

BIOTEC  
PHARMACON

Q2 2015

Second Quarter 2015

## Highlights for the second quarter 2015 and subsequent events

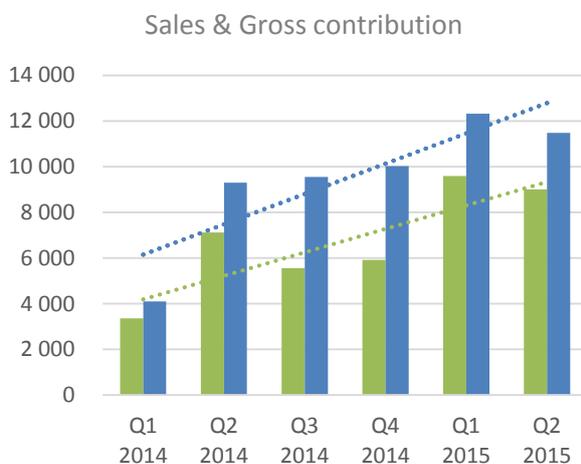
- Group revenues amounted to NOK 11.5 million in the second quarter 2015, compared to NOK 9.3 million in the second quarter 2014
- Continued positive development in ArcticZymes with quarterly sales at NOK 7.3 million
- Improved EBIT to minus NOK 1.7 million in the quarter, compared to a loss of NOK 2.9 million in the second quarter 2014
- Ended commercial discussions on the distribution of Woulgan® with Smith & Nephew in July and accelerated on-going process to build an alternative market channel strategy with strong regional business partners and distributors

## Key financials

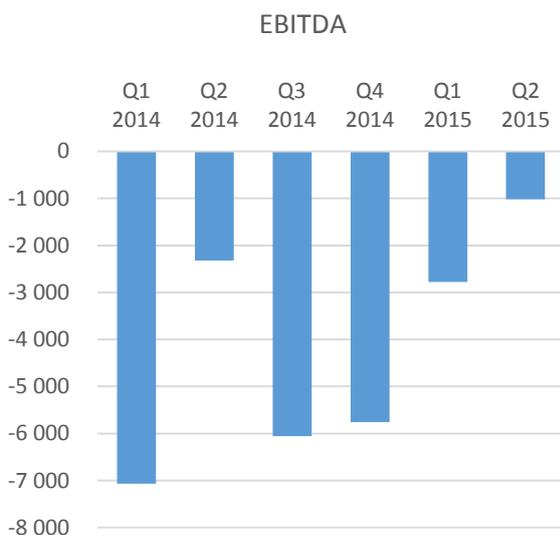
	Q2 2015	Q2 2014	6M 2015	6M 2014
<b>Amount in NOK 1.000</b>				
Revenues	11 490	9 301	23 808	13 401
EBITDA	-1 011	-2 316	-3 787	-9 383
EBIT	-1 687	-2 946	-5 140	-10 652
Net cash flow from operations	-4 810	-7 715	-14 002	-18 337
Net cash end of period	78 265	88 987	78 265	88 987

## Biotec Pharmacon – Group Figures

Biotec Pharmacon ASA, (“Biotec”, the “Company”) reported sales of NOK 11.5 million (9.3) for the second quarter of 2015. The EBITDA was NOK –1.0 million (-2.3), and the EBIT NOK -1.7 million (-2.9). Net financial income was NOK 0.4 million (0.5), generating a loss before tax of NOK 1.3 million (-2.5) for the second quarter and a loss before tax of NOK 4.5 million (10.0) for the first six months.



Gross contribution of NOK 9.0 million (7.1) in the second quarter 2015 relates primarily to increased sales of high margin products.



Similarly, the improvements in EBITDA reflect increased sales in ArcticZymes’s higher margin product portfolio.

The Company recognized no income tax for the first six months of 2015.

The group had 36 employees at the end of the second quarter, compared to 35 employees at the end of the second quarter 2014.

