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1. About Biotec Pharmacon ASA

Biotec Pharmacon ASA is a biotechnology company which is developing, producing and marketing immune modulating beta-glucans and novel recombinant enzymes. The Company is organised in two business areas, each managed as a separate operating unit.

Biotec BetaGlucans AS

All products are based on immune modulating I,3/I,6 beta-glucans from yeast. The Company has developed active pharmaceutical ingredients produced in-house, in addition to a variety of ingredients and end-user products targeting the following segments:

- · **Advanced wound care** the Company has launched *Woulgan® Gel* which contains its proprietary *SBG®* (soluble beta-glucan) ingredient
- Adjuvant to vaccines against cancer SBG® beeing used in a clinical trial for Neuroblastoma in children
- · Animal health e.g. in fish farming to strengthen the animal's immune system
- Consumer health nutritional products used as functional ingredients



ArcticZymes AS

The Company develops and markets recombinant enzymes for use in life science research, molecular diagnostics and bio-manufacturing. The enzymes primarily derive from cold-water marine species and offer novel functionality to its customers. Products include:

- SAP and derived kits clean up 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 reagents
- Polymerases enabling technology development for life science and MDx (Molecular Diagnostics)
- Proteinase direct lysis and nucleic acid sample prep
- Salt Active Nuclease (SAN) removal of nucleic acids during manufacturing of vaccines, viruses, recombinant proteins and other reagents

Other polymerases, ligases and reverse transcriptases 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 within several categories based on input and collaboration with customers.

Biotec Pharmacon ASA

Biotec Pharmacon ASA is the parent holding company providing support functions to the subsidiary operating companies, including distribution, administration, finance, IT and QA.

The headquarter 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. The majority of employees and associates work in or from Tromsø except for parts of the marketing and sales teams that are located in their core markets in Europe and the US. In addition, the Company has established distribution centres in the United States, in the Netherlands and in Denmark to serve its customers more efficiently.

2. Beta-glucans

Biotec BetaGlucans AS (Biotec) develops applications based on different qualities of beta-glucans including the patent protected soluble beta-I,3/I,6-glucan (SBG®). Biotec produces the active ingredient SBG® at its facilities in Tromsø, which are certified according to GMP as well as ISO I3485. The Company has also GMP+ certification for feed ingredient products.

Woulgan

Woulgan® Gel is CE-certified as a class III, rule I3, medical device with a pharmaceutical ingredient indicated for use in wounds such as diabetic foot ulcers, venous leg ulcers and pressure ulcers, but also burns and other acute wounds. Woulgan® Gel is an active treatment containing SBG® for wounds where healing is stalled or expected to progress slowly.

Woulgan® Gel is a unique and well documented product with a large market potential. The average cost of treating chronic wounds ranges between EUR 6,000 to EUR 10,000. In the UK, more than GBP 5 Billion is spent on treating wounds annually. Woulgan® is proven to have both health and social economic benefits in the markets where it is sold.

The key objectives for 2017 were to achieve reimbursement in UK, increase Woulgan's availability on regional tenders in the Nordics and gain commercial traction in Germany.

Biotec's application to create a new category of "Bioactive Soluble Beta-Glucan Gel" in the UK was rejected in May. However, following an appeal by Biotec, the application was re-opened and in October the NHS confirmed Woulgan's Drug Tariff listing effective from 1st December. Access to the market and reimbursement prompted Biotec's UK partner to step up their marketing and sales activities with a dedicated sales team launching Woulgan® in January 2018.

Biotec commissioned clinical evaluations and efficacy studies in Germany, UK and the Nordics during 2017. In UK, I50 patients with different wound types were treated with Woulgan® and compared with I50 patients treated with standard care. The results presented in March 2018 showed a substantial, powerful healing effect by treating stalled wounds with Woulgan®. The I2-week healing rate with more than 60% healed wounds is compelling and consistent with efficacy data from the randomised, controlled trial by

Zykova et al, 2014. Results from these studies will be submitted for peer review publications once all data are fully analysed.

During the first half of 2017, German clinicians provided commercial proof of concept for Woulgan® Gel with a repeated usage of the product. Over the second half of 2017, uncertainties regarding current reimbursement of products with active claims and gels created challenges to receive reimbursement and thus to prescribe Woulgan® Gel. The reimbursement requirements are expected to be clarified in 2018 and may demand Biotec to apply for "Annex Va" (Positive List of medical devices that are approved for reimbursement) with the G-BA, the authority responsible for the reimbursement of medical devