



# ANNUAL REPORT 2019





## Dear Shareholders

2019 was an eventful and defining year for Biotec Pharmacon landmarking a new chapter in its history.

Financially it was an exceptional year, achieving good growth in sales, largely driven by the ArcticZymes business which continues to blossom as the most profitable arm of the business. Although operating expenses were marginally up, the overall financial performance greatly improved and cash consumption was essentially neutralized.

R&D efforts continued to bring new innovative products to market and our customer base is further broadened with new customers. Our newest business area, the gene therapy market, demonstrated the largest growth, accounting for greater than a 25% contribution of total ArcticZymes sales in 2019.

Towards the latter part of the year, the decision was made to divest Woulgan<sup>®</sup>, our wound care product. Despite our best efforts with feet on the ground, annual performance fell short of expectations and prolonging internal activities was deemed economically inviable. Consequently, the level of support for this part of our business has been scaled back. Focus and support for the other betaglucan segments of the business will continue as long as they remain profitable.

In defining a fresh chapter for the entity, a new strategic direction was implemented, redirecting the company's main efforts towards enzymes. By mainly focusing on ArcticZymes, we will catalyze and fuel the growth potential and profitability of the company even more as we move into 2020 and beyond. In supporting this, an organizational restructuring has been completed and the company is ready to execute on the new strategic direction.

Furthermore, the number one goal going into 2020 will be to drive the company into profitability and subsequently, ensure maximizing long-term shareholder value.

As with any business, we are entering uncharted waters with the recent events unfolding in the beginning of the 2020 with the COVID-19 outbreak. By virtue of the company's technologies and products, Biotec Pharmacon is well positioned to contribute in the fight against COVID-19 and saving lives.

I would like to take the opportunity to thank our shareholders for your utmost support, our customers for your continued loyalty, and our greatest asset, all my colleagues at Biotec Pharmacon who are dedicated and have worked relentlessly in achieving an extraordinary year.

Best regards  
Jethro Holter

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Board of Directors'  
report **2019**

## 1. About Biotec Pharmacon ASA

Biotec Pharmacon ASA (hereinafter "Biotec" or "the Company") is a Norwegian life sciences company focused on specialised, novel enzymes and immunomodulating beta-glucan technology. The Company is creating value from innovation in life science markets via its subsidiaries, ArcticZymes AS and Biotec BetaGlucans AS. Its technologies capitalise on more than three decades of world-class research at the Arctic University of Tromsø to offer niche and high-tech products in several biotech segments. Biotec's unique IP and capabilities are protected via a large portfolio of patents around both enzyme and beta-glucan products.

### Biotec Pharmacon ASA

Biotec Pharmacon ASA is the holding company providing support functions to the subsidiaries including distribution, administration, finance, IT and QA. The headquarters and laboratories are located at the SIVA Innovation Centre close to the University and University Hospital in Tromsø, Norway while the production facilities are in adjacent premises. Most employees work in Tromsø except for parts of the marketing and sales teams that are located in Central Europe, Asia and the US. In addition, the Company has established distribution centres in the United States and in the Netherlands to serve its customers more efficiently.



**Creating value**  
from innovation

## ArcticZymes AS

The Company develops, produces and markets novel recombinant enzymes for use in molecular research, In Vitro Diagnostics (IVD) and therapeutics. The enzymes are primarily derived from cold-water marine species and organisms from other relevant environments. Each enzyme offers novel functionality to its customers. Products offered include:

### **SAP and derived kits**

– utilized for cleanup prior to Sanger sequencing and Next Generation Sequencing (NGS) processes

### **Cod UNG**

– utilised in viral and other molecular diagnostic assays

### **Double-strand specific DNases and derived kits**

– removal of DNA from RNA samples. Removal of DNA in PCR master mixes and enable a broad range of applications

### **Polymerases**

– enabling technology development for life science, MDx (Molecular Diagnostics), NGS and synthetic biology (i.e. building of artificial DNA and genomes)

### **Proteinase**

– direct lysis and nucleic acid sample prep (i.e. isolation of DNA from cells). Enable applications in microbiological diagnostics and liquid biopsies (i.e. DNA tests using blood samples)

### **Salt Active Nuclease (SAN)**

– removal of nucleic acids during manufacturing of vaccines, viruses, recombinant proteins and other reagents

**Ligases** – joining DNA fragments together. Enable a broad range of molecular biology applications

Other polymerases, ligases, nucleases, reverse transcriptase's and non-enzyme products represent additional key products that are more long-term in the development pipeline.

In addition, the Company is developing second generation products and supportive products within several categories based on input and collaboration with customers.

## Biotec BetaGlucans AS

All products are based on immune modulating 1,3/1,6 beta-glucans from yeast. The Company develops, produces and markets immunomodulating beta-glucans products based on immune modulating 1,3/1,6 beta-glucans from yeast. The end-user products are targeting the following segments:

### **Adjuvant to vaccines against cancer**

– SBG<sup>®</sup> being used in a clinical trial for Neuroblastoma in children

### **Advanced wound care**

– Woulgan<sup>®</sup> Gel which contains its proprietary SBG<sup>®</sup> (soluble beta-glucan) ingredient

### **Animal health e.g. in fish farming**

– to strengthen animal's immune systems

### **Consumer health**

– nutritional products used as functional ingredients

## 2. ArcticZymes

ArcticZymes AS develops, produces and markets a growing portfolio of novel recombinant enzymes primarily for use within molecular research, In Vitro diagnostics (IVD) and therapeutics. The total enzymes market for molecular diagnostics and bio-manufacturing is USD 2.0 Billion with a CAGR of 5-19% depending on enzyme type.

### Markets & Technologies

ArcticZymes primarily serves 3 core market segments:

#### Molecular Research

– kits and tools used by bench scientists. Market size ~6.7 Bil USD (10-30% CAGR depending on technology type)

#### Molecular Diagnostics

– DNA/genetic based tests utilised to prevent and diagnose disease. Market size ~9.2 Bil USD market (9% CAGR)

#### Therapeutics

– where viruses are used as microscopic syringes to alter DNA in a patient's cells thereby correcting a mutation in the patient's DNA (e.g. cancer or inherited disease). Gene Therapy market size ~0.8 Bil USD (34% CAGR).





## Molecular Research & MDx

The molecular research and MDx market segments are served by common technologies and utilise the whole range of ArcticZymes products. The classic and most common place technologies are PCR-based methods (Polymerase Chain Reaction) where their adoption is still growing. The majority of ArcticZymes enzymes are used to support PCR based workflows. A workflow can be defined as a series of experimental steps from isolation of DNA from a cell to identifying a specific DNA sequence. PCR represents the central step where the DNA is amplified. Each experimental step in the PCR workflow requires the use of different enzymes.

Alternative amplification technologies such as LAMP (Loop-mediated isothermal AMPLification) are attracting great commercial interest. With global patents expiring in 2019/2020, commercial diagnostic test developers are ready to exploit LAMP technologies. In bringing to market the next generation of MDx tests, ArcticZymes has positioned itself early on to serve such developers by purposely engineering its IsoPol™ Polymerases for optimal utility in LAMP. Today ArcticZymes has built a rich opportunity pipeline with many of the leading MDx test developers.

At the forefront of the industry is fast pace innovations around Next Generation Sequencing (NGS) technologies with the prospect of wider adoption and accessibility. It is the clinical utility of the technology that makes DNA sequencing the fastest growing molecular technology today. ArcticZymes existing as well as newly designed enzymes are attractive, integral key components and offer unique properties that are exploited by leading international companies.

Sales in the molecular biology & MDx markets combined have steadily grown. Partly attributed by the expansion of the product portfolio and capitalisation of existing products across a broader customer base. Today, sales represent 75% of total sales during 2019.

## Other technology focus areas for ArcticZymes include:

### Synthetic Biology

- a multidisciplinary area engaged in creating new biological parts, devices, systems, and DNA based therapeutics. It centres around new technological advantages in the use of cost-effective methods for building artificial DNA or genomes. Over 350 companies are actively engaged in synthetic biology applications. All these companies had an estimated net worth of \$3.9 billion in the global market (2016). ArcticZymes ligases and polymerases show great promise for future utility in this market. In supporting this, an EU Eurostars funded project was granted this year to a collaboration between the University of Tromsø, the Danish company -Legomics, and ArcticZymes.

### Liquid Biopsies

- DNA or other diagnostics tests are performed on blood or other body fluids. Such samples are considered non-invasive because they do not require an invasive biopsy which have traditionally been used in prenatal and cancer diagnostics. The market is growing rapidly (23% CAGR) with an estimate market size of 1.1 Bil USD. Unlike traditional invasive biopsies, liquid biopsies require a whole new set of molecular techniques to overcome the challenges of isolating very small amount of DNA and amplifying it sufficiently to allow diagnosis. ArcticZymes is well positioned with its existing and new enzymes to assist its customer to overcome such technical challenges.

## Therapeutics – Gene Therapy & Vaccines

ArcticZymes business towards serving developers and manufacturers of viral based gene therapies and vaccines is a relative new business for the Company. The Salt Active Nuclease (SAN) portfolio mainly serves our customers who utilise SAN for cleaning and removing unwanted DNA from therapeutic viruses. Thus, rendering them safe for use in patients and greatly mitigates against the risks of adverse effects.

During 2019, the SAN portfolio was expanded with the launch of M-SAN. 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.

Sales to the therapeutics market have grown rapidly from virtually zero in 2016 and accounted for 25% of total sales revenues during 2019.

### Portfolio of products

New product innovations represent the most important driver to accelerate growth of the ArcticZymes business. A broader synergistic portfolio is key in mitigating risk and making the business more resilient to fluctuations and headwinds. The incremental addition of new synergistic products to the ArcticZymes portfolio continue to increase the impact and relevance to customers across the market segments ArcticZymes serve.

ArcticZymes specialises in enzymes originating from organisms that have evolved in cold Arctic water environments. ArcticZymes has however extended innovation beyond enzymes originating in cold aquatic environments and discovery efforts are underway to prospect other harsh environments for unique enzymes with synergistic and commercially attractive properties.

During 2019 ArcticZymes expanded its portfolio with 7 new products:

#### T4 DNA Ligase

– a high quality and commercial grade generic enzyme which is widely adopted in the market.

#### M-SAN

– a novel nuclease with different properties to our other SAN enzymes.

#### 5 new formulations of existing enzymes

– glycerol-free and/or triton-free

New formulations of our existing enzymes are critical to achieve the widest adoption by new customers. Offering enzymes without glycerol provides a convenient lyophilisation ready-to-go formulation which customer can easily dry down into powder form in their kits and diagnostics tests. Triton-free formulations allow customers to comply with the new EU REACH regulations which come into force in January 2021.

### Pipeline Innovations

ArcticZymes has an ambitious innovation pipeline to broaden its product range to support its strategic goal in becoming Europe's leading one-stop-shop supplier for enzymes.

Through both internal- and collaborative- projects with national and international partners, ArcticZymes has a growing portfolio of new enzyme leads. The Norwegian Research Council has often supported such cooperation through grants.

Furthermore, EU funding has greatly contributed towards development of the innovation pipeline. The Horizon 2020 funded Virus-X project is entering the final stages, where ArcticZymes is a commercial partner in the project. The project has delivered as expected during 2019 with the discovery of a multitude of well characterised and commercially attractive prototype enzymes. It is expected that selected prototypes will enter ArcticZymes product development pipeline during 2020.

### Operations

All enzyme manufacturing is performed by recombinant production. In a nutshell, this means that a gene for each enzyme is cloned and introduced into a microorganism (i.e. yeast or bacteria). The microorganism multiplies in a fermentation process. Each microorganism is essentially a factory that uses the cloned gene as an instruction manual for building many copies of the enzyme. The enzyme is then extracted, purified and concentrated. Recombinant production is a powerful technology enabling the production of far more consistent, robust and cleaner enzymes compared to natural sources. It also facilitates scalable manufacturing and economies of scale ensuring uninterrupted supply and security of supply to our customers.

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.

In supporting increased product demand, ArcticZymes implemented and qualified its second production line during 2019. 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 their 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.

### Customer focus

The vast majority of ArcticZymes commercial efforts continues to be towards growing and driving long-term business-to-business (B2B) relationships. Today, sales to B2B customers represents 95% of total sales. The remaining 5% of sales is towards end users.

ArcticZymes has a leading and strong global brand position as a trusted B2B supplier to the industry with a multi-pronged value proposition offering not just only unique products but also offers security of supply, scalability, robust and reproducible products, highest quality according to ISO13485:2016 and consultative support. Overall ArcticZymes is recognised by its customers as a trusted and reliable critical raw material supplier.

The key advantage in serving B2B customers is the investment our customers put into integrating ArcticZymes technologies into their kits/products and manufacturing processes. Once they have commercialised their products, they have a product life cycle of 5-10+ years which translates into mutual long-term value for ArcticZymes and its customers.

Quarterly sales to B2B customers continue to fluctuate and fluctuations are expected to continue going forward. However, the business is still aiming at year-on-year growth. Quarterly fluctuations are normal and will always be inherent in the business irrespective of its size. Much of the annual 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 which today represents only one-third of total sales.

ArcticZymes has local business development and customer support representatives in Europe, North America and Asia to assist global business coverage. Local support and use of highly skilled business developers are a prerequisite for driving B2B sales and maintaining customer relationships.

To support sales activities, ArcticZymes has established strategically located warehouses and logistic centres in Europe and in the United States. These logistics centres have made it possible to standardise products, build inventories and safety stocks, improve cost effectiveness of logistics, and most importantly, ensure on demand delivery to customers on a global basis.