### Balance Sheet

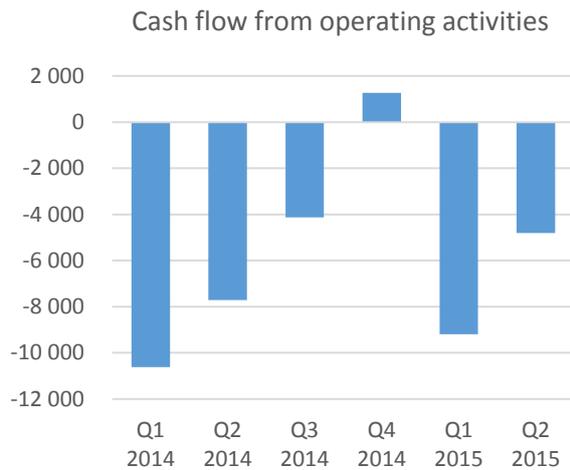
Total equity amounted to NOK 98.8 million compared to NOK 108.5 million in the same period last year and NOK 98.9 million at the end of 2014.

Biotec raised gross proceeds of NOK 4.5 million on 31. March 2015 through a private placement of 321,300 shares at NOK 13.96 per share related to the Company’s share option scheme. These shares were recognized during the second quarter.

Total assets were NOK 105.6 million at the end of the second quarter 2015, down from NOK 111.1 million at the end of 2014. The Company has no interest-bearing debt.

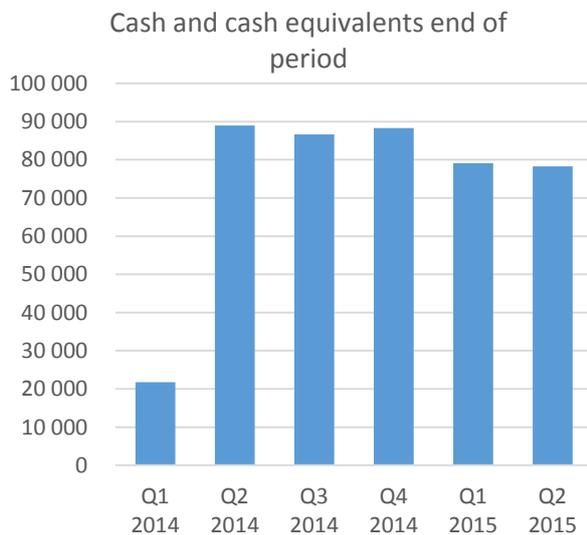
### Cash Flow

Net cash flow from operating activities was NOK –4.8 million in the second quarter 2015. The operating cash flow reflects increased working capital of NOK 4.2 million compared to end of first quarter 2015. This is due to both increased receivables and reduced payables.



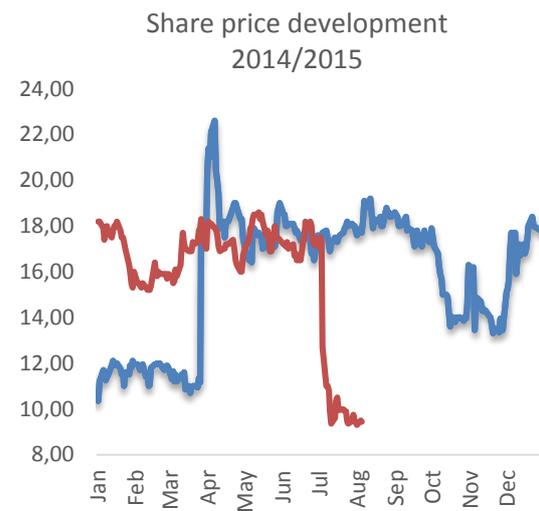
Net cash flow from investing activities was NOK 0.5 million and net cash flow from financing activities was NOK 4.5 million in the second quarter due to exercise of employee options.

Changes in cash and cash equivalents were NOK -0.8 million in the second quarter. This generated a cash balance of NOK 78.3 million at the end of the quarter, compared to NOK 89.0 million at the end of second quarter 2014.



### Shareholder matters

Total number of issued shares was 43,944,673 at the end of the second quarter. The current number of issued employee share options was 203,250 at the end of the quarter. None of these employee options can be exercised in 2015.



### Risk factors

Biotech's business is exposed to a number of risk factors that may affect parts or all of the Company's activities. There are no substantial changes in the risk factors compared to the descriptions in the annual report for 2014.

## Business areas reporting

### Beta-glucans

#### WOULGAN

In the beginning of July, Biotec informed the market that Biotec and Smith & Nephew had agreed to end the Woulgan® distribution agreement process initiated in 2012. During this agreement period, Smith & Nephew has performed an evaluation study to obtain enduser feedback from the use of Woulgan® in routine clinical settings. This means that the focus of the study was a combination of interviews of health care professionals and collection of data. The study included a total of 150 patients in sites in Germany and the UK. The majority of the patients treated with Woulgan® had diabetic foot ulcers, but also a number of patients with venous leg ulcers and other wounds were included.

Smith & Nephew has now released all data they have from the study to Biotec. While some of the sites have not reported detailed patient data results, the data obtained from the other centers confirms positive preliminary results:

- improved healing during the treatment period
- less pain
- improved comfort compared to start of treatment

Smith & Nephew, being one of the largest suppliers of wound healing products, has a substantial product portfolio. Woulgan® being a new, unique and self-standing product will require a long term investment and dedicated focus to succeed in the market. The parties did not succeed in establishing a platform for further cooperation that would balance their need for a flexible approach and our need for dedication and a long-term commitment. While discussions were still

ongoing with Smith & Nephew, discussions with alternative partners progressed slowly.

Following the conclusion with Smith & Nephew, Biotec is intensifying its efforts to ensure partners with the right focus and expertise for the sale and distribution of Woulgan®. In Europe, the initial focus will be Germany, UK and Scandinavia where the product already has been tested.

Biotec is currently discussing agreements with potential regional partners in Europe. Such partners will give Biotec direct involvement in the important marketing activities going forward.

The Company will strengthen its marketing organization and is in the process of hiring new key resources.



Most European health authorities are using health economic calculations as an important tool to assess the value of a product. For wound care, it means that all costs related to a treatment are compared with the cost of a typical standard of care. If such a health economic calculation is favoring the product, health authorities will be likely to adopt it.

Biotec has for some time worked to establish such calculations for Woulgan®. The preliminary results for Woulgan seem favorable. The health economics analysis is also important to make sure the product receives attractive reimbursement.

The Company continues to evaluate the strategy for entering the US market. Regulatory positioning will be a vital factor to success, as it forms the basis for reimbursement. The process to clarify the best strategy for the US market will still take some time.

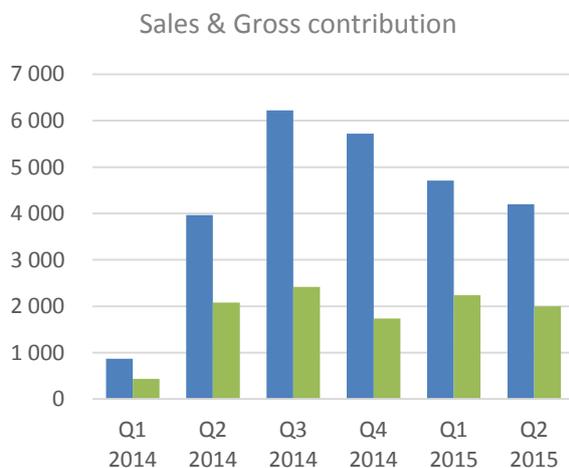
#### OTHER

The co-operation with Memorial Sloan Kettering Cancer Centre is continuing as the ongoing clinical study on Neuroblastoma cancer patients has been expanded. The trial continues into an expanded phase II study aiming to recruit a total of 115 patients that are treated with the combination of an experimental cancer vaccine and SBG. The expansion was initiated after encouraging responses observed in the first 30 patients treated.

