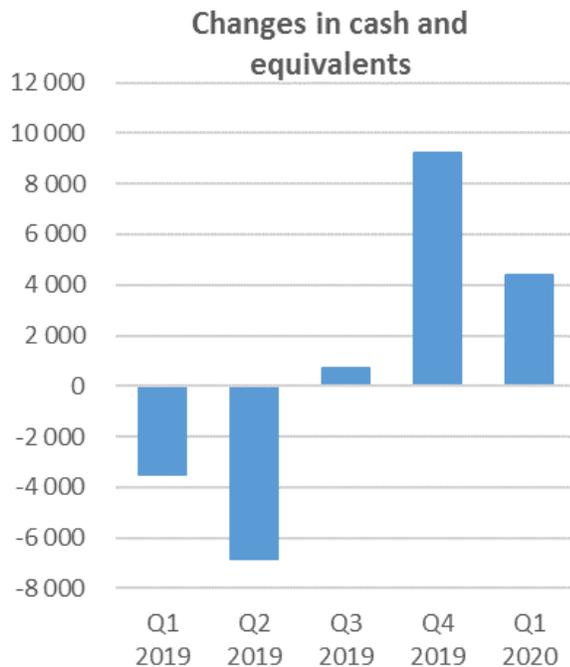
Total assets were NOK 91.7 million at the end of the first quarter of 2020, up from NOK 77.6 million at the end of 2019.

The Company has no interest-bearing debt.

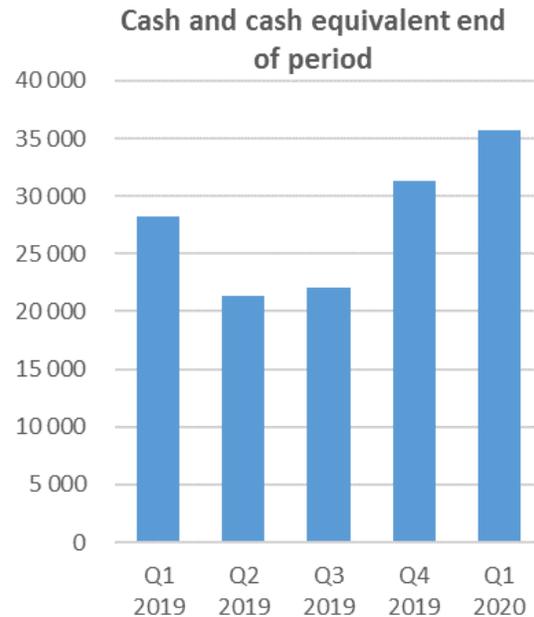
Cash flow

Net cash flow from operating activities was NOK 6.3 million in the first quarter, compared to NOK -2.5 million in the same quarter in 2019.

The operating cash flow reflects a change in working capital of NOK 9.0 million compared to the end of 2019. This is explained by an increase in receivables by NOK 10,0 million, decrease in inventory of NOK 0.7 million and a decrease in liabilities of NOK 0.3 million.



Changes in cash and cash equivalents was NOK 4.4 million in the first quarter. This generated a cash balance of NOK 35.7 million at the end of the quarter, compared to NOK 31.3 million at the end of 2019.



Shareholder matters

The total number of issued shares was 48,334,673 at the end of the first quarter of 2020. See the annual report for 2019 for further details on option programmes.

Risk factors

Biotec's business is exposed to several risk factors that may affect parts of or all 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 2019 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 organisational restructuring has been completed and optimised to support ArcticZymes which represents the main strategic and high growth part of the business. Biotec BetaGlucans will serve as a source of cash while the business remains profitable. Furthermore, efforts are underway to divest the Woulgan business and rebrand Biotec Pharmacon.

The interim financial statement 31. March 2020 (Q1)

CONSOLIDATED STATEMENT OF PROFIT & LOSS

| (Amounts in NOK 1 000 - except EPS) | Q1 | | YTD | |
|--|----------------|----------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Sales revenues | 34 274 | 14 816 | 34 274 | 14 816 |
| Other revenues | 1 277 | 1 067 | 1 277 | 1 067 |
| Sum revenues | 35 550 | 15 883 | 35 550 | 15 883 |
| Cost of goods | -8 105 | -2 829 | -8 105 | -2 829 |
| Personnel expenses | -9 903 | -11 914 | -9 903 | -11 914 |
| Other operating expenses | -3 782 | -5 049 | -3 782 | -5 049 |
| Sum expenses | -21 790 | -19 792 | -21 790 | -19 792 |
| Earnings before interest, taxes, depr. and amort. | 13 760 | -3 909 | 13 760 | -3 909 |
| Depreciation and amortization expenses | -959 | -1 363 | -959 | -1 363 |
| Operating profit/loss (-) (EBIT) | 12 801 | -5 272 | 12 801 | -5 272 |
| Financial income, net | 943 | -19 | 943 | -19 |
| Profit/loss (-) before income tax (EBT) | 13 744 | -5 291 | 13 744 | -5 291 |
| Tax | 0 | 0 | 0 | 0 |
| Net profit/loss (-) | 13 744 | -5 291 | 13 744 | -5 291 |
| Basic EPS (profit for the period) | 0,28 | -0,11 | 0,28 | -0,11 |
| Diluted EPS (profit for the period) | 0,28 | -0,11 | 0,28 | -0,11 |

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| (Amounts in NOK 1 000) | 31.03.2020 | 31.03.2019 | 31.12.2019 |
|--|---------------|---------------|---------------|
| Non-current assets | | | |
| Machinery and equipment | 4 688 | 4 361 | 3 875 |
| Intangible assets | 611 | 7 310 | 674 |
| Lease assets | 14 118 | 17 308 | 14 469 |
| Other non-current assets | 0 | 7 | 0 |
| Total non-current assets | 19 417 | 28 985 | 19 018 |
| Current assets | | | |
| Inventories | 4 663 | 6 474 | 5 298 |
| Account receivables and other receivables | 24 661 | 13 210 | 14 754 |
| Cash and cash equivalents | 35 667 | 28 190 | 31 289 |
| Total current assets | 64 991 | 47 874 | 51 341 |
| Total assets | 84 409 | 76 859 | 70 358 |
| Assets classified as "Assets held for sale" | 7 334 | | 7 250 |
| Total assets | 91 743 | 76 859 | 77 608 |
| Equity | | | |
| Share capital | 48 335 | 48 335 | 48 335 |
| Premium paid in capital | 151 039 | 151 039 | 151 039 |
| Retained earnings | -140 870 | -151 722 | -154 233 |
| Non-controlling interests | 1 768 | 830 | 1 336 |
| Total equity | 60 271 | 48 482 | 46 476 |
| Other long-term liabilities | | | |
| Lease liabilities | 14 144 | 17 954 | 12 764 |
| Total other long-term liabilities | 14 144 | 17 954 | 12 764 |
| Current liabilities | | | |
| Accounts payable and other current liabilities | 17 284 | 10 424 | 17 652 |
| Total current liabilities | 17 284 | 10 424 | 17 652 |
| Total equity and liabilities | 91 700 | 76 859 | 30 416 |
| Liabilities attached to "Assets held for sale" | 43 | | 716 |
| Total equity and liabilities | 91 743 | 76 859 | 77 608 |

CONSOLIDATED CASH FLOW STATEMENT

| (Amounts in NOK 1 000) | Q1 | | YTD | |
|--|---------------|---------------|---------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Cash flow from operating activities: | | | | |
| Profit after tax | 13 744 | -5 291 | 13 744 | -5 291 |
| Adjustment: | | | | |
| Depreciation | 316 | 637 | 316 | 637 |
| Depreciation IFRS | 643 | 726 | 643 | 726 |
| Employee stock options | 60 | 308 | 60 | 308 |
| Non cash interest expense | 178 | 138 | 178 | 138 |
| Changes in working capital | | | | |
| Inventory | 635 | 86 | 635 | 86 |
| Account receivables and other receivables | -9 992 | 3 827 | -9 992 | 3 827 |
| Payables and other current liabilities | 305 | -3 065 | 305 | -3 065 |
| Net cash flow from operating activities | 5 889 | -2 634 | 5 889 | -2 634 |
| Cash flow from investing activities: | | | | |
| Purchase of fixed assets | -1 066 | -160 | -1 066 | -160 |
| Change in long term receivables | 0 | -7 | 0 | -7 |
| Net cash flow from investing activities | -1 066 | -167 | -1 066 | -167 |
| Cash flow from financing activities: | | | | |
| Interest expense on lease liability | -178 | -138 | -178 | -138 |
| Principal portion of the lease liability | -268 | -533 | -268 | -533 |
| Net cash flow from financing activities | -445 | -671 | -445 | -671 |
| Changes in cash and cash equivalents | 4 378 | -3 472 | 4 378 | -3 472 |
| Cash and cash equivalents at the beginning of period | 31 289 | 31 662 | 31 289 | 31 662 |
| Cash and cash equivalents at end of period | 35 667 | 28 190 | 35 667 | 28 190 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| (Amounts in NOK 1 000) | Q1 | | YTD | |
|--|---------------|---------------|---------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Equity at the beginning of period | 46 476 | 52 471 | 46 476 | 52 471 |
| Shared based compensation | 51 | 306 | 51 | 308 |
| Retained earnings | 13 312 | -5 337 | 13 312 | -5 337 |
| Intitial estimate IFRS 16 | | 994 | | 994 |
| Changes in non-controlling interests | 432 | 46 | 432 | 46 |
| Equity at the end of period | 60 271 | 48 482 | 60 271 | 48 482 |

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. March 2020 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.

Tromsø, 22.04.2020

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
CEO

Notes to the interim accounts for 31. March 2020 (Q1)

Note 1 - Basis of preparation of financial statements

The assumptions applied in the financial statements for 2020 that may affect the use of accounting principles, book values of assets and liabilities, revenues and expenses are similar to the assumptions found/used in the financial statement for 2019.

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. March 2020. 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 2019 (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.

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) | Q1 | | YTD | |
|---|----------------|----------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| <i>Sales revenue:</i> | | | | |
| Beta-Glucans | 15 798 | 6 947 | 15 798 | 6 947 |
| Enzymes | 18 475 | 7 869 | 18 475 | 7 869 |
| Group operating sales revenues | 34 274 | 14 816 | 34 274 | 14 816 |
| <i>Gross profit</i> | | | | |
| Beta-Glucans | 7 654 | 4 152 | 7 654 | 4 152 |
| Enzymes | 18 515 | 7 835 | 18 515 | 7 835 |
| Group gross profit | 26 169 | 11 987 | 26 169 | 11 987 |
| <i>Other revenues</i> | | | | |
| Beta-Glucans | 147 | 260 | 147 | 260 |
| Enzymes | 1 130 | 808 | 1 130 | 808 |
| Group other revenues | 1 277 | 1 067 | 1 277 | 1 067 |
| <i>Operating expenses:</i> | | | | |
| Beta-Glucans | -3 518 | -6 521 | -3 518 | -6 521 |
| Enzymes | -9 182 | -8 885 | -9 182 | -8 885 |
| Unallocated corporate expenses | -985 | -1 558 | -985 | -1 558 |
| Group operating expenses | -13 685 | -16 966 | -13 685 | -16 966 |
| <i>Operating profit/loss (-) (EBITDA)</i> | | | | |
| Beta-Glucans | 4 283 | -2 109 | 4 283 | -2 109 |
| Enzymes | 10 462 | -242 | 10 462 | -242 |
| Unallocated corporate expenses | -985 | -1 558 | -985 | -1 558 |
| Operating profit/loss (-) (EBITDA) | 13 760 | -3 909 | 13 760 | -3 909 |
| <i>Depreciation and amortization:</i> | | | | |
| Beta-Glucans | -361 | -797 | -361 | -797 |
| Enzymes | -542 | -488 | -542 | -488 |
| Unallocated corporate expenses | -56 | -78 | -56 | -78 |
| Group depreciation and amortization | -959 | -1 363 | -959 | -1 363 |
| <i>Profit/loss (-) before income tax (EBIT)</i> | | | | |
| Beta-Glucans | 3 922 | -2 906 | 3 922 | -2 906 |
| Enzymes | 9 920 | -730 | 9 920 | -730 |
| Unallocated corporate expenses | -1 041 | -1 636 | -1 041 | -1 636 |
| Profit/loss (-) before income tax (EBIT) | 12 801 | -5 272 | 12 801 | -5 272 |

Note 3 Share options

The Group has a share based option scheme. Per 31.03.2020, 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.

| | 2020 | | 2019 | |
|---------------------------------|------------------------|-------------------------|------------------------|-------------------------|
| | Average exercise price | Number of share options | Average exercise price | Number of share options |
| As of 01.01. | | | 11.93 | 362 000 |
| Expired during the year | | | | |
| Outstanding at 31. March | | 0 | | 362 000 |

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

| Awarded options | Option strike price | Options earned at share |
|-----------------|---------------------|-------------------------|
| 40 000 | NOK 8.00 per share | NOK 11.00 per share |
| 40 000 | NOK 8.00 per share | NOK 14.00 per share |
| 40 000 | NOK 8.00 per share | NOK 17.00 per share |
| 40 000 | NOK 8.00 per share | NOK 20.00 per share |
| 40 000 | 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 | 2020 | 2019 |
|----------------------------------|------------------------|-------------------------|----------------|
| | | Number of share options | |
| 2019, 31 May | 11.93 | | 362 000 |
| Outstanding at 31. March | | 0 | 362 000 |
| Exercisable options at 31. March | | 0 | 362 000 |

The fair value of employee rights to receive options are calculated according to the Black-Scholes method with barrier options. The most important parameters are share price at grant date (NOK 3,52 per share), risk free rate (1,49%), expected term of 5 years, expected dividend yield (0%), strike (NOK 8,00 per share) and volatility last 5 years (55,25%). The fair value is expensed over the vesting period. Per 31.12.2019 a total of NOK 17.8 million had been expensed, of which NOK 0,06 million applies to Q1 2020. 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) | Q1 | | YTD | |
|---|--------------|--------------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| Net book value (opening balance) | 3 875 | 4 596 | 3 875 | 4 596 |
| Net investment | 1 066 | 160 | 1 066 | 160 |
| Depreciation and amortization | -253 | -396 | -253 | -396 |
| Net book value (ending balance) | 4 688 | 4 361 | 4 688 | 4 361 |

| Intangible asset (Amounts in NOK 1 000) | Q1 | | YTD | |
|--|--------------|--------------|--------------|--------------|
| | 2020 | 2019 | 2020 | 2019 |
| Net book value (opening balance) | 6 808 | 7 551 | 6 808 | 7 551 |
| Net investment | 0 | | 0 | |
| Depreciation and amortization | -63 | -241 | -63 | -241 |
| Net book value (ending balance) | 6 745 | 7 310 | 6 745 | 7 310 |

Note: Figures includes "Asset held for sale"

| Lease assets (Amounts in NOK 1 000) | Q1 | | YTD | |
|--|---------------|---------------|---------------|---------------|
| | 2020 | 2019 | 2020 | 2019 |
| Net book value (opening balance) | 14 470 | 14 503 | 14 470 | 14 503 |
| Initial measurement IFRS 16 | 0 | 2 998 | 0 | 2 998 |
| Net present value adjustment 01.01 | 293 | 533 | 293 | 533 |
| Depreciation | -643 | -726 | -643 | -726 |
| Net book value (ending balance) | 14 118 | 17 308 | 14 118 | 17 308 |

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 was implemented 01.01.2019 and regulates matters relating to leased assets. It requires all leases to be recognised in the statement of financial position as a right to use asset with subsequent depreciation. At the commencement date the Group recognised a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. The Group has separately recognised the interest expense on the lease liability and the depreciation expense on the right-of-use asset. The Group has adopted the new standard on the effective date using a full retrospective method and a 3%/4,6% discount rate. The lease period includes options. Variable expenses are excluded from lease period and is not recognised. Two contracts relating to offices and lab at SIVA Innovation Centre and the Groups production premises at Nordøya are covered in the calculations.

(Amounts in NOK 1 000)

| Financial position | 31.03.2020 | 31.03.2019 | 31.12.2019 |
|---|---------------|---------------|---------------|
| Lease assets | 14 118 | 17 308 | 14 469 |
| Fixed assets | 11 433 | 11 670 | 10 682 |
| Other non-current assets | 0 | 7 | 0 |
| Sum Fixed assets | 25 551 | 28 985 | 25 152 |
| <i>Note: Figures includes "Asset held for sale"</i> | | | |
| Lease liabilities | 14 144 | 17 954 | 12 764 |
| Current liabilities | 17 284 | 10 424 | 18 368 |
| Sum Liabilities | 31 428 | 28 378 | 31 132 |

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

Note 6 Related party disclosures

Shares owned or controlled by directors and senior management per 31. March 2020:

| Name, position | No of shares | No of options |
|---|--------------|---------------|
| Marie Roskrow, Chairman | 0 | 0 |
| Volker Wedershoven, Director | 80 000 | 0 |
| Ingrid Skjæveland, Director | 16 087 | 0 |
| Marit Sjo Lorentzen, Director | 20 331 | 0 |
| Børge Sørvoll, CFO | 25 428 | * |
| Rolf Engstad, CSO Biotec BetaGlucans AS | 581 174 | * |
| Jethro Holter, CEO | 564 | * |

*See note 3 for further details

Note 7 Shareholders

| The 20 largest shareholders as of 31. March 2020 | Shares | Ownership |
|--|-----------|-----------|
| Tellef Ormestad | 3 435 294 | 7,11 % |
| Pro AS | 2 307 216 | 4,77 % |
| Belvedere AS | 1 980 687 | 3,08 % |
| Clearstream Banking | 1 613 825 | 3,07 % |
| Danske Bank Operation | 1 572 528 | 3,00 % |
| Vinterstua AS | 1 255 614 | 2,43 % |
| Odd Knut Birkeland | 1 030 000 | 2,13 % |
| Nordnet Bank AS | 999 280 | 2,01 % |
| MP Pensjon | 938 135 | 1,91 % |
| Aka AS | 900 000 | 1,84 % |
| Nordnet Livsforsikring | 869 321 | 1,55 % |
| Middelboe AS | 800 173 | 1,45 % |

| | | |
|---|-------------------|----------------|
| Progusan AS | 750 026 | 1,44 % |
| Nordea Bank AB Danmark | 734 235 | 1,28 % |
| Hartvig Wenneberg III | 696 033 | 1,24 % |
| Dragesund Invest AS | 597 891 | 1,23 % |
| Rolf Einar Engstad | 581 174 | 1,20 % |
| Catilina Invest AS | 470 000 | 1,20 % |
| Nauhholmen AS | 399 486 | 1,15 % |
| Arne Kjetil Kyrkjebø | 364 780 | 0,97 % |
| 20 largest shareholders aggregated | 22 295 698 | 44,07 % |

Note 8 Interim results

| (Amounts in NOK 1 000) | Q1-2020 | Q4-2019 | Q3-2019 | Q2-2019 | Q1-2019 |
|---------------------------------|---------|---------|---------|---------|---------|
| Sales revenues | 34 274 | 22 002 | 22 476 | 16 853 | 14 816 |
| Sales growth % (year-over-year) | 131 % | 13 % | 1 % | 55 % | 4 % |
| Gross profit % | 76 % | 82 % | 70 % | 69 % | 81 % |
| EPS | 0,28 | 0,07 | -0,01 | -0,04 | -0,11 |
| EPS fully diluted | 0,28 | 0,07 | -0,01 | -0,04 | -0,11 |
| EBITDA | 13 760 | 4 600 | 802 | -491 | -3 909 |
| Equity | 60 271 | 46 476 | 46 895 | 46 869 | 48 482 |
| Total equity and liabilities | 91 743 | 77 609 | 77 477 | 73 212 | 76 859 |
| Equity (%) | 66 % | 60 % | 61 % | 64 % | 63 % |

Note 9 Alternative Performance Measures

Information provided is based on Guidelines on Alternative Performance Measures (APMs) for listed issuers by The European Securities 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 believes 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 change. 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 Tax. The reconciliation to the IFRS accounts is as follows:

| (Amounts in NOK 1 000 - except EPS) | Q1 | | YTD | |
|--|----------------|----------------|----------------|----------------|
| | 2020 | 2019 | 2020 | 2019 |
| Sales | 34 274 | 14 816 | 34 274 | 14 816 |
| Cost of goods | -8 105 | -2 829 | -8 105 | -2 829 |
| Gross profit | 26 169 | 11 987 | 26 169 | 11 987 |
| Other revenues | 1 277 | 1 067 | 1 277 | 1 067 |
| Sum other revenues | 1 277 | 1 067 | 1 277 | 1 067 |
| Personnel expenses | -9 903 | -11 914 | -9 903 | -11 914 |
| Other operating expenses | -3 782 | -5 049 | -3 782 | -5 049 |
| Depreciation and amortization expenses | -959 | -1 363 | -959 | -1 363 |
| Sum expenses | -14 645 | -18 326 | -14 645 | -18 326 |
| Operating profit/loss (-) | 12 801 | -5 272 | 12 801 | -5 272 |

Note 10 Account receivables and other receivables

| (Amounts in NOK 1 000) | 31.03.2020 | 31.03.2019 | 31.12.2019 |
|--|---------------|---------------|---------------|
| Accounts receivables | 18 988 | 7 693 | 10 049 |
| Research grants | 1 472 | 587 | 1 345 |
| Tax grants | 2 071 | 3 518 | 2 337 |
| VAT | 293 | 49 | 370 |
| Other receivables | 1 103 | 1 363 | 652 |
| Total account receivables and other receivables | 23 927 | 13 210 | 14 754 |

Note: Numbers are adjusted for "Asset held for sale"

| Days of maturity | Not due | 0-30 | 31-60 | 61-90 | Over 90- |
|---------------------------------|----------|----------|----------|----------|----------|
| Outstanding 31.03.2020 | 16 419 | 1 663 | 140 | 157 | 317 |
| 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 31.03.2019 | 6 095 | 1 153 | 201 | 33 | 213 |
| 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) | 31.03.2020 | 31.03.2019 | 31.12.2019 |
|--|---------------|---------------|---------------|
| Accounts payable | 8 206 | 3 206 | 4 525 |
| Public taxes and withholdings | 1 070 | 1 267 | 1 679 |
| Unpaid holiday pay | 3 356 | 3 688 | 2 782 |
| Other personnel | 2 055 | 1 398 | 4 596 |
| Other current liabilities | 2 598 | 865 | 4 070 |
| Total account payable and other current liabilities | 17 284 | 10 424 | 17 652 |

Note: Numbers are adjusted for "Asset held for sale"

Note 12 Assets held for sale and discontinued operations

| Assets classified as "Assets held for sale" | 31.03.2020 | 31.12.2019 |
|---|--------------|--------------|
| Intangible assets | 6 134 | 6 134 |
| Inventories | 466 | 523 |
| Account receivables and other receivables | 734 | 593 |
| Total assets | 7 334 | 7 250 |

| Liabilities attached to "Assets held for sale" | 31.03.2020 | 31.12.2019 |
|---|------------|------------|
| Accounts payable and other current liabilities | 43 | 716 |
| Total accounts payable and other current liabilities | 43 | 716 |

Note 13 Events after balance sheet date, 31. March 2020

There are no events of significance to the financial statements for the period from the financial statement date to the date of approval; 22.04.2020

Oslo, 22.04.2020

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
CEO