### Strategic Aspects

ArcticZymes recently updated its 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 M&A activities. Furthermore, a combination of organic and inorganic growth will be required for ArcticZymes to achieve its core strategic goal of being Europe's leading one-stop-shop supplier for enzymes.

ArcticZymes has made good progress with its M&A activities. Advanced discussions are ongoing and narrowed down to a few companies where a shared vision is clearly visible.

Moving forward, ArcticZymes represents the major strategic arm of the Company and offers the greatest potential for generating long-term shareholder value.



**Strong**  
organic growth  
potential

### 3. BetaGlucans

Biotech BetaGlucans AS (BetaGlucans) develops applications based on different qualities of beta-glucans including the patent protected soluble beta-1,3/1,6-glucan (SBG®). BetaGlucans produces the active ingredient SBG® at its facilities in Tromsø, which are certified according to GMP as well as ISO 13485. The Company has also GMP+ certification for feed ingredient products..

#### Woulgan®

The Woulgan® strategy has been reviewed by management and the Board of Directors. With the limited resources and marketing power Biotech BetaGlucans (BBG) has not been able to create commercial success with the product. Consequently, the company will search for a new product owner. The Company has engaged an external business development consultant to assist in this process. BBG will continue to fully support existing customers until such transaction is finalised.

#### Woulgan® - Market & Sales

Sales for the full year were up 75% from 2018, but still well below expectations. Germany is still a key market and main driver for revenues, with slightly increased sales via wholesaler channels.

Sales development in the UK was 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 has shifted Woulgan® to the main sales force from 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.

#### Adjuvant in cancer treatment

The two-armed randomised phase II neuroblastoma vaccine study at Memorial Sloan Kettering Cancer Center (MSKCC) was expanded in 2019, and by end of the year the study had recruited just below 300 patients. MSKCC is continuing to recruit patients for the ongoing study into 2020. 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.

#### Consumer & Animal Health

BBG experienced significant growth in sales of M-Gard® in 2019 versus 2018. The Company is working on expanding the "funnel" of potential leads and has successfully engaged new customers in USA, Asia and Europe. The growth of M-Gard® in the second half of 2019 was mainly driven by new customers.

Sales of M-Glucan® to the feed sector was slightly down in 2019 compared to 2018. 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.

## 4. Consolidated financial statements

The financial statements for 2019 are prepared under the assumption of going concern. The basis for this assumption is the Company's plans, capital situation and the long-term forecasts.

The Board is not aware of any matters of significant importance for the Company's status beyond what is disclosed in the financial statements.

### Consolidated statement of profit and loss

The financial statements for the Biotec Pharmacon group are prepared in accordance with International Financial Reporting Standards (IFRS). The Biotec Pharmacon group had sales revenues of NOK 77.2 million in 2019, compared to NOK 66.8 million in 2018. Distribution of sales revenues in 2019 was NOK 32.1 million in the beta-glucans' segment and 45.2 million in the enzymes' segment, compared to NOK 34.3 million and NOK 32.5 million in 2018 respectively. Beta-glucans' sales were 7% down compared to previous year, primarily due to lower sales of animal health products. The enzymes' segment had a sales growth of 39% compared to 2018.

Net profit after tax for the Group was NOK -5.8 million compared to NOK -14.0 million in 2018. The operating profit (EBIT) for the Beta-glucan segment was NOK -10.6 million in 2019 compared to NOK -14.5 million in 2018. The enzymes' segment made an operating profit of NOK 12.6 million versus NOK 5.2 million in 2018. Unallocated corporate overhead expenses for 2019 were NOK 7.7 million compared to NOK 4.2 million in 2018, where increase is primarily driven by provisions for CEO at the end of 2019.

Total recognised expenses for R&D within the Group in 2019 was NOK 21.6 million, compared to NOK 20.1 million in 2018.

R&D expenses are increased by 8% compared to 2018, evenly distributed within both segments. Most of the R&D costs were expensed in 2019 except for NOK 0.4 million, which fulfilled the criteria for capitalisation. For 2018, NOK 1.4 million was capitalised.

### Cash Flow

The Group had a cash flow from operating activities of NOK 4.0 million in 2019, compared to NOK -15.2 million in 2018. Cash flow from investing activities in 2019 was NOK -1.1 million against NOK -2.7 million in 2018. For 2019, investing activities were split between fixed assets of NOK 0.7 million and development of new products being prepared for sale of NOK 0.4 million. Net cash flow from financing activities was NOK -3.2 million compared to 19.0 in 2018.

Net change in cash during 2019 was NOK -0.4 million, compared to NOK 1.1 million in 2018.

**Net profit of**  
-5.9 MNOK

**Changes in cash**  
-0.4 MNOK

### Consolidated statement of financial position

Total equity for the Group amounted to NOK 46.5 million at the end of 2019, compared to NOK 52.5 million at the beginning of the year. Equity ratio was 60%. Cash and cash equivalents amounted to NOK 31.3 million per 31.12.2019, compared to NOK 31.7 million at the end of previous year. The Group has no interest-bearing debt

### The parent company

Sales revenues for the parent company Biotec Pharmacon ASA was NOK 9.7 million in 2019. Net profit was a loss of NOK -7.6 million. Sales revenues are intercompany sales of services to the subsidiaries. Deferred tax assets were excluded from the balance sheet at the end of 2009. As of 31.12.2019, the forecast for future taxable profit still remains uncertain, and the Company has therefore decided not to recognise this as an asset. A new assessment will be carried out during 2020.

The Board proposes that the 2019 loss in the parent company Biotec Pharmacon of NOK -7.6 million is covered by allocation from retained earnings.



**Revenues of**  
77.2 MNOK

## 5. Shareholder matters

The Biotec share ended 2019 with a closing price of NOK 4.75, compared to NOK 3.52 at the end of 2018. NOK 3.70 was the lowest closing price during the fiscal year, while the highest closing price was NOK 5.60 per share.

The Board encourages employees in the Group to become shareholders in the Company. At the end of 2019, employees in the Group held 1.2 million shares, equal to 2.4% of the share capital.

Share option programs have since 2010 been offered to certain employees in the Group. Interim CEO Jethro Holter, CFO Børge Sørvoll and CSO Rolf Engstad has been granted a right to receive option program for

200,000 shares each. The share option program is described in note I6 "Executive remuneration policy".

As of 31.12.2019, the Company has 48,334,673 shares registered with a nominal value of NOK 1.00, distributed on 2,431 VPS-registered shareholders.

## 6. Risk



The Group is exposed to various types of financial and operational risks.

There are risks associated with development and sales in ArcticZymes. The Company has agreements with large multinational

customers, but there are no purchase obligations attached to these agreements. The Company is actively entering new agreements to broaden the revenue base. Success relating to introduction of new products in the portfolio is not guaranteed and sales will be dependent on customer implementation.

Within the business area beta-glucans, the Company has decided to initiate a divestment process of the wound care product Woulgan®. Future sales of Woulgan® and feedback from the market is uncertain. It is also uncertain if the Company is able to find a potential buyer of Woulgan®.

Biotec is also a supplier of beta-glucans to the animal and consumer health markets. Both markets are limited in number of customers and the Company is accordingly dependent on these customers to maintain and grow sales.

The Company is dependent upon certain key suppliers, and especially the raw material supplier for production of beta-1,3/1,6-glucan. The Company may, if necessary, change supplier over time, but cannot exclude that such changes will have a temporary negative impact on the Company's operations within the beta-glucan area.

Future changes in taxes and regulations may represent a risk for the Company having a global scope for both business areas.

The Group seeks to protect its intellectual property through patent protection. There will always be a risk that other companies may dispute such rights or that other players secure rights that could restrict the technological freedom. There is also a risk that the Group must take on costs to defend its rights against patent infringement.

Biotec is a small company, with few employees that are critical to the success of the Company's operations. Key personnel are involved in the development of products, technologies, production processes, quality control, purchasing, and marketing, as well as other activities of the Company. The Company is also dependent on recruiting new, qualified personnel. There is no guarantee that the company will be able to retain key personnel or to be able to recruit new key personnel in the future.

Currency risk arises since most of the Company's revenues are in USD and Euro, while most expenses are accrued in NOK. A higher exchange rate for the USD and Euro against the Norwegian krone will affect the outcome in a positive direction, while lower rates will have the opposite effect. The Group's exposure to currency will in the long run be altered if new product releases provide a change in the currency mix.

The Company has no interest-bearing debt. Financial investments are carried out only in the form of bank deposits, certificates or money market funds with short maturities. The Group is thus not very exposed to interest rate risk. The Company shall not be exposed to any financial risk in the stock market. The Group has limited credit risk and recognised no losses on accounts receivable neither in 2019 nor 2018.

The Board considers the liquidity situation to be acceptable, provided that the estimated cash flow from operations and investment activities follows established plans and budgets for 2020.

## 7. The working environment and staff



At the end of 2019, there were 38 full and part time employees in the Group. There were 9 employees in the parent company Biotec, 13 in BetaGlucans AS, 19 employees in ArcticZymes AS, a decrease of 5 employees during the year.

Lost days due to sick leave in 2019 totalled 384 days, compared to 377 days in the previous year. Accumulated sick leave was 3.5% compared to 3,8% in 2018. No specific initiatives were taken during the year to influence the working environment. There were no work accidents causing injury to personnel or damage to machinery during 2019.

The Company is committed to recruit and develop employees of both genders. Equality between the genders is practiced in a way that men and women are considered equal regarding career opportunities and salary. At the end of the year, there were 15 women and 23 men employed within the Group. At the end of 2019, the Board consists of 3 directors, of which 2 women. The employee-elected representative and observer are female. On 7th January 2020, another female was elected to the board of directors through an extraordinary general meeting.

## 8. Natural environment

The Company's activities have limited negative impact on the environment. Excipients and chemicals that cannot be recycled in the production processes are collected and returned to an approved manufacturer for environmentally and sound recycling. Procedures for the collection of various types of waste from laboratories and for separation by source of waste from other operations are established. Use of energy in the production process is modest.

## 9. Principles of corporate governance

The Board has established principles for corporate governance in line with the Norwegian Accounting Act § 3-3 and the Norwegian Code of Practice for Corporate Governance. A detailed description of these principles is published on the Company's website [www.biotec.no](http://www.biotec.no) under Investors/Corporate information.



## 10. Corporate social responsibility

The Company is committed to develop socially valuable products, such as health products to improve people's life, and life science products making laboratory processes and diagnosis more efficient and cost effective. The Company avoids using scarce natural resources and emphasises this by approving suppliers. Ethical guidelines are established, and all employees have confirmed individually in writing that they, through their position will work to prevent discrimination, promote equality, promote human

rights and combat all forms of corruption. Size and business scope of the Company is limited compared with most other listed companies.

Thus, thorough reporting in this area is not yet a priority.

A summary of relevant topics with status for Biotec at the end of 2019 is listed in the table below.

<b>Product groups</b>	Woulgan wound gel	Patient-friendly, without any harmful side effects, beneficial health economics to society
	Feed Ingredient (M-Glucan)	Natural immune-stimulating product without antibiotics for fish and animal feed
	Nutraceuticals (M-Gard)	Natural immune-stimulating ingredients to improve overall physical health
	Recombinant enzymes	Efficient products in micro scale for research and diagnostics
<b>Customers</b>	In Europe	Feed producers, distributors of drugs and devices, research and diagnostic companies, hospitals and home care providers
	In US	Manufacturers of pharmaceuticals, nutraceuticals, and laboratory kits
<b>Code of Conduct, Ethical guidelines</b>	Policy established and adopted in writing by all employees	Integrated part of the Company's quality system
<b>Combating corruption</b>	Described in Code of Conduct	The Company is opposed to all forms of corruption. The Company's relatively small turnover limits possibilities for any corruption.
<b>Human rights</b>	This may be an issue for goods produced outside Norway	The Company uses a sub-supplier from the EU for raw materials for animal feed additives. Generally good follow-up of labour and human rights in this country.
<b>Employees' labour rights</b>	Norwegian labour rules apply to all employees	Employees are included in the management of the Company. Elected representatives are part of Board of Directors and the Working environment committee.
<b>Climate impact</b>	Marginal emissions to air and water, both in terms of production and transportation.	The Company's main raw material is a residual product from other industrial activities.

## 11. Outlook

The Company's number one goal is to drive the Group into profitability during 2020.

At the end of 2019, an organisational restructuring was 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, it is the Board's view that several important decisions and milestones were achieved during 2019 providing a good foundation for our 2020 ambitions.

The Board would like to thank all employees for their efforts in 2019.

Tromsø, Norway 20. March 2020



Marie Ann Roskrow

Chairman



Volker Wedershoven

Director



Marit Sjo Lorentzen

Director



Ingrid Skjeveland

Director, employee representative



Jethro Holter

Interim CEO

Financial **statements**

## Consolidated statement of profit & loss

I. January till 31. December

(Amounts in NOK 1 000)	Note	2019	Restated 2018
Sales revenues	5	77 247	66 769
Other income	22	7 148	6 048
<b>Total income</b>		<b>84 395</b>	<b>72 817</b>
Cost of goods	12	-18 900	-19 366
Personnel expenses	16,19,21,24	-44 388	-40 241
Depreciation and amortization	6,7,8,21	-5 083	-4 709
Other operating expenses	20,21	-21 779	-22 007
<b>Total operating expenses</b>		<b>-90 151</b>	<b>-86 323</b>
<b>Operating profit/loss(-)</b>		<b>-5 756</b>	<b>-13 506</b>
Financial income		450	353
Financial expense	7,18	-620	-880
<b>Financial net</b>		<b>-170</b>	<b>-526</b>
<b>Profit/loss(-) before income tax</b>		<b>-5 926</b>	<b>-14 032</b>
Income tax expense	17	0	0
<b>Net profit/loss(-)</b>		<b>-5 926</b>	<b>-14 032</b>
<b>Net profit/loss(-) attributable to:</b>			
Non-controlling interests		460	161
Equity holders of Biotec Pharmacon ASA		-6 386	-14 193
<b>Earnings per share:</b>			
Basic EPS from net profit/loss	10	-0,12	-0,30
Diluted EPS from net profit/loss	10	-0,12	-0,30

## Consolidated statement of other comprehensive income

(Amounts in NOK 1 000)	Note	2019	Restated 2018
Net profit/loss for the year		-5 926	-14 032
<b>Total comprehensive income</b>		<b>-5 926</b>	<b>-14 032</b>
<b>Comprehensive income attributable to:</b>			
-shareholders of parent company		-6 386	-14 193
-non-controlling interests		460	161
<b>Total comprehensive income</b>		<b>-5 926</b>	<b>-14 032</b>

# Consolidated statement of financial position

As of 31. December

(Amounts in NOK 1 000)	Note	2019	Restated 2018	Restated 01.01.2018
<b>ASSETS</b>				
Non-current assets				
Machinery and equipment	6	3 875	4 597	4 589
Intangible assets	8	674	7 551	7 119
Lease assets	7	14 469	16 454	18 892
<b>Total non-current assets</b>		<b>19 018</b>	<b>28 602</b>	<b>30 600</b>
CURRENT ASSETS				
Inventory	12	5 298	6 560	5 011
Accounts receivable and other receivables	9,11	14 754	17 645	14 363
Cash and cash equivalents	9,13	31 289	31 662	30 593
<b>Total current assets</b>		<b>51 340</b>	<b>55 867</b>	<b>49 966</b>
Assets classified as "Assets held for sale"	23	7 250		
<b>Total assets</b>		<b>77 608</b>	<b>84 469</b>	<b>80 565</b>
<b>EQUITY AND LIABILITIES</b>				
Equity				
Share capital	10,14	48 335	48 335	43 945
Premium paid in capital		151 039	151 039	133 378
Retained earnings		-154 233	-147 778	-134 446
Non-controlling interests		1 336	876	715
<b>Total equity</b>		<b>46 476</b>	<b>52 471</b>	<b>43 590</b>
LONG TERM LIABILITIES				
Long term liabilities, leases	7	12 764	14 688	17 015
<b>Total long term liabilities</b>		<b>12 764</b>	<b>14 688</b>	<b>17 015</b>
CURRENT LIABILITIES				
Accounts payable and other current liabilities	9,15	17 652	17 310	19 960
Liabilities attached to "Assets held for sale"	23	716		
<b>Total current liabilities</b>		<b>18 368</b>	<b>17 310</b>	<b>19 960</b>
<b>Total liabilities</b>		<b>31 132</b>	<b>31 998</b>	<b>36 983</b>
<b>Total equity and liabilities</b>		<b>77 608</b>	<b>84 469</b>	<b>80 565</b>

Tromsø, 20. March 2020

Marie Roskrow  
Chairman

Volker Wedershoven  
Director

Marit Sjo Lorentzen  
Director

Ingrid Skjæveland  
Director

Jethro Holter  
CEO

## Consolidated statement of changes in equity

I. January till 31. December

(Amounts in NOK 1 000)	Note	Share capital	Premium paid in capital	Retained earnings	Non-controlling interest	Total equity
<b>Equity as of 01.01.2018</b>		<b>43 945</b>	<b>133 378</b>	<b>-133 224</b>	<b>715</b>	<b>44 812</b>
Adjustment for IFRS16				-1 222		-1 222
<b>Restated equity as of 01.01.2018</b>		<b>43 945</b>	<b>133 378</b>	<b>-134 446</b>	<b>715</b>	<b>43 590</b>
Comprehensive income 2018				-14 193	161	-14 032
TRANSACTIONS WITH OWNERS:						
Share issue	10,14	4 390	17 661			22 051
Employees' share options	16,24			862		862
<b>Total transactions with owners</b>		<b>4 390</b>	<b>17 661</b>	<b>-13 332</b>	<b>161</b>	<b>8 880</b>
<b>Equity as of 31.12.2018</b>		<b>48 335</b>	<b>151 039</b>	<b>-147 778</b>	<b>876</b>	<b>52 471</b>
Comprehensive income 2019				-6 386	460	-5 926
TRANSACTIONS WITH OWNERS:						
Employees' share options	16,24			-69		-69
<b>Total transactions with owners</b>		<b>0</b>	<b>0</b>	<b>-6 455</b>	<b>460</b>	<b>-5 995</b>
<b>Equity as of 31.12.2019</b>		<b>48 335</b>	<b>151 039</b>	<b>-154 233</b>	<b>1 336</b>	<b>46 476</b>

## Consolidated cash flow statement – Group

I. January till 31. December

(Amounts in NOK 1 000)	Note	2019	Restated 2018
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Profit / loss(-) before tax adjusted for:		-5 926	-14 032
Depreciation and amortization	6,8	2 565	2 272
Depreciation IFRS 16	7	2 518	2 438
Employees' options, share-based payment expense	16,24	-81	862
Interest expense lease liability		797	865
Changes in working capital:			
Inventory	12	739	-1 549
Accounts receivables and other receivables	11	2 299	-3 282
Trade and other payables	15	1 054	-2 766
<b>Net cash flow from operating activities</b>		<b>3 965</b>	<b>-15 192</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Investment in machinery and equipment	6	-688	-1 269
Investment in intangible assets	8	-412	-1 444
Changes in long-term receivables			9
<b>Net cash flow from investing activities</b>		<b>-1 100</b>	<b>-2 704</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Capital increase	14		22 051
Interest expense lease liability		-797	-865
Payment on lease liabilities	7	-2 441	-2 221
<b>Net cash flow from financing activities</b>		<b>-3 238</b>	<b>18 965</b>
<b>NET CHANGE IN CASH DURING THE YEAR</b>			
		-372	1 069
Cash and cash equivalents as of 1 January	11	31 662	30 593
<b>Cash and cash equivalents as of 31 December</b>		<b>31 289</b>	<b>31 662</b>



# Notes to the financial statements for 2019

## Note 1 General information

Biotec Pharmacon ASA (the Company) is a Norwegian life sciences company focused on specialised, novel enzymes and immunomodulating beta-glucan technology.

The Biotec Pharmacon Group creates value from innovation in life science markets via its subsidiaries, ArcticZymes and Biotec BetaGlucans. Its technologies capitalise on more than three decades of world-class research at the Arctic University of Tromsø to offer niche and high-tech products in several biotech segments.

ArcticZymes develops, produces and markets novel recombinant enzymes for use in molecular research, In Vitro Diagnostics (IVD) and therapeutics. The enzymes are primarily derived from cold-water marine species and organisms from other relevant environments.

Biotec BetaGlucans develops, produces and markets immunomodulating beta-glucans addressing high unmet healthcare needs, such as chronic wound healing and as an adjuvant in vaccines against certain types of cancer relapse. Biotec BetaGlucans has initiated a divestment process of its wound care product, Woulgan®.

Listed on the Oslo Stock Exchange since 2005 under the "Biotec" ticker, Biotec Pharmacon is headquartered in Tromsø, in the SIVA Innovation Centre.

The Board approved the consolidated financial statements on 20 March 2020.

## Note 2 Summary of significant accounting policies

The following describes the principal accounting policies applied in the preparation of the consolidated financial statements. These principles have been consistently applied to all periods presented, unless otherwise stated.

### Note 2.1 Financial reporting framework

The consolidated financial statements are prepared in accordance with International Financial Reporting Standards (IFRS) and interpretations of IFRS as adopted by the EU. The consolidated financial statements are prepared on a historical cost basis.

The preparation of financial statements in conformity with IFRS requires the use of estimates. Furthermore, the application of the Company's accounting principles requires management to exercise judgment. For further information about this, see note 4.

The consolidated financial statements are prepared under the going concern assumption.

All new financial standards enforced the last few years are implemented. The Company does not expect any new standards to have a significant impact on profit & loss or the financial position of the Company.

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.

### Note 2.2 Principles for consolidation

#### Subsidiaries

The consolidated financial statements include the parent company Biotec Pharmacon ASA, a wholly owned subsidiary Biotec BetaGlucans AS, and the 96% owned subsidiary ArcticZymes AS. Reference is made to the parent company's note 9 for details on subsidiaries.

There is a presumption that if the group has the majority of the voting rights in an entity, the entity is considered as a subsidiary. To support this presumption and when the group has less than a majority of the voting or similar rights of an investee, the group considers all relevant facts and circumstances in assessing whether it has decision over the entity, including ownership interests, voting rights, ownership

structure and relative power, as well as options controlled by the group and shareholder's agreement or other contractual agreements.

The assessments are made for each individual investment. The group reassesses whether it controls an entity if circumstances indicate that there are changes to control. Consolidation of a subsidiary begins when the group obtains control over the subsidiary and ceases when the group loses control of the subsidiary. Profit or loss and each component of other comprehensive income are attributed to the equity holders of the parent of the group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Intercompany transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated and may be considered as an impairment indicator for the asset transferred. Accounting policies of subsidiaries will be adjusted when deemed necessary to ensure consistency with the Group's accounting policies.

### **Note 2.3 Operating segment information**

The operating segments in these statements are consistent with the internal reporting provided to the chief operating decision maker. The operating decision maker, who is responsible for allocating resources and for assessing performance of the business segments, has been identified as the Board of Directors. An operating segment is engaged in providing products or services that are subject to risks and returns that are different from other operating segments. Biotec Pharmacon presents segment information for the business's beta-glucans and enzymes under note 5.

### **Note 2.4 Foreign currency translation**

#### **Functional and presentation currency**

The accounts of the individual entities within the Group are measured by using the currency of the main economic environment in which the entity operates (its functional currency). The consolidated financial statements are presented in Norwegian kroner (NOK), which is the functional currency for all Group companies.

#### **Transactions and financial position items**

Foreign currency transactions are translated into the functional currency using the exchange rate at the transaction date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary items (assets and liabilities) in foreign currency at year-end, are recorded in the consolidated statement of profit & loss.

Foreign exchange gains and losses relating to loans, expenses, cash and cash equivalents are presented (net) as financial income or expenses. Foreign exchange gains and losses relating to sales or cost of goods are

presented (net) under sales revenues or cost of goods.

## **Note 3 Financial risk management**

### **Note 3.1 Financial risk factors**

Certain activities expose the Group to financial risks like market risk, credit risk, interest rate risk and liquidity risk. The Group's overall risk management wants to minimise potential adverse effects of any unpredictability of financial markets. For the reporting period, the Group had no interest-bearing loans. Financial instruments are normally not used for trading purposes. Interest-bearing investments beyond bank deposits can be made in certificates or bond funds with short maturities.

#### **Note 3.1.1 Market risk**

##### *Foreign currency risk*

Revenues for 2019 to the Group are mainly denominated in USD and EUR; distributed 38% at USD and 48% at EUR. Most of the Group's cost base is denominated in NOK (66%), while expenses in EUR amounts to 28%.

The Group had for 2019 a positive trade currency balance for both USD and EUR. A weaker NOK against the USD or EUR will influence the operating profit in a positive direction, while a stronger NOK against the USD or EUR will have the opposite effect.

If NOK relative to USD was 5% stronger / weaker at 31 December 2019 and all other variables held constant, this would lead to a lower / higher operating profit of NOK 147 000 (2018: NOK 226 000). For EUR would such currency changes have affected the result by NOK 148 000 (2018: NOK 98 000). The impact on equity would be correspondingly. The calculated effect is based on 5% change in receivables and payables denominated in USD and EUR as of 31.12.2019.

The Group exchanges foreign currency into NOK when the balance of a foreign currency exceeds outstanding liabilities. The Group tries to minimise the balance of foreign currencies in its accounts. When applicable, the Group aims to match payment terms of revenues to corresponding expenses.

##### *Interest rate risk*

The Group has little exposure to interest rate risk as the investment of liquid assets are in bank deposits, certificates and / or money market funds with short maturities. The Group has no interest-bearing debt.

#### **Note 3.1.2 Credit risk**

The Group is mainly exposed to credit risk related to accounts receivables. No single customer represents major outstanding credit records and the associated credit risk is considered to be low. The maximum exposure is expressed at the carrying value of accounts receivable.

**Note 3.1.3 Liquidity risk**

Rolling liquidity forecasts are performed at group level to secure sufficient cash for operational needs. The Group is looking at 12 months expected cash flow when looking at forecasts.

Based on planned activities and current cash position, the Group considers the liquidity risk to be medium.

The Group has its cash in bank deposits or in interest-bearing securities with low risk. The majority of cash is invested in Norwegian bank deposits and money market fund. At the reporting date, the Group had bank deposits and money market fund of NOK 31.3 million.

The Group's debt has maturity shorter than one year and will be settled at maturity:

Maturity	2019	2018
< 3 months	3 910	6 065
3 months – 12 months	50	10
<b>Total accounts payable</b>	<b>3 960</b>	<b>6 075</b>
Accrued public fees and withdrawals	13 692	11 235
<b>Total accounts payable and other current liabilities</b>	<b>17 652</b>	<b>17 310</b>

**Note 3.2 Capital management**

The Group's objectives when managing capital are to safeguard the continued operations of the Group to provide returns for shareholders and other stakeholders and to maintain an optimal capital structure to reduce capital costs. Presently, the Group is equity financed, but with positive cash flow in the future, the Group will consider its capital structure.

To improve the capital structure, the Group may issue new shares or sell assets. The Group has no long-term debt and pays no dividends to shareholders as long as the Group is in a development phase.

The table below shows the Group's net cash position as of 31 December:

(Amounts in NOK 1 000)	2019	2018
Cash and cash equivalents	31 289	31 662
Less: Restricted cash equivalents	-1 670	-627
<b>Net cash position</b>	<b>29 619</b>	<b>30 405</b>

**Note 4 Accounting estimates and judgments**

Estimates and judgments undergo continuous evaluation based on historical experience and other factors, including expectations of future events believed to be reasonable under the present circumstances.

The Group makes estimates and assumptions concerning the future. Estimates and assumptions are based on parameters available when the financial statements were prepared, but these assumptions may change due to market changes or circumstances arising beyond the control of the Group. These changes are reflected in assumptions when they occur.

Estimates and assumptions that might have a significant risk for adjustment in the carrying value in the following years are addressed below:

*Assessment of capitalisation of development:*

Capitalisation of development expenses of a defined product assumes that future cash flows from sales of this product exceed the expenses of development. The expected future cash flows are still subject to uncertainties, and may, if reduced, result in impairment of capitalised development expenses. The Group has a very conservative approach to capitalisation of development projects. Most development expenses are expensed when incurred. See note 21 for development projects and note 8 for projects that are capitalised.

*Assessment of useful life of intangible assets:*

Useful life of intangible assets are based on an assessment of each individual asset. Maximum expected useful lifetime of for capitalised development expense is the remaining lifetime of any related patents. The majority of capitalised expenses are related to development of Woulgan, which is categorised as "Assets held for sale"

*Assessing start up for amortisation of intangible assets:*

Amortisation of intangible assets related to capitalised development costs begins when the product is ready for distribution / sales, including the presence of necessary government approvals. Amortisation of other intangible assets starts with acquisitions.

*Options*

Options are measured at the fair value of the equity instruments at the grant date. Calculation of fair value involves estimates and assumptions. Measurement inputs include share price on measurement date, strike price, expected volatility, weighted average expected life of the instruments, expected dividends, and the risk-free interest rate. At the end of each reporting period, the group revises its estimates of the number of equity instruments that are expected to vest. It recognises the impact of the revision to original estimates, if any, in profit or loss, with a corresponding adjustment to equity.

## Note 5 Segment information

### Principles for accounting

The operating segments in these statements are consistent with the internal reporting provided to the chief operating decision maker. The operating decision maker, who is responsible for allocating resources and for assessing performance of the business segments, has been identified as the Board of Directors. An operating segment is engaged in providing products or services that are subject to risks and returns that are different from other operating segments.

The Group has divided its business into two operating segments; enzymes and beta-glucans. The segment enzymes consists of sales revenues and operating expenses associated with the subsidiary ArcticZymes AS, while the segment beta-glucans is related to revenues and operating expenses of the subsidiary Biotec BetaGlucans AS. The parent company provides a range of administrative services to the subsidiaries. Invoicing is based on service agreements. Corporate overhead cost within the parent company remains unallocated.

The Group use a five-step approach to revenue recognition that includes identifying contracts with customers, identifying performance obligations, determining transaction prices, allocating transaction prices to performance obligations, and recognizing revenue when or as performance obligations are satisfied for future contracts. The Group recognices revenues from customers dependent on the transfer of promised goods for an amount that reflects the consideration which should be received in exchange for goods. Goods from ArcticZymes consist of bulk and standard packets of enzymes and Biotec BetaGlucans AS has products used for consumer- and animal health and within wound care.

Net profit/loss(-) from the operating segments:

(Amounts in NOK 1 000)	2019				Restated 2018			
	Enzymes	Beta-glucans	Corporate	Total	Enzymes	Beta-glucans	Corporate	Total
Sales revenues	45 192	32 055		<b>77 247</b>	32 457	34 303	8	<b>66 769</b>
Cost of goods	-1 199	-17 701		<b>-18 900</b>	-574	-18 792		<b>-19 366</b>
Gross profit	43 993	14 354		<b>58 347</b>	31 883	15 511	8	<b>47 403</b>
Other operating income	3 986	3 162		<b>7 148</b>	3 428	2 621		<b>6 048</b>
Operating expenses	-33 503	-25 213	-7 452	<b>-66 167</b>	-28 149	-30 087	-4 011	<b>-62 248</b>
Depreciation and amortization	-1 925	-2 900	-259	<b>-5 083</b>	-1 931	-2 578	-201	<b>-4 709</b>
<b>Operating profit/loss(-)</b>	<b>12 551</b>	<b>-10 597</b>	<b>-7 711</b>	<b>-5 756</b>	<b>5 231</b>	<b>-14 533</b>	<b>-4 204</b>	<b>-13 506</b>
Net financial income	-56	-248	134	<b>-170</b>	-268	-1 199	941	<b>-526</b>
<b>Profit/loss(-) before tax</b>	<b>12 495</b>	<b>-10 845</b>	<b>-7 576</b>	<b>-5 926</b>	<b>4 963</b>	<b>-15 732</b>	<b>-3 263</b>	<b>-14 032</b>
Tax				<b>0</b>				<b>0</b>
<b>Net profit/loss(-)</b>	<b>12 495</b>	<b>-10 845</b>	<b>-7 576</b>	<b>-5 926</b>	<b>4 963</b>	<b>-15 732</b>	<b>-3 263</b>	<b>-14 032</b>

See note 23 "Assets held for sale" for profit & loss implications

Assets, liabilities and investments distributed to the segments:

(Amounts in NOK 1 000)	2019				Restated 2018			
	Enzymes	Beta-glucans	Corporate	Total	Enzymes	Beta-glucans	Corporate	Total
Assets*	43 620	18 998	7 738	<b>70 357</b>	25 221	34 707	24 540	<b>84 469</b>
Liabilities*	12 093	11 911	6 412	<b>30 416</b>	5 073	10 324	16 601	<b>31 998</b>

\*Assets and Liabilities excludes "Assets held for sale". See note 23 for further details.

Geographical distribution of sales revenues:

(Amounts in NOK 1 000)	2019		2018	
	Enzymes	Betaglucans	Enzymes	Betaglucans
Norway	98	19 321	152	22 781
Europe	27 158	10 507	19 941	6 210
Asia/Australia/Africa	2 503	857	1 331	922
Americas	15 434	1 369	11 034	4 389
<b>Total sales revenues</b>	<b>45 192</b>	<b>32 055</b>	<b>32 457</b>	<b>34 303</b>

Sales revenues from the largest customer within each segment in 2019: Beta-glucan segment NOK 16.7 million, enzyme segment NOK 14.7 million.

## Note 6 Machinery and equipment

### Principles for accounting

Machinery and equipment in the Group include primarily production equipment, office equipment and furnishing. These assets have a carrying value of historical cost less depreciation and amortisation. Acquisition cost includes expenses directly attributable to the acquisition of the asset. Subsequent expenses are included in the asset's carrying value or recognised as a separate asset, when it is deemed probable that future economic benefits will benefit the Group and that expenses can be measured reliably. Other repair and maintenance expenses are recognised in the consolidated profit & loss statement for the period in which they are incurred.

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:

Machinery / Equipment	5-10 years
Furniture and office equipment	2-5 years

The actual useful life and residual values of the assets are tested for impairment when there is indication of impairment and adjusted if necessary. If the carrying value of an asset exceeds the estimated fair value, the carrying value is amortised immediately to fair value. Gains and losses on disposals are recognised as the difference between selling price less transaction costs and the carrying value.

(Amounts in NOK 1 000)	Machinery	Equipment	Total
As of 01.01.2018			
Historic cost	33 842	6 826	40 668
Accumulated depreciation	-30 305	-5 775	-36 080
<b>Book value at 01.01.2018</b>	<b>3 537</b>	<b>1 051</b>	<b>4 589</b>
FINANCIAL YEAR 2018			
Addition	1 273	-4	1 269
Depreciation	-963	-298	-1 261
<b>Book value at 31.12.2018</b>	<b>3 847</b>	<b>749</b>	<b>4 597</b>
AS OF 31.12.2018			
Historic cost	35 115	6 822	41 937
Accumulated depreciation	-31 268	-6 072	-37 341
<b>Book value at 31.12.2018</b>	<b>3 847</b>	<b>749</b>	<b>4 597</b>
FINANCIAL YEAR 2019			
Addition	660	29	688
Depreciation	-1 124	-286	-1 410
<b>Book value at 31.12.2019</b>	<b>3 382</b>	<b>492</b>	<b>3 875</b>
AS OF 31.12.2019			
Historic cost	35 775	6 850	42 625
Accumulated depreciation	-32 392	-6 358	-38 751
<b>Book value at 31.12.2019</b>	<b>3 383</b>	<b>492</b>	<b>3 875</b>

Management considers that there are no impairment indicators at the group level, and that no write-downs of these assets are necessary.

## Note 7 Leases

### Principles for accounting

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)	Lease assets
AS OF 01.01.2018	
Historic cost	21 555
Accumulated depreciation including net present value	-2 663
<b>Book value at 01.01.2018</b>	<b>18 892</b>
FINANCIAL YEAR 2018	
Addition	0
Depreciation	-2 438
<b>Book value at 31.12.2018</b>	<b>16 454</b>
AS OF 31.12.2018	
Historic cost	21 555
Accumulated depreciation	-5 101
<b>Book value at 31.12.2018</b>	<b>16 454</b>
FINANCIAL YEAR 2019	
Adjustement net present value	533
Depreciation	-2 518
<b>Book value at 31.12.2019</b>	<b>14 469</b>
AS OF 31.12.2019	
Historic cost	22 088
Accumulated depreciation	-7 618
<b>Book value at 31.12.2019</b>	<b>14 469</b>
(Amounts in NOK 1 000)	Lease liabilities
BOOK VALUE 01.01.2018	
Interest expense	-20 113
Instalment	-865
Instalment 2019 presented under current liabilities	3 098
<b>Book value at 31.12.2018</b>	<b>-14 688</b>
Interest expense	-797
Net present value adjustment	-533
Instalment 2020 presented under current liabilities	3 254
<b>Book value at 31.12.2019</b>	<b>-12 764</b>

<b>Maturity analysis - contractual undiscounted cash flow</b>	<b>31.12.19</b>	<b>Restated 2018</b>
Less than one year	3 192	3 098
One to five years	14 913	15 603
More than five years	5 133	7 635
<b>Total undiscounted lease liabilities at 31.12.2019</b>	<b>23 238</b>	<b>26 336</b>

<b>Lease liabilities included in the statement on financial position at 31.12.2019</b>	<b>16 017</b>	<b>17 881</b>
Current	3 254	3 192
Non current	12 764	14 688

<b>Profit &amp; Loss statement</b>	<b>31.12.19</b>	<b>31.12.2018 IFRS 16 adjusted</b>	<b>31.12.18</b>	<b>Changes 2018</b>
Total income	84 395	72 817	72 817	0
Property, plant & equipment	-3 114	-3 165	-6 263	3 098
Other expenses	-81 954	-78 449	-78 449	0
Depreciation	-5 083	-4 709	-2 272	-2 437
<b>Total expenses</b>	<b>-90 151</b>	<b>-86 323</b>	<b>-86 984</b>	<b>661</b>
<b>Operating profit/loss(-)</b>	<b>-5 756</b>	<b>-13 505</b>	<b>-14 168</b>	<b>662</b>
Net financials	-170	-527	340	-866
<b>Profit/loss(-) before income tax</b>	<b>-5 926</b>	<b>-14 032</b>	<b>-13 828</b>	<b>-204</b>

## Note 8 Intangible assets

### Principles for accounting

*Research and development, patents and licenses*

Research expenses are expensed when incurred.

Development of products are capitalised as intangible assets when:

1. It is technically feasible to complete the intangible asset enabling it for use or sale.
2. Management intends to complete the intangible asset and use or sell it.
3. The Company has the ability to make use of the intangible asset or sell it.
4. A future economic benefit to the Company for using the intangible asset may be calculated.
5. Available technical, financial and other resources are sufficient to complete the development and use of or sale of the intangible asset.
6. 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:

Own product development                      5-10 years

Other development expenses are expensed when incurred. Previously expensed development costs are not recognised in subsequent periods.

Capitalised development costs are depreciated linearly from the date of commercialisation over the period in which they are expected to provide economic benefits. Capitalised development costs are tested by indication for impairment in accordance with IAS 36.

The Company has capitalised development expenses for Woulgan<sup>®</sup>, rSAP, HL-dsDNase, SAN Elisa-kit, San HQ and Polymerases.

Other development costs are expensed when incurred.

(Amounts in NOK 1 000)	Own product development	Total
AS OF 01.01.2018		
Historic cost	10 350	10 350
Accumulated depreciation	-3 232	-3 232
<b>Book value at 01.01.2018</b>	<b>7 118</b>	<b>7 118</b>
FINANCIAL YEAR 2018		
Addition	1 444	1 444
Depreciation	-1 011	-1 011
<b>Book value at 31.12.2018</b>	<b>7 551</b>	<b>7 551</b>
AS OF 31.12.2018		
Historic cost	11 794	11 794
Accumulated depreciation	-4 243	-4 243
<b>Book value at 31.12.2018</b>	<b>7 551</b>	<b>7 551</b>
FINANCIAL YEAR 2019		
Addition	412	412
Book value transferred to "Asset held for sale"	-6 134	-6 134
Depreciation	-1 155	-1 155
<b>Book value at 31.12.2019</b>	<b>674</b>	<b>674</b>
As of 31.12.2019		
Historic cost	2 774	2 774
Historic cost "Asset held for sale"	9 432	9 432
Accumulated depreciation	-8 234	-8 234
Accumulated depreciation "Assets held for sale"	-3 298	-3 298
<b>Book value at 31.12.2019</b>	<b>674</b>	<b>674</b>

Management considers that there are no impairment indicators, and that no write-downs of these assets are necessary.



## Note 9 Assets and liabilities

### Principles for accounting

The Group's assets are initially measured at fair value. Transaction costs directly attributable to the financial assets are added to the value of the asset. The assets are subsequently measured at amortised cost using the effective interest method, less any impairment losses. Financial assets are de-recognised when the right to receive cash flows from the investments have expired or the Group has been transferred all risk and rewards to another party.

The Group's financial assets and debts at amortised cost includes cash, trade receivable, other receivables, account payables and other current payables.

The Group recognises an allowance for expected credit losses (ECLs) for all debt instruments not held at fair value through profit or loss. ECLs are based on

difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the Group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors. See note II

The financial assets consist primarily of cash and cash equivalents obtained through equity issues and trade receivables.

(Amounts in NOK 1 000)	2019	2018
ASSETS	Assets at amortised cost	
Cash and cash equivalents	31 289	31 662
Accounts receivables	10 049	12 796
Other receivables	4 705	4 849
<b>Total assets</b>	<b>46 043</b>	<b>49 307</b>
See note 11 for breakdown and assessment of accounts receivable.		
CURRENT LIABILITIES	Other liabilities at amortised cost	
Accounts payable	3 960	6 075
Public taxes and withholdings	1 670	1 216
Other current payables	12 022	10 019
<b>Total liabilities</b>	<b>17 652</b>	<b>17 310</b>

The Group has no interest-bearing loans or debt other than leasing liabilities.

## Note 10 Earnings per share

### Principles for accounting

Earnings per share are calculated by dividing net profit/loss to ordinary shareholders by the weighted average number of shares outstanding during the year. (see note 14)

(Amounts in NOK 1 000)	2019	2018
Profit attributable to ordinary shareholders of the parent	-6 386	-14 193
Profit attributable to non-controlling interests	460	161
<b>Profit from continued operations</b>	<b>-5 926</b>	<b>-14 032</b>
Weighted average number of shares used for the calculation of basic and diluted earnings (1 000 shares)	48 335	46 140
<b>Basic and diluted earnings per share (NOK per share)</b>	<b>-0,12</b>	<b>-0,30</b>

Since the company's net profit is negative, the earnings per share and diluted earnings per share coincide.

## Note 11 Receivables

### Principles for accounting

In determining the recoverability of receivables, the company performs risk analysis considering the type and the age of the outstanding receivable

The Group is also considering historic customer payments in its evaluations.

(Amounts in NOK 1 000)	2019	2018
Accounts receivables	10 049	12 796
Provisions for estimated losses on accounts receivables	0	0
<b>Accounts receivables, net</b>	<b>10 049</b>	<b>12 796</b>
Research grants	1 345	406
Tax grants	2 337	3 121
Prepayments	445	463
VAT	351	427
Other receivables	227	432
<b>Total receivables</b>	<b>14 754</b>	<b>17 645</b>

Fair value for accounts receivable equals book value. There are no significant concentrations of credit risk.

#### Age breakdown of accounts receivable per 31.12.2019:

Not yet due	1 – 30 days	31 – 60 days	61 – 90 days	Over 90 days	Total
7 050	2 091	231	399	278	<b>10 049</b>

A majority of accounts receivables overdue on 31 December have been settled subsequently.

#### Age breakdown of accounts receivable per 31.12.2018:

Not yet due	1 – 30 days	31 – 60 days	61 – 90 days	Over 90 days	Total
10 764	1 345	117	449	121	<b>12 796</b>

Fair value of receivables by currency:	2019	2018
USD	3 818	5 886
EUR	6 386	7 126
NOK	4 551	4 633
<b>Total receivables</b>	<b>14 754</b>	<b>17 645</b>

Accounts receivables arise from the sale of goods or services within the normal operations. Settlements that are due in 12 months or less are classified as current assets. If this is not the case, they are classified as non current assets.

The Group losses for 2019 is NOK 5000. The Group has evaluated potential losses on receivables based on historic losses /table below):

Days of maturity	Not overdue	0-30	31-60	61-90	Over 90-
Outstanding 31.12.2019	7 050	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
<b>Provision for losses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

Days of maturity	Not overdue	0-30	31-60	61-90	Over 90-
Outstanding 31.12.2018	10 764	1 345	117	449	121
Historical loss - %	0 %	0 %	0 %	0 %	0 %
Future estimation of losses - %	0 %	0 %	0 %	0 %	0 %
Expected loss - %	0	0	0	0	0
<b>Provision for losses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>

## Note 12 Inventory and cost of goods

### Principles for accounting

Inventory are stated at the lower of acquisition expense and net realisable value. Acquisition expense is determined by using the first-in, first-out (FIFO) method. Value of finished goods and work in progress comprises the expense of design, raw materials,

direct labour, other direct costs and related production overheads (based on normal operating capacity). Borrowing costs are not included. Net realisable value is the estimated selling price less variable costs of completion and transaction expenses.

(Amounts in NOK 1 000)	2019	2018
Raw materials	1 613	2 487
Semi-finished goods	639	503
Finished goods	3 046	3 571
<b>Total inventories</b>	<b>5 298</b>	<b>6 560</b>

(Amounts in NOK 1 000)	2019	2018
Change in inventories of goods in progress and in finished goods	1 250	95
Cost of goods manufactured	17 650	19 271
<b>Total cost of goods</b>	<b>18 900</b>	<b>19 366</b>

### Note 13 Cash and cash equivalents

#### Principles for accounting

Cash and cash equivalents consist of cash, bank deposits and other short-term liquid investments that can be converted into cash immediately and with a maturity no more than three months

(Amounts in NOK 1 000)	2019	2018
Cash	20 178	21 754
Money marked fund	9 439	9 278
Deposits, restricted	3	3
Tax withdrawal accounts	1 670	627
<b>Total cash and cash equivalents</b>	<b>31 289</b>	<b>31 662</b>

### Note 14 Share capital, share premium, share options, and other equity

#### Principles for accounting

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options less taxes are recorded as a reduction in proceeds to equity. When purchasing own shares, the consideration paid including any transaction costs less tax, is deducted from equity (attributable to equity shareholders) until the shares are cancelled, reissued or sold.

The Group has a share-based option scheme. The fair value of the services received from the employees in return for the options granted is recognised as an expense in the consolidated profit & loss statement. Total expense for the options is 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 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 recognises the importance of the revision of original estimates in the consolidated profit & 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 when the options are exercised.

(Number of shares)	Shares	Whereof treasury shares
FINANCIAL YEAR 2018:		
Per 01.01.2018	43 944 673	
Share issue	4 390 000	
<b>Per 31.12.2018</b>	<b>48 334 673</b>	<b>0</b>
FINANCIAL YEAR 2019:		
Purchase/sale own shares & issues	0	0
<b>Per 31.12.2019</b>	<b>48 334 673</b>	<b>0</b>

All shares are fully paid up. Par value is NOK 1.00 per share.

The Annual General meeting held on 7 May 2018, granted three authorisations to the Board:

1. To increase the share capital with up to 4,390,000 shares at par value. The authorisation may only be used for cash capital increase, and does not include non-cash share issues or capital increases in connection with mergers.
2. To increase the share capital with up to 1,900,000 shares at par value. The authorisation may only be used in connection with capital increases relating to share schemes for associates.
3. Authorisation to purchase up to 150,000 treasury shares with a nominal value of NOK 150.000. The authorisation may be used in connection with share schemes to associates or by offering shares to employees.

The Annual General meeting held on 15 May 2019, granted three authorisations to the Board:

1. To increase the share capital with up to 4,830,000 shares at par value. The authorisation may be used for cash capital increases or capital increases in connection with mergers but does not include non-cash share issues.
2. To increase the share capital with up to 1,300,000 shares at par value. The authorisation may only be

used in connection with capital increases relating to share schemes for associates.

3. Authorisation to purchase up to 150,000 treasury shares with a nominal value of NOK 150.000. The authorisation may be used in connection with share schemes to associates or by offering shares to employees.

### Share options

Share options are intended as an incentive to stay with the company, and the assignment is graded according to the ability the employee is believed to have to contribute to a positive value development for the company's shares. In 2016, a total of 519,500 options were allocated to the employees. The options had a 2-year vesting period, and average strike is NOK 11.93. The 2016 options expired in 2019.

Former CEO, Christian Jørgensen (resigned 23.10.2019) had an agreement giving him the right to receive 500,000 options. All the rights lapsed with his resignation. MD ArcticZymes Jethro Holter (Interim CEO as of 23.10.2019), CFO Børge Sørvoll and CSO Rolf Engstad has an agreement given them the right to receive 200 000 options each. See note 16.2.5 for further details.

### Outstanding share options

	2019		2018	
	Average exercise price	Number of share options	Average exercise price	Number of share options
As of 01 January	11.93	362 000	15.01	927 000
Lapsed		0		-45 000
Expired		-362 000		-520 000
<b>Outstanding at 31 December</b>		<b>0</b>		<b>362 000</b>

### Expiry date, exercise price, and outstanding options at year end

Expiry date	Average exercise price	Number of share options 2019	Number of share options 2018
2019, 31 May	11.93	362 000	362 000
<b>Outstanding at 31 December</b>		<b>0</b>	<b>362 000</b>
Exercisable options at 31 December		0	362 000

The fair value of expired 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 (66.3%), expected dividend yield (0%), expected term of 3 years, annual risk free interest rate (1.50%).

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. Adjustments have been made for employees leaving their position during the year. Per 31.12.2019 a total of NOK 17.7 million (NOK 17.8 million 2018) had been expensed, of which NOK -0.1 million applies to 2019 (NOK 0.9 million 2018). The Company has no obligations, legal nor implied, to settle the options in cash unless the general assembly declines to renew its authorization to issue new shares.

## The 20 largest shareholders as of 31 Dec 2019

Ownership information:	Shares	Ownership
Tellef Ormestad	3 601 735	7,45 %
Pro AS	2 307 216	4,77 %
Clearstream Banking S.A.	1 490 053	3,08 %
Danske Bank A/S	1 486 140	3,07 %
Aka AS	1 450 000	3,00 %
MP Pensjon PK	1 173 239	2,43 %
Odd Knut Birkeland	1 030 000	2,13 %
Belvedere AS	971 647	2,01 %
Nordnet Bank AB	924 058	1,91 %
Nordnet Livsforsikring AS	889 905	1,84 %
Progusan AS	750 026	1,55 %
Isar AS	699 853	1,45 %
Hartvig Wennberg III AS	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 AS	578 714	1,20 %
Jomani AS	554 225	1,15 %
Catilina Invest AS	470 000	0,97 %
<b>20 largest shareholders aggregated</b>	<b>21 466 021</b>	<b>44,41 %</b>
<b>2411 other shareholders aggregated</b>	<b>26 868 652</b>	<b>55,59 %</b>
<b>Total shares (2431 shareholders)</b>	<b>48 334 673</b>	<b>100,00 %</b>

**Note 15 Accounts payable and other current liabilities****Principles for accounting**

The Group's liabilities consists of accounts payable and other current liabilities are classified as "current liabilities". Accounts payable are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers and employees. Accounts payable is classified as current

liability if payment is due within 12 months. If not, they are presented as long-term liabilities. Accounts payable are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

(Amounts in NOK 1 000)	2019	Restated 2018
Accounts payable	3 960	6 075
Accrued public fees and withdrawals	1 670	1 216
Accrued holiday pay, bonus, and salaries	7 378	3 981
Installment lease liabilities	3 254	3 192
Miscellaneous other accrued costs	1 390	2 845
<b>Total accounts payable and other current liabilities</b>	<b>17 652</b>	<b>17 310</b>

Book value of accounts payable and other current liabilities is close to fair value.

Book value of accounts payable and other current liabilities measured by currency:

(Amounts in NOK 1 000):	2019	Restated 2018
NOK	10 406	12 258
EUR	3 429	4 239
USD	877	442
GBP	144	163
DKK	2 787	209
SEK	9	0
<b>Total accounts payable and other current liabilities</b>	<b>17 652</b>	<b>17 310</b>

## Note 16 Executive remuneration policy

### Note 16.1. General

According to the Public Limited Companies Act § 6-16a, the Board shall prepare a statement on determination of salaries and other remuneration to the CEO and other senior executives and account for the executive remuneration policy that has been applied in the previous fiscal year.

The statement contains guidelines for determining salaries and other remuneration, including the main principles for the executive remuneration policy. The guidelines are only recommendations for the Board. Allocated share options referred to in paragraph 16.2.5 is binding for the Board and the Company until expiry of the options. The annual general meeting votes on renewal of the options every year.

Biotec Pharmacon ASA defines the following positions as senior executives: CEO, CFO and CSO.

### Note 16.2. Guidelines for salaries and other benefits for 2019

#### 16.2.1 The main principles for executive remuneration policy

The main principles behind the company's executive remuneration policy is to promote value creation in the Company and to create common interests between owners and senior executives. Executive pay should not be of such nature or extent that it may damage the company's reputation. The Company will seek arrangements that encourage long-term value creation, while compensation schemes are competitive with schemes in comparable companies.

The Board has appointed a compensation committee that acts as a preparatory body in connection with the Board's responsibility for determining the remuneration to the CEO and for establishing guidelines for salaries to other senior executives.

As long as the Company is in a development phase, with limited opportunities for profit, the Board will assign a reasonable number of share options to stimulate ownership and value creation.

#### 16.2.2 Determination of salaries

It is the company's policy that executive salaries are defined as a combination of fixed and a variable performance related pay on an annual basis, reflecting level of the position and experience. The basic salary for senior executives is individually determined. A fixed salary is determined by the following considerations:

- Experience and competence
- Responsibilities
- Competitive situation and local market practice

Other criteria may be used, reflecting each subsidiary's tasks and goals.

The Board determines the CEO's remuneration. The CEO determines salary adjustments for other senior executives in consultation with the Board's compensation committee.

The remuneration of senior executives follows the same principles that apply to all employees with respect to annual limits for salary adjustments, assessment of individual performance and timing of regulation.

#### 16.2.3 Benefits in kind

Senior executives receive benefits such as mobile phone expenses, internet access, and journals based on need.

**16.2.4 Performance related pay**

Performance related pay for senior executives:

**Maximum performance related pay**

CEO (up to 23.10.2019)	50 % of fixed annual salary
CFO	20 % of fixed annual salary
CSO, Biotec BetaGlucans AS	25 % of fixed annual salary
Managing Director, ArcticZymes AS (Interim CEO as of 23.10.2019)	25 % of fixed annual salary

Performance related pay depends on the Company and the individual achieving predefined measurable objectives and will be determined by the Board. Performance related payments in 2019 were based on the objectives achieved during 2018. No performance related payments were made in 2019.

**16.2.5 Allocated options to senior executives and other employees**

CFO B. Sørvoll, CSO R.Engstad and MD ArcticZymes J. Holter (Interim CEO) has been awarded a right to receive 200,000 options, or equivalent cash compensation, with the following plan:

Award	Strike	Earned at share price
40 000	NOK 8.00	NOK 11.00 per share
40 000	NOK 8.00	NOK 14.00 per share
40 000	NOK 8.00	NOK 17.00 per share
40 000	NOK 8.00	NOK 20.00 per share
40 000	NOK 8.00	NOK 23.00 per share

The vesting period is 2.5 years (31.12.2018-31.05.2021), with an additional 1.5 years declaration period (until 31.12.2022).

At 31 December 2019 the total number of options outstanding is 0. This does not account for potential options not earned. See note 14 in the financial statements for details. The Board will from year to year propose to the annual general meeting to obtain an authorization to issue a sufficient number of new shares or to purchase own shares in the market to match the options that can be exercised during the same period.

**16.2.6 New options**

The Board proposes to replace part of the existing program with a new program directed towards senior executives. A maximum of 300,000 options will be allocated based on Board of Director's discretion. Exercise price for these allocated options will be 90 days average closing price prior to the date they are awarded. The options have one-year cliff, three years vesting period and an additional one-year declaration period.

**16.2.7 Pensions**

Pension schemes for senior executives will basically be the same as for employees in general. The Company has a defined contribution pension scheme. There are no contributions made for salaries exceeding 12G. All employees contribute with additional 2% of salary to the pension scheme.

**16.2.8 Severance schemes**

Managing Director ArcticZymes AS Jethro Holter (Interim CEO as of 23.10.2019) and CFO Børge Sørvoll are entitled to 6 months' severance pay from the Company if the Company terminates the employment. Severance schemes for other senior executives are not established.

**16.2.9 Other remuneration**

There are no other elements in remuneration to senior executives.

**Note 16.3. Executive salary policy for the fiscal year 2019**

During 2019 Biotec Pharmacon ASA's objective was to offer competitive terms to senior executives. The principles described in previous sections were used in salary adjustments and for allocating other benefits in 2019. The CEO's (resigned 23.10.2019) salary was changed 1.8% in 2019. The position as Managing Director of Biotec BetaGlucans AS has been held by the CEO of the Group in 2019.



## Note 17 Deferred tax asset

### Principles for accounting

The tax expense is comprised of current and deferred tax. Tax is recognised, except when it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income.

The tax expense is measured in accordance with the tax laws and regulations that are enacted at the balance sheet date.

Deferred tax is measured as temporary differences between tax values and consolidated accounting values of assets and liabilities, using the liability method. If deferred tax arises from initial recognition of an asset or assets in a transaction that is not a business combination and that at the time of the transaction affects neither accounting nor taxable profit, it is not recognised. Deferred tax is determined

by using tax rates and laws that have been enacted or substantially enacted at the balance sheet date and are expected to apply when the deferred tax asset is realised, or the deferred tax liability is settled.

Deferred tax is measured from temporary differences on investments in subsidiaries, except where the Group controls the timing of the reversal of the temporary differences and it is not likely they will be reversed in the near future.

Deferred tax assets are recognised to the extent that it is probable on the balance sheet date that future taxable profit will be available, and that the temporary differences can be offset against this income.

The Group has per 31.12.2019 not recognised deferred taxes as an asset in the balance sheet.

Temporary differences

(Amounts in NOK 1 000):	2019	Restated 2018	Change
Non current assets	-12 159	-17 993	-5 834
Unrealized gain/losses	42	-78	120
Other temporary differences	219	193	26
Gains and loss account	13 262	16 577	3 315
<b>Total temporary differences</b>	<b>1 365</b>	<b>-1 300</b>	<b>-2 366</b>
Tax assessment loss carried forward	-458 901	-448 332	10 570
<b>Calculation base deferred tax asset</b>	<b>-457 536</b>	<b>-449 632</b>	<b>7 904</b>
<b>Deferred tax asset, 22%</b>	<b>-100 658</b>	<b>-98 919</b>	<b>1 739</b>
Profit before income tax	-5 926	-14 032	
Non deductible expenses	64	-970	
Non taxable income	-2 342	-3 130	
Changes in temporary differences	-2 366	-4 197	
Profit before tax loss carried forward	-10 570	-22 330	
<b>Tax base</b>	<b>0</b>	<b>0</b>	
Change in deferred asset	0	0	
<b>Tax expense</b>	<b>0</b>	<b>0</b>	

The Group has excluded from the financial position deferred tax asset of NOK 100.6 million related to temporary differences and tax loss carryforwards, as the company did not meet the criteria for capitalization under IAS 12.

On approval date of this report, there was insufficient data available to predict reliable future earnings in order to incorporate deferred tax asset in the financial position.

## Note 18 Financial income and expense

### Principles for accounting

The Group's interest income and expenses mainly relates to interest received on bank deposits, lease

liabilities and short-term interest rate funds. Net currency relates to gains and losses on settlements of other expenses and bank accounts.

(Amounts in NOK 1 000)	2019	Restated 2018
Interest income	450	253
Net currency loss(-)/gain	191	100
Interest expense lease liabilities	-797	-865
Other financial expense	-14	-14
<b>Total financial income and expense, net</b>	<b>-170</b>	<b>-526</b>

## Note 19 Personnel expenses

### Principles for accounting

Payroll and related expenses are recognised in the statement of profit and loss in the period which the related costs are incurred or services are provided.

contribution of members' salaries. The Group has no further payment obligations once the contributions are made.

The Group has a defined contribution plan for all employees in Norway compliant to requirements for compulsory occupational pension in Norway, under which the Group pays a fixed percentage

The Group recognises liabilities and expenses for bonuses based on a review of key personnel achievement. The Group recognises a provision for bonuses based on contractually and probable liabilities.

(Amounts in NOK 1 000)	2019	2018
Salaries	40 818	35 644
Employer's social security contribution	2 378	2 346
Estimated value of share options granted, incl provisions for future options	-81	862
Pension costs	1 273	1 389
<b>Total personnel expenses</b>	<b>44 388</b>	<b>40 241</b>
Number of employees at 31 December:	38	43
Number of FTEs	36.5	38.3

The employer's contribution to the plan is 5% for salaries between 0 G and 7.1 G, and 8% for salaries between 7.1 G and 12 G. In addition, employees pay 2% of their salary to the pension plan. As of 31.12.2019 the Group paid for 32 members of the scheme.

## Note 20 Other operating expenses

### Principles for accounting

Expenses are recognised in the statement of profit and loss in the period which the related costs are incurred or services are provided.

(Amounts in NOK 1 000)	2019	Restated 2018
Marketing expenses	1 271	1 073
Patent and licensing expenses	2 276	2 759
Rental and operation of premises	4 109	4 592
Other operating expenses	14 124	13 582
<b>Total other operating expenses</b>	<b>21 779</b>	<b>22 007</b>

## Note 21 Research and development expenses

### Principles for accounting

Development expenses are expensed when incurred. Previously expensed development costs are not recognised in subsequent periods. Capitalised development costs are depreciated linearly

from the date of commercialisation over the period in which they are expected to provide economic benefits. Capitalised development costs are tested by indication for impairment in accordance with IAS 36.

(Amounts in NOK 1 000)	2019	Restated 2018
RESEARCH AND DEVELOPMENT EXPENSES:		
Personnel expenses	13 524	13 006
Purchase of external services	3 511	2 597
Other operating expenses	2 839	2 212
Depreciation and amortization	1 747	2 267
<b>Total R&amp;D expenses, not capitalized</b>	<b>21 620</b>	<b>20 082</b>

According to the Group's accounting policies (note 8), the development of Woulgan is the only development project that meets the IFRS criteria for capitalization in 2019. The Group capitalized NOK 0.4 million in 2019 and NOK 1.4 million in 2018. See note 8 for further details.

## Note 22 Other operating income

Government grants are recognised at fair value when it is reasonable sure that the grant will be received and that the Company will fulfil the conditions attached to the grant. The grants are recognised as other income in the period in order to match expenses they are intended to compensate.

Government grants relating to the purchase of fixed assets are recorded as a reduction in the carrying cost. They are expressed in the profit and loss statement through lower annual depreciation over the expected life of the relevant fixed assets.

(Amounts in NOK 1 000)	2019	2018
Government grants	2 983	1 485
Tax grants "Skattefunn"	2 346	3 086
Other grants	1 818	1 477
<b>Total other operating income</b>	<b>7 148</b>	<b>6 048</b>

### Description of awarded grants

(Amounts in NOK 1 000)	Grants expiry	2019	2018
FROM RESEARCH COUNCIL OF NORWAY (FORSKNINGSRÅDET):			
Phd funding program	2018		100
X-press	2019	1 317	1 385
Cold ligases	2022	34	
Wound dressing with soluble beta-glucan	2022	1 632	
FROM MABIT:			
Increased protection against sea lice infestation with an activated immune system		-157	392
Screening Pipeline for exploring a unique marine Fungi collection	2019	59	
FROM INNOVATION NORWAY:			
Increased protection against sea lice infestation with an activated immune system	2020	39	19
FROM NORINNOVA TECHNOLOGY TRANSFER:			
MdxPol	2018		428
FROM HORIZON 2020 (EU):			
Virus X	2020	1 878	635
TAX GRANTS "SKATTEFUNN":	Annually	2 346	3 089
<b>Total grants</b>		<b>7 148</b>	<b>6 048</b>

See note II for grants in the financial position

## Note 23 Assets held for sale

### Principles for accounting

In December 2019, the Group announced its intention to divest Woulgan and initiated a process with external business developers to find new owners for this wound care product. According to IFRS 5, the Group has evaluated whether or not Woulgan meets criterias for Assets held for sale and concluded that it should be defined as Assets held for sale. Following classification of Woulgan as an Asset held for sale, the Group has conducted an initial measurement of Woulgan by impairment testing and concluded that no impairment is necessary as discounted cash flow of

Woulgan exceeds booked values relating to this asset. The Group does not consider Woulgan as a separate CGU or that the product has material impact on the financial statements for the Group, hence it should not be considered as discontinued operations. All figures relating to Profit & Loss has not been excluded from the Groups figures.

Financial information relating to "Assets held for sale" is presented in the tables below for information purposes.

(Amounts in NOK 1 000)	2019	2018
Revenues	4 810	2 786
Other revenues	2 511	802
<b>Sum revenues</b>	<b>7 321</b>	<b>3 588</b>
Operating expenses	-11 686	-13 946
<b>Operating profit/loss (-) (EBIT)</b>	<b>-4 365</b>	<b>-10 358</b>
Financial income, net		1
<b>Profit/loss (-) before income tax (EBT)</b>	<b>-4 365</b>	<b>-10 357</b>
Tax	0	0
<b>Net profit "Assets held for sale"</b>	<b>-4 365</b>	<b>-10 357</b>

	2019
ASSETS CLASSIFIED AS "ASSETS HELD FOR SALE"	
Intangible assets	6 134
Inventories	523
Account receivables and other receivables	593
<b>Total assets</b>	<b>7 250</b>
LIABILITIES ATTACHED TO "ASSETS HELD FOR SALE"	
Accounts payable and other current liabilities	716

## Note 24 Related party disclosures

Former Director Martin Hunt was a member of the Board up to Annual General Meeting in 2019. Martin Hunt owns and operates Invictus Management Ltd in London. For services and expenses beyond his board remuneration, Invictus Management Ltd has invoiced NOK 0.04 million in 2019.

Beyond this, the Group had no transactions with related parties.

(Amounts in NOK 1 000)	2019				2018			
	Salaries paid	Bonus paid	Pension costs	Other benefits	Salaries paid	Bonus paid	Pension costs	Other benefits
Marie Ann Roskrow, Chairman	425				255			
Erik Thorsen, former Chairman					170			
Volker Wedershoven, Director	105				70			
Inger Rydin, former Director	180				200			
Martin Hunt, former Director	70				175			
Arne Reinemo, former Director	180				120			
Masha Strømme, former director					70			
Ingrid Skjæveland, Director / Employee	75				75			
*Christian Jørgensen, former CEO*	2 572		96	10	2 333		95	10
Svein Lien, former CEO					1 116	283	22	3
Børge Sørvoll, CFO	1 224		96	11	1 201	22	78	11
Rolf Engstad, CSO Biotec BetaGlucans AS	1 495		97	12	1 457	81	100	12
Jethro Holter, Managing Director ArcticZymes AS	1 381		96	10	1 347	84	80	14
Stuart Devine, VP Wound Care, Biotec BetaGlucans AS					1 899	74		
*Finn Ketler, VP Wound Care, Biotec BetaGlucans AS	1 552				380			

\*In addition to this, salaries have been accrued for C. Jørgensen of NOK 2.2 million and for F. Ketler of NOK 0.3 million.

See note I4 in reference to share options to executives and note I6 regarding executive remuneration policy.

## Shares owned or controlled by directors and senior management per 31.12.2019:

	Shares
Jethro Holter, MD ArcticZymes AS* (Interim CEO as of 23.10.2019)	564
Rolf Engstad, CSO*	581 174
Børge Sørvoll, CFO*	25 428
Ingrid Skjæveland, Director, employees' representative	16 087

\*has the right to receive 200 000 options. See note 16 for further details on programme

## External auditor: Auditing fees and expenses ex VAT:

(Amounts in NOK 1 000)	2019	2018
Statutory audit	239	209
Attestation of tax papers	5	5
Other attestation services	32	25
Other services beside auditing	65	5
<b>Total auditing fees and expenses</b>	<b>341</b>	<b>243</b>

**Note 25 Events after balance sheet date, 31 December 2019**

The coronavirus outbreak has increased the uncertainty in our long-term outlook. The outbreak, with origin in China, has lead authorities in a number of countries to enforce strong measures that are likely to affect global economic activity for a period of time. This may impact demand for our products as customers are locking down business and transferral of goods as distribution lines becomes more challenging with stronger border protection.

So far, the Company has seen limited impact on demand and operations. The Company has imposed strict travel restrictions for all employees, physical meetings are at a minimum, home office is recommended, strict hygiene measures are implemented and we have reduced the number of people present in our production facilities in order not to disrupt production and to have backup solutions in case a significant number of personnel become quarantined or isolated.

Demand for our products is as expected at the moment, but as the global economy slows down, we expect that demand for some of our products may change in the short-term and will adopted operations accordingly. However longer-term we do expect business to be restored and in alignment with our long-term business plan. Furthermore, there will likely be opportunities to capture transient upsides with certain molecular biology products in the short-term but such opportunities will be less sustainable more long-term once the outbreak diminishes.

The Company has a satisfactory liquidity position and the moment but if demand for the Company's products decreases, temporary lay-offs might be a solution in order to protect the cash flow of the Company.

Financial **statements**  
– parent company

## Financial statement of profit & loss – parent company

I. January till 31. December

(Amounts in NOK 1 000)	Note	2019	Restated 2018
Sales revenues	5	9 664	14 310
<b>Total revenues</b>		<b>9 664</b>	<b>14 310</b>
Personnel expenses	7	12 954	12 167
Depreciation and amortization	2	259	201
Other operating expenses		4 162	6 145
<b>Total operating expenses</b>		<b>17 375</b>	<b>18 513</b>
<b>Operating profit / loss (-)</b>		<b>-7 711</b>	<b>-4 204</b>
Financial income, net	12	256	1 054
Financial expenses, net	12	-121	-112 151
<b>Financial net</b>		<b>135</b>	<b>-111 097</b>
<b>Profit/loss(-) before income tax</b>		<b>-7 576</b>	<b>-115 300</b>
Income tax expense	3	0	0
<b>Net profit/loss(-)</b>		<b>-7 576</b>	<b>-115 300</b>
<b>Transferrals</b>			
Transferred to other equity		-7 576	-115 300

## Financial statement of comprehensive income – parent company

(Amounts in NOK 1 000)	Note	2019	Restated 2018
Net profit/loss for the year		-7 576	-115 300
Other income & costs after tax		0	0
<b>Comprehensive income</b>		<b>-7 576</b>	<b>-115 300</b>



# Statement of financial position – parent company

As of 31. December

(Amounts in NOK 1 000)	Note	2019	Restated 2018
<b>ASSETS</b>			
NON-CURRENT ASSETS			
Office equipment			
Lease assets	2	1 813	1 568
Long term receivables	2	11 469	12 914
Investments in subsidiaries	9	195 500	195 500
<b>Total non-current assets</b>		<b>208 782</b>	<b>209 982</b>
CURRENT ASSETS			
Accounts receivables	5,1	1 133	618
Other receivables	6	439	645
Cash and cash equivalents	4,6	28 207	28 600
<b>Total current assets</b>		<b>29 779</b>	<b>29 863</b>
<b>Total assets</b>		<b>238 562</b>	<b>239 845</b>
<b>EQUITY AND LIABILITIES</b>			
EQUITY			
Share capital	8	48 335	48 335
Premium paid in capital		151 039	151 039
Other paid-in capital		47 062	47 143
Retained earnings		-49 576	-42 004
<b>Total equity</b>		<b>196 859</b>	<b>204 513</b>
LONG TERM LIABILITIES			
Long term liabilities, leases	2	11 154	12 375
<b>Total long term liabilities</b>		<b>11 154</b>	<b>12 375</b>
CURRENT LIABILITIES			
Accounts payable	6	115	117
Public fees and tax withholdings	6	484	37
Liabilities subsidiaries		23 821	18 731
Other current liabilities	10,11	6 129	4 072
<b>Total current liabilities</b>		<b>30 548</b>	<b>22 957</b>
<b>Total liabilities</b>		<b>41 702</b>	<b>35 332</b>
<b>Total equity and liabilities</b>		<b>238 562</b>	<b>239 845</b>

Tromsø, 20. March 2020

**Marie Roskrow**  
Chairman

**Volker Wedershoven**  
Director

**Marit Sjo Lorentzen**  
Director

**Ingrid Skjæveland**  
Director

**Jethro Holter**  
CEO

## Statement of changes in equity – parent company

I. January till 31. December

(Amounts in NOK 1 000)	Share capital	Premium paid in capital	Other paid in capital	Retained earnings	Total
<b>Equity as of 01.01.2018</b>	<b>43 945</b>	<b>133 378</b>	<b>46 283</b>	<b>73 471</b>	<b>297 077</b>
Adjustment IFRS				-175	-175
<b>Restated equity as of 01.01.2018</b>	<b>43 945</b>	<b>133 378</b>	<b>46 283</b>	<b>73 296</b>	<b>296 902</b>
Share issue	4 390	17 661			22 051
Employees' share options			862		862
Net profit for the year 2018				-115 300	-115 300
<b>Restated equity as of 31.12.2018</b>	<b>48 335</b>	<b>151 039</b>	<b>47 143</b>	<b>-42 004</b>	<b>204 513</b>
Employees' share options			-81		-81
Net profit for the year 2019				-7 576	-7 576
<b>Equity as of 31.12.2019</b>	<b>48 335</b>	<b>151 039</b>	<b>47 062</b>	<b>-49 577</b>	<b>196 859</b>

The Company's share capital consists of 48,334,673 shares as of 31.12.2019.

# Statement of cash flow – parent company

I. January till 31. December

(Amounts in NOK 1 000)	2019	Restated 2018
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>		
Profit / loss(-) after tax adjusted for:	-7 576	-115 300
Amortization investment subsidiary		112 038
Depreciation and amortization	2	5
Depreciation IFRS 16	259	196
Employees' options, share-based payment expense	7	862
Interest expense lease liability	105	90
Gain on sale of non-current assets		
Changes in working capital		
Account receivables and other receivables	5	-565
Trade and other payables	7 810	8 291
<b>Net cash flow from operating activities</b>	<b>-48</b>	<b>6 964</b>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of fixed assets		
Investment in subsidiary		-63 000
Changes in long-term receivables	1 955	1 967
<b>Net cash flow from investing activities</b>	<b>1 955</b>	<b>-61 033</b>
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>		
Share issue		22 051
Interest expense lease liability	-105	90
Payment on lease liabilities	-2 195	-2 326
<b>Net cash flow from financing activities</b>	<b>-2 300</b>	<b>19 814</b>
<b>NET CHANGE IN CASH DURING THE YEAR</b>	<b>4,6</b>	<b>-34 255</b>
Cash and cash equivalents as of 01.01	4,6	62 855
<b>Cash and cash equivalents as of 31.12</b>	<b>28 207</b>	<b>28 600</b>

## Notes to the financial statements for 2019 – parent company

### ACCOUNTING PRINCIPLES

Biotec Pharmacon ASA has decided to adopt simplified IFRS in the company accounts according to the Norwegian Accounting Act § 3-9. Simplified adoption of IFRS in the company accounts means that value estimates and accounting principles applied in the consolidated financial statements for the Group also apply to the parent company Biotec Pharmacon ASA. Reference is made to the accounting principle note for the Group. Regarding lay-out and note information, a simplified adoption of IFRS allows this to be in accordance with the Norwegian Accounting Act. The lay-out of the statement and the notes for the parent company are thus prepared in accordance with the above mentioned, with the exception of comprehensive income which is in accordance with IFRS.

Shares held in subsidiary companies are valued according to historical cost in the annual accounts.

### Note 1 Receivables

(Amounts in NOK 1 000)	2019	2018
Accounts receivable	1 133	618
Other receivables	439	645
<b>Total receivables</b>	<b>1 572</b>	<b>1 263</b>

The fair value of accounts receivable and other receivables equals book value.

The Company has no long term debt. There are no significant concentrations of credit risk.

### Note 2 Leases

#### Principles for accounting

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. The contract is relating to offices and lab at SIVA Innovation Centre. Biotec Pharmacon has subleased the majority of premises to subsidiaries.

(Amounts in NOK 1 000)	Lease assets
AS OF 01.01.2018	
Historic cost	2 995
Accumulated depreciation including net present value	-1 231
<b>Book value at 01.01.2018</b>	<b>1 764</b>
FINANCIAL YEAR 2018	
Depreciation	-196
<b>Book value at 31.12.2018</b>	<b>1 568</b>
AS OF 31.12.2018	
Historic cost	2 995
Accumulated depreciation	-1 427
<b>Book value at 31.12.2018</b>	<b>1 568</b>
FINANCIAL YEAR 2019	
Adjustement net present value	503
Depreciation	-259
<b>Book value at 31.12.2019</b>	<b>1 813</b>
AS OF 31.12.2019	
Historic cost	3 498
Accumulated depreciation	-1 685
<b>Book value at 31.12.2019</b>	<b>1 813</b>
(Amounts in NOK 1 000)	Lease liabilities
BOOK VALUE 01.01.2018	
	-16 164
Interest expense	-747
Instalment	2 236
Instalment 2019 presented under current liabilities	2 300
<b>Book value at 31.12.2018</b>	<b>-12 375</b>
FINANCIAL YEAR 2019	
Interest expense	-697
Net present value adjustment	-421
Instalment 2020 presented under current liabilities	2 339
<b>Book value at 31.12.2019</b>	<b>-11 154</b>

## Maturity analysis – contractual undiscounted cash flow

(Amounts in NOK 1 000)	31.12.19	Restated 2018
Less than one year	2 300	2 236
One to five years	12 099	11 897
More than five years	5 133	7 635
<b>Total undiscounted lease liabilities at 31.12.2019</b>	<b>19 532</b>	<b>21 768</b>
<b>Lease liabilities included in the statement on financial position at 31.12.2019</b>	<b>13 493</b>	<b>14 675</b>
Current	2 339	2 300
Non-current	11 154	12 375

## Profit &amp; Loss statement

(Amounts in NOK 1 000)	2019	2018 IFRS 16 adjusted	2018	Changes 2018
Sum revenues	9 664	14 310	14 310	
Property, plant & equipment	-328	-364	-364	
Other expenses	-16 788	-17 948	-18 217	269
Depreciation	-259	-201	-5	-196
<b>Sum expenses</b>	<b>-17 375</b>	<b>-18 513</b>	<b>-18 586</b>	<b>73</b>
<b>Operating profit/loss(-)</b>	<b>-7 711</b>	<b>-4 203</b>	<b>-4 276</b>	<b>74</b>
Net financials	134	-111 096	-111 007	-88
<b>Profit/loss(-) before income tax</b>	<b>-7 576</b>	<b>-115 300</b>	<b>-115 283</b>	<b>-14</b>

## Note 3 Tax expense

(Amounts in NOK 1 000)	2019	Restated 2018	Change
TEMPORARY DIFFERENCES			
Non current assets	-3 191	-3 982	791
Other temporary differences	257	115	143
Gains and loss account	-13 262	-16 577	3 315
<b>Total temporary differences</b>	<b>-16 195</b>	<b>-20 445</b>	<b>4 249</b>
Tax assessment loss carried forward	192 182	188 867	3 315
<b>Calculation base deferred tax asset</b>	<b>175 987</b>	<b>168 422</b>	<b>7 564</b>
<b>Deferred tax asset, 22%</b>	<b>38 717</b>	<b>37 053</b>	<b>1 664</b>
Profit before income tax	-7 576	-115 300	
Permanent differences	12	111 048	
Change temporary differences	4 249	5 406	
Profit before tax loss carried forward	-3 315	1 153	
<b>Tax base</b>	<b>0</b>	<b>0</b>	
Change in deferred tax asset	0	0	
<b>Tax expense</b>	<b>0</b>	<b>0</b>	

Deferred tax asset has not been incorporated in the financial position for 2018 nor 2019.