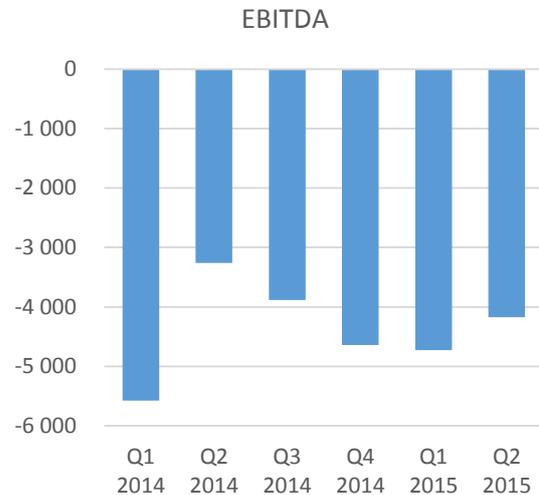
Biotec continues to work with suppliers in the aquaculture market and to strengthen the product profile with new documentation.

### Financial review Beta-glucans

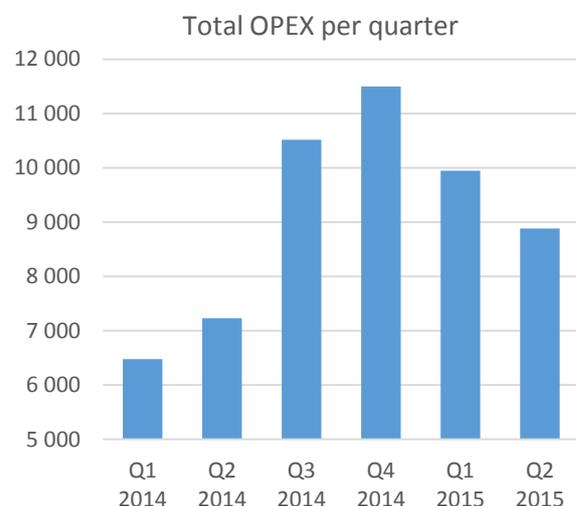
Sales revenues amounted to NOK 4.2 million in the second quarter 2015, compared to NOK 4.0 million in the second quarter 2014.



EBITDA for the quarter was a loss of NOK 4.2 million compared to a loss of NOK 3.3 million in the same period last year.



Operating costs increased from NOK 7.2 million in the second quarter 2014 to NOK 8.9 million in the second quarter 2015 mainly because of repairs, external services and hiring of new personnel in the second half of 2014.



## Enzymes

During the second quarter 2015, ArcticZymes continued to maintain momentum by driving sales with its key customers, resulting in sales of NOK 7.3 million for the quarter. In addition, the pipeline of B2B (business to business) customer prospects for the PCR Cleanup and DNase portfolio, as well as Cod UNG and early prototypes are progressing to the next stage of commercial development. This has already resulted in future commitments from new and existing customers.



Emphasis was given this quarter in setting the strategic direction for ArcticZymes new product development program. Over the next 3 years, ArcticZymes plans to commercialize a synergetic mix of new enzymes and applications primarily targeted towards the PCR, Sequencing and Molecular Diagnostics markets.

ArcticZymes AS has received a Notice of Allowance for the United States Patent Application No. 14/036459 further covering patentable subject matter of its heat-labile dsDNase (HL-dsDNase) product. The patent extends protection in the USA to the nucleic acid sequence of the HL-dsDNase. This includes a method of isolation and purification of the expressed sequence and subsequent incorporation into kit based technologies. This complements earlier patent protection granted in 2013, which covers amongst others the dsDNase itself, methods for removing

contaminations from a sample reaction, as well as kits or compositions comprising the dsDNase.

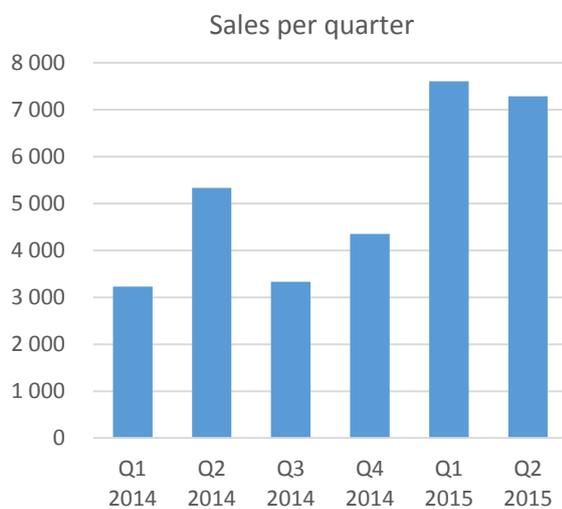
This latest patent approval significantly strengthens the overall commercial potential for the innovative HL-dsDNase product. Furthermore, this greatly benefits the strategic focus on supporting several ongoing major B2B customer driven projects.

ArcticZymes' goal is to continue its efforts in growing the business primarily via commercial B2B relationships in delivering excellence through its innovative products and dedicated level of customer support. To this end ArcticZymes completed a business review of existing regional distribution and commercial partners. An optimization of the distribution model will be completed in the coming months, thus allowing the organization to align the strategy with the best channel in a specific geography.



## Financial review Enzymes

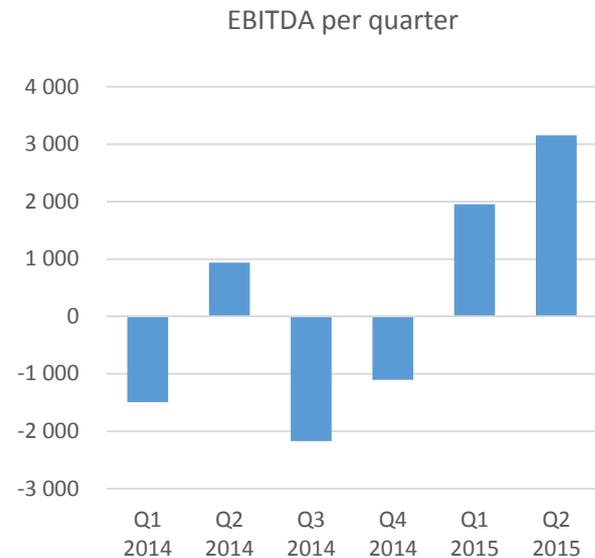
Sales revenue in ArcticZymes reached NOK 7.3 million in the second quarter 2015, up from NOK 5.3 million in the same quarter last year. The increased revenues in the quarter mainly reflect incremental volumes to large OEM customers and positive income from currency. The Company's revenues are coming from a limited number of orders, some of them quite large. This will continue to give fluctuations in revenues per quarter going forward.



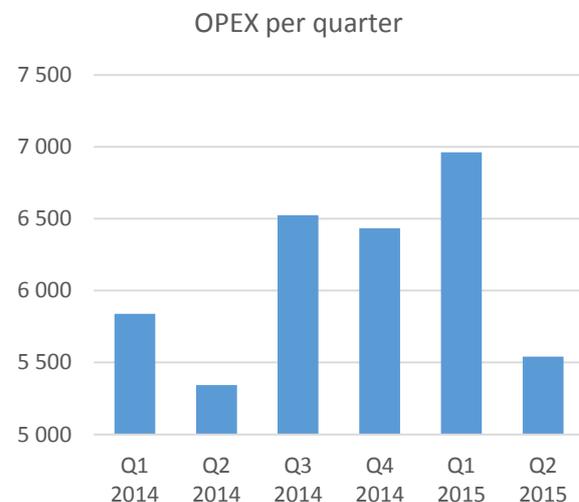
Other income mainly relates to research grants, which increased to NOK 1.5 million from NOK 1.0 million in the second quarter last year.

EBITDA was positive with NOK 3.2 million in the second quarter 2015, compared to a positive result of NOK 0.9 million in the

second quarter 2014.



Operating costs have increased from NOK 5.4 million in the second quarter 2014 to NOK 5.6 million in the second quarter 2015, mainly because of increased personnel cost and a reduction in external services.



## OUTLOOK

The Company is expanding its business development efforts and marketing support with the aim to secure strong distribution of Woulgan® with key partners in selected geographies.

Commercialization of Woulgan® through regional business partners and distributors will require an extended time to market. However, the Company believes this approach will create attractive value for shareholders, as Biotec will capture a larger share of the end user sales and better control of the activities in the individual markets. Biotec is currently discussing agreements with potential regional partners in Europe.

ArcticZymes' main markets are developing favorably and will continue to create new

opportunities for existing and novel enzyme products.

ArcticZymes will continue to work with the large companies in molecular biology to develop new enzymes and new applications which will be its growth drivers going forward.

Given that most of the sales in ArcticZymes are coming from a few larger accounts with varying purchasing patterns and most of the sales in beta-glucans are still coming from one customer within aquaculture, one should still expect some variations in revenues between quarters.

## Financial statement 2nd quarter 2015

### INCOME STATEMENT - GROUP

(Amounts in NOK 1.000 - except EPS)	Q2		Jan-June	
	2015	2014	2015	2014
<b>Sales revenues</b>	<b>11 490</b>	<b>9 300</b>	<b>23 808</b>	<b>13 401</b>
Cost of goods sold	-2 486	-2 181	-5 206	-2 918
Personell expenses	-6 093	-4 651	-15 053	-12 114
Depreciation and amortisation expenses	-675	-630	-1 352	-1 269
Other income	1 968	1 013	3 798	2 230
Other expenses	-5 891	-5 797	-11 134	-9 982
<b>Operating profit</b>	<b>-1 686</b>	<b>-2 946</b>	<b>-5 139</b>	<b>-10 652</b>
Financial income, net	388	485	622	630
Profit before tax	-1 298	-2 461	-4 517	-10 022
Tax	0	0	0	0
<b>Profit after tax for the period</b>	<b>-1 298</b>	<b>-2 461</b>	<b>-4 517</b>	<b>-10 022</b>
Basic EPS (profit for the period)	-0,03	-0,06	-0,10	-0,24
Diluted EPS (profit for the period)	-0,03	-0,06	-0,10	-0,24

### EXTENDED INCOME STATEMENT - GROUP

(Amounts in NOK 1.000)	Q2		Jan-June	
	2015	2014	2015	2014
Profit after tax for the period	-1 298	-2 461	-4 517	-10 022
Other comprehensive income:				
- Currency translation effect	0	-187	0	-103
<b>Total comprehensive income</b>	<b>-1 298</b>	<b>-2 648</b>	<b>-4 517</b>	<b>-10 125</b>

### BALANCE SHEET - GROUP

(Amounts in NOK 1.000)	2015-06-30	2014-06-30	2014-12-31
<b>Non-current assets</b>			
Machinery and equipment	4 936	6 881	5 359
Intangible assets	4 786	5 181	5 190
Pension Scheme Fund	33	87	33
Financial assets	86	33	120
<b>Total non-current assets</b>	<b>9 841</b>	<b>12 181</b>	<b>10 702</b>
<b>Current assets</b>			
Inventories	3 486	3 887	4 392
Trade receivables and other receivables	14 976	11 236	7 752
Cash and cash equivalents	78 265	88 987	88 283
<b>Total current assets</b>	<b>96 727</b>	<b>104 110</b>	<b>100 428</b>
<b>Total assets</b>	<b>106 568</b>	<b>116 291</b>	<b>111 130</b>
<b>Equity</b>			
Share capital	43 946	43 436	43 623
Share premium capital	133 376	127 442	129 085
Other equity	-78 933	-63 190	-74 277
Minority interests	437	840	437
<b>Total equity</b>	<b>98 826</b>	<b>108 528</b>	<b>98 868</b>
<b>Current liabilities</b>			
Trade-, short term-, and other payables	7 742	7 763	12 262
<b>Total current liabilities</b>	<b>7 742</b>	<b>7 763</b>	<b>12 262</b>
<b>Total equity and liabilities</b>	<b>106 568</b>	<b>116 291</b>	<b>111 130</b>

**CHANGES IN EQUITY - THE GROUP**

<i>(Amounts in NOK 1000)</i>	Share capital	Share premium capital	Own shares	Minority interests	Other reserves	Total equity
<b>Balance at 2013-12-31</b>	<b>39 393</b>	<b>55 711</b>	<b>0</b>	<b>840</b>	<b>-53 420</b>	<b>42 524</b>
Total comprehensive income/-loss for the period	0	0	0	-403	-21590	-21993
Currency conversion difference	0	0	0	0	53	53
<i>Transactions with shareholders:</i>						
Subsequent offering - new equity	4 230	73 513	0	0	0	77 743
Purchase of own shares	0	0	-14	0	-182	-196
Sale of own shares	0	0	14	0	142	156
Total transactions with shareholders	4 230	73 513	0	0	541	78 284
<b>Balance at 2014-12-31</b>	<b>43 623</b>	<b>129 224</b>	<b>0</b>	<b>437</b>	<b>-74 416</b>	<b>98 868</b>
Total comprehensive income/-loss for the period	0	0	0	0	-3 219	-3 219
<b>Balance at 2015-03-31</b>	<b>43 623</b>	<b>129 224</b>	<b>0</b>	<b>437</b>	<b>-77 635</b>	<b>95 649</b>
Total comprehensive income/-loss for the period	0	0	0	0	-1 298	-1 298
<i>Transactions with shareholders:</i>						
Share issue	323	4 152	0	0	0	4 475
Total transactions with shareholders	323	4 152	0	0	0	4 475
<b>Balance at 2015-06-30</b>	<b>43 946</b>	<b>133 376</b>	<b>0</b>	<b>437</b>	<b>-78 933</b>	<b>98 826</b>

**CASH FLOW ANALYSIS - GROUP**

<i>(Amounts in NOK 1.000)</i>	Q2		Jan-June	
	2015	2014	2015	2014
<i>Cash flow from operating activities:</i>				
Profit after tax	-1 298	-2 461	-4 517	-10 022
<i>Adjustment:</i>				
Amortization	675	630	1 352	1 269
Depreciation stocks for sale	0	0	0	0
Employee stock options	0	136	0	256
Currency conversion differences				
Prior period adjustments	0	-187	0	-103
<i>Changes in working capital</i>				
Inventory	479	353	906	-1 449
Account receivables and other receivables	-4 241	-4 019	-7 223	-4 795
Payables and other current liabilities	-425	-2 167	-4 520	-3 493
<b>Net cash flow from operating activities</b>	<b>-4 810</b>	<b>-7 715</b>	<b>-14 002</b>	<b>-18 337</b>
<i>Cash flow from investing activities:</i>				
Purchase of fixed assets	-525	-280	-525	-2 242
Invested in intangible assets	0	0	0	0
Sale of fixed assets	0	0	0	0
Change in long term receivables	14	15	34	37
<b>Net cash flow from investing activities</b>	<b>-511</b>	<b>-265</b>	<b>-491</b>	<b>-2 205</b>
<i>Cash flow from financing activities:</i>				
Cashflow from Private placement	4 475	75 213	4 475	75 873
<b>Net cash flow from financing activities</b>	<b>4 475</b>	<b>75 213</b>	<b>4 475</b>	<b>75 873</b>
Changes in cash and cash equivalents	-845	67 233	-10 018	55 331
Cash and cash equivalents at the beginning of period	79 110	21 754	88 283	33 656
<b>Cash and cash equivalents at end of period</b>	<b>78 265</b>	<b>88 987</b>	<b>78 265</b>	<b>88 987</b>

## Notes to the interim accounts for 2nd quarter 2015

### Note 1 - Basis of preparation of financial statements

These financial statements are the unaudited interim consolidated financial statements (hereafter "the Interim Financial Statements") of Biotec Pharmacon ASA and its subsidiaries (hereafter "the Group") for the period ended June 30 2015. The Interim Financial Statements are prepared in accordance with the International Accounting Standard 34 (IAS 34). These Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year ended December 31 2014 (hereafter "the Annual Financial Statements"), as they provide an update of previously reported information.

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

The Group does not experience significant seasonal or cyclical variations in total sales during the financial year. Income tax expense or benefit is recognized based upon the best estimate of the weighted average income tax rate expected for the full financial year. Deferred tax asset is accounted at NOK 0 in the balance sheet.

The Group has adopted IFRS 13 "Fair Value Measurement" for the period started January 1 2013.

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

Income and expenses in the parent company are allocated to both segments according to a predefined key.

(Amounts in NOK 1.000)	Q2		Jan-June	
	2015	2014	2015	2014
<b>Sales revenue:</b>				
Beta-Glucans	4 203	3 968	8 911	4 836
Enzymes	7 287	5 333	14 897	8 565
<b>Group operating revenue</b>	<b>11 490</b>	<b>9 301</b>	<b>23 808</b>	<b>13 401</b>
<b>Other income:</b>				
Beta-Glucans	512	5	1 024	38
Enzymes	1 456	1 007	2 774	2 192
<b>Group other income</b>	<b>1 968</b>	<b>1 012</b>	<b>3 798</b>	<b>2 230</b>
<b>Operating expenses:</b>				
Beta-Glucans	-8 883	-7 233	-18 831	-13 708
Enzymes	-5 586	-5 396	-12 562	-11 306
<b>Group operating expenses before depreciation</b>	<b>-14 469</b>	<b>-12 629</b>	<b>-31 393</b>	<b>-25 014</b>
<b>Operating profit (EBITDA):</b>				
Beta-Glucans	-4 168	-3 260	-8 896	-8 834
Enzymes	3 157	944	5 109	-549
<b>Group operating profit - EBITDA</b>	<b>-1 011</b>	<b>-2 316</b>	<b>-3 787</b>	<b>-9 383</b>
<b>Depreciation:</b>				
Beta-Glucans	-438	-394	-877	-796
Enzymes	-238	-236	-476	-473
<b>Group depreciation</b>	<b>-676</b>	<b>-630</b>	<b>-1 353</b>	<b>-1 269</b>
<b>Operating profit (EBIT):</b>				
Beta-Glucans	-4 606	-3 654	-9 773	-9 630
Enzymes	2 919	708	4 633	-1 022
<b>Group operating profit - EBIT</b>	<b>-1 687</b>	<b>-2 946</b>	<b>-5 140</b>	<b>-10 652</b>

### Statement of Responsibility

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2015 has been prepared in accordance with IAS 34, and gives a true and fair value of the group's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report includes a fair view of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Tromsø/Oslo, 12.08.2015

The Board of Directors of Biotec Pharmacon ASA

Erik Thorsen  
Chairman

Olav Flaten

Inger Rydin

Gunnar Rørstad

Masha Strømme

Gerd Nilsen

Svein W. F. Lien  
CEO