**Note 4 Cash and cash equivalents**

(Amounts in NOK 1 000)	2019	Restated 2018
Cash and cash equivalents	27 334	28 779
Tax withdrawal accounts	873	-179
<b>Total cash and cash equivalents, net</b>	<b>28 207</b>	<b>28 600</b>

The Company's bank deposits are included in the group account agreement with DNB. The numbers for 2018 are restated with 18.7 million because of Group liquidity agreement. See note 13 for the Group showing the Group's net cash equivalents.

**Note 5 Sales revenue**

(Amounts in NOK 1 000)	2019		2018	
GEOGRAPHICAL DISTRIBUTION:				
Norway	100 %	9 664	100 %	14 310
<b>Total sales revenues</b>	<b>100 %</b>	<b>9 664</b>	<b>100 %</b>	<b>14 310</b>

**Note 6 Financial instruments by category**

The financial instruments in the financial position have been grouped as follows for subsequent measurement:

Assets per 31.12

(Amounts in NOK 1 000)	2019	2018
DEPOSITS AND RECEIVABLES		
Accounts receivable	1 572	1 263
Cash and cash equivalents	28 207	28 600
<b>Total financial instruments</b>	<b>29 779</b>	<b>29 863</b>

Liabilities per 31.12

(Amounts in NOK 1 000)	2019	Restated 2018
LIABILITIES AT AMORTISED COST:		
Accounts payable	115	117
Public taxes and withholdings	484	37
Liabilities subsidiares	23 821	18 731
Other current liabilities	6 129	4 072
<b>Total other current liabilities</b>	<b>30 548</b>	<b>22 957</b>

**Note 7 Personnel expenses**

(Amounts in NOK 1 000)	2019	2018
Salaries	10 851	9 799
Employer's social security contribution	719	862
Pension costs	342	434
Estimated value of share options granted to employees (note 13)	-81	862
Other benefits	1 124	210
<b>Total personnel expenses</b>	<b>12 954</b>	<b>12 167</b>

2019: 6.8 FTE split between 2.5 men and 4.3 women. 2018: 9.5 FTE split between 4.1 men and 5.4 women.

The company's pension scheme complies with the requirements in regard to compulsory occupational pensions in Norway.

The Company has established a defined contribution pension plan compliant to requirements for compulsory occupational pension in Norway. The employer's contribution to the plan is 5% for salaries between 0 G and 7.1 G, and 8% for salaries between 7.1 G and 12 G. In addition employees pay 2% of their salary to the pension plan. As of 31.12.2019 the Company paid for 6 members of the scheme.

(Amounts in NOK 1 000)	2019	2018
<b>Total pension costs</b>	<b>342</b>	<b>434</b>

Auditor

Auditing expenses, ex VAT:

(Amounts in NOK 1 000)	2019	2018
Statutory auditing	169	111
TAX provision	12	
Other services beside auditing	28	7
<b>Total auditing expenses</b>	<b>209</b>	<b>118</b>

Remuneration of the Board of Directors and management:

(Amounts in NOK 1 000)	2019				2018			
	Salaries paid	Bonus paid	Pension costs	Other benefits	Salaries paid	Bonus paid	Pension costs	Other benefits
Marie Ann Roskrow, Chairperson	425				255			
Erik Thorsen, former Chairperson	0				170			
Inger Rydin, Director	180				200			
Martin Hunt, Director	70				175			
Arne Reinemo, Director	180				120			
Ingrid Skjæveland, Director / Employee	75				75			
Volker Wedershoven, former Director	105				70			
Masha LG Strømme, former Director	0				70			
*Christian Jørgensen, former CEO	2 572		96	10	2 333		95	10
Svein Lien, former CEO					1 116	283	22	3
Børge Sørvoll	1 224		96	11	1 201	22	78	11

\*In addition to this, salaries have been accrued for C. Jørgensen of NOK 2.2 million.

See note 14 in the Group notes regarding share options to employees, and note 16 for matters concerning the CEO. There are no loans, prepayments or guarantees in favour of senior executives in the Company.



**Note 8 Share capital**

(Actual number of shares, other amounts in NOK 1 000)	Number of shares	Whereof treasury shares
Share capital as of 01.01.2018	43 944 673	
Share capital issue	4 390 000	
<b>Share capital as of 31.12.2018</b>	<b>48 334 673</b>	<b>0</b>
No changes during 2019		
<b>Share capital as of 31.12.2019</b>	<b>48 334 673</b>	<b>0</b>

The Annual General meeting held on 15 May 2019, granted three authorisations to the Board:

1. To increase the share capital with up to 4,830,000 shares at par value. The authorisation may be used for cash capital increases or capital increases in connection with mergers but does not include non-cash share issues.
2. To increase the share capital with up to 1,300,000 shares at par value. The authorisation may only be used in connection with capital increases relating to share schemes for associates.
3. Authorisation to purchase up to 150,000 treasury shares with a nominal value of NOK 150.000. The authorisation may be used in connection with share schemes to associates or by offering shares to employees.

See Group note 14 for an overview over largest shareholdings.

**Note 9 Investments in subsidiaries**

(Amounts in NOK 1 000)	Main office location	Share capital & premium	Shareholding	Book value	Net profit	Equity
ArcticZymes AS	Tromsø	24 296	96 %	45 500	11 504	33 859
Biotec BetaGlucans AS	Tromsø	182 037	100 %	150 000	-17 075	21 485

The Company has conducted an impairment test on its investment in Biotec BetaGlucans based on the decision to divest Woulgan. See note 23 in the Group's notes for further details. The impairment test concluded that estimated recoverable amount exceeds booked values and there is no indication of impairment.

Impairment test: Biotec considered Woulgan individually. Budgets, strategies and historic performance for the individual parts were considered. The discounting rate used is based on weighted average cost of capital (WACC) for the group. The cost of equity is derived from the 10-year interest rate for state bonds (risk free interest rate), market risk premium analysis from a third party and a 5-year average beta for health care sector on the Oslo Stock exchange. The Group is 100% equity financed, hence cost of debt is not part of calculations. The discount rate used was 7.7%

Assumption for revenues are based on budget's for 2020 and milestone/royalty payments in coming years. There is great uncertainty with regards to projections beyond 2020 as a transaction model is not decided. Both a milestone/royalty based agreement and a cash deal are both expected to be greater than booked values in the Company

**Note 10 Group internal accounts**

(Amounts in NOK 1 000)	2019	Restated 2018
Receivables from subsidiaries as of 31 December	1 159	716
Liabilities to subsidiaries as of 31 December	23 821	18 731
Long-term receivables	11 469	12 914

The Company has entered into service agreements with the subsidiaries ArcticZymes AS and Biotec BetaGlucans AS where the subsidiaries purchase services within management, finance, administration, quality assurance, business development and IPR. Liabilities to subsidiaries is a result of common Group liquidity. Also, Biotec Pharmacon has long-term receivables from subsidiaries related to sublease of premises. The 2018 numbers are restated with 0.8 million on receivables, 18.6 million for liabilities and 12.9 million for long-term receivables.

**Note 11 Other current liabilities**

(Amounts in NOK 1 000)	2019	Restated 2018
Accrued salaries and holiday payment	4 273	1 475
Liabilities to subsidiaries	23 821	18 731
Other accrued costs	2 454	2 752
<b>Total other current liabilities</b>	<b>30 548</b>	<b>22 957</b>

Other accrued cost covers instalment on leasing by NOK 2.3 million in 2019 and NOK 2.2 million in 2018  
Book value of current liabilities equals fair value.

**Note 12 Financial income and expense**

(Amounts in NOK 1 000)	2019	Restated 2018
Interest income	256	1 054
<b>Total financial income</b>	<b>256</b>	<b>1 054</b>
Net loss on currencies, not realised	-16	-11
Amortization investment in subsidiary		-112 038
Interest expense lease liabilities	-105	-90
Interest expense	-1	-13
<b>Total financial expense</b>	<b>-121</b>	<b>-112 151</b>
<b>Total financial income and expense, net</b>	<b>135</b>	<b>-111 097</b>

**Note 13 Events after balance sheet date, 31 December 2019**

See Group note 25 for events after balance sheet date 31 December 2019

## Statement by the Board of Directors and CEO

We confirm, to the best of our knowledge, that the financial statements for the period I. 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 operations.

We also confirm, to the best of our knowledge, that the annual 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, 20 March 2020  
Board of Directors Biotec Pharmacon ASA

**Marie Roskrow**  
Chairman

**Volker Wedershoven**  
Director

**Marit Sjo Lorentzen**  
Director

**Ingrid Skjæveland**  
Director, employee  
representative

**Jethro Holter**  
CEO



To the General Meeting of Biotec Pharmacon ASA

### **Independent Auditor's Report**

*Report on the Audit of the Financial Statements*

#### **Opinion**

We have audited the financial statements of Biotec Pharmacon ASA, which comprise:

- The financial statements of the parent company Biotec Pharmacon ASA (the Company), which comprise the financial position as at 31 December 2019, the statements of profit and loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and
- The consolidated financial statements of Biotec Pharmacon ASA and its subsidiaries (the Group), which comprise the financial position as at 31 December 2019, the statements of profit and loss, comprehensive income, changes in equity and cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion:

- The financial statements are prepared in accordance with the law and regulations.
- The accompanying financial statements give a true and fair view of the financial position of the Company as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with simplified application of international accounting standards according to section 3-9 of the Norwegian Accounting Act.
- The accompanying consolidated financial statements give a true and fair view of the financial position of the Group as at 31 December 2019, and its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the EU.

#### **Basis for Opinion**

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company and the Group as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### **Key Audit Matters**

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key Audit Matter	How our audit addressed the Key Audit Matter
<i>Impairment evaluation of investment in Biotec Betaglucans AS</i>	
The book value of Biotec Betaglucans AS accounts for approximately 63% of the	We obtained the model for calculating value in use and evaluated the model by comparing it with the

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## Independent Auditor's Report - Biotec Pharmacon ASA

total balance in Biotec Pharmacon ASA's separate financial statement. In our audit, we have focused on management's assumptions when assessing the recoverable amount of the investment in Biotec Betaglacans AS. Important assumptions are future earnings, including the assessment of the effects of loss of current earnings from Woulgan®, and the discount rate used in the management's model for calculating value in use. Management concluded that not impairment was to be recognised on the company's investment in Biotec Betaglacans AS.

requirements of IAS 36. We assessed the logical structure of the model and tested the mathematics without finding deviations of significance. We assessed management's assumptions on future earning, which was in the form of EBITDA projections, by comparing with previous years' results, board approved budgets and forecasts to assess the reasonableness of the estimates made. Based on our audit, we found that management's forecasts and assumptions were reasonable and supported by historical financial performances. The discount rate was assessed against empirical data and expectations for future interest rates, relevant risk premiums and debt ratio. We found the required rate of return to be reasonable.

We evaluated the disclosures in note 9 and other relevant notes and found them to be appropriate.

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*Assets held-for-sale*

During 2019 the Group reclassified certain of its assets from non-current assets to assets held-for-sale. These non-current assets held-for-sale included intangible assets, inventories, account receivables and other receivables regarding the product Woulgan®.

The classification of the non-current assets held-for-sale was key to our audit because of management's use of judgment. Refer to note 23 in the consolidated financial statements which describe the accounting for assets held-for-sale.

During our audit we evaluated and challenged management's assessment of classification of long-term assets held for sale and the process by which this was performed. We assessed management's accounting policy against IFRSs and obtained explanations from management as to how the specific requirements of the standards, in particular IFRS 5– Non-current Assets Held for Sale, were met. We found management's assessment to be reasonable.

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*Other information*

Management is responsible for the other information. The other information comprises information in the annual report, except the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.



## Independent Auditor's Report - Biotec Pharmacon ASA

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*Responsibilities of the Board of Directors and the Managing Director for the Financial Statements*

The Board of Directors and the Managing Director (Management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements of the Company in accordance with simplified application of international accounting standards according to the Norwegian Accounting Act section 3-9, and for the preparation and fair presentation of the consolidated financial statements of the Group in accordance with International Financial Reporting Standards as adopted by the EU, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's and the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

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*Auditor's Responsibilities for the Audit of the Financial Statements*

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's or the Group's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company and the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company and the Group to cease to continue as a going concern.



Independent Auditor's Report - Biotec Pharmacon ASA

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

*Report on Other Legal and Regulatory Requirements*

*Opinion on the Board of Directors' report*

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report and in the statements on Corporate Governance and Corporate Social Responsibility concerning the financial statements, the going concern assumption and the proposed allocation of the result is consistent with the financial statements and complies with the law and regulations.

*Opinion on Registration and Documentation*

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the Company's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Tromsø, March 20, 2020

**PricewaterhouseCoopers AS**

Ørjan Renø

State Authorised Public Accountant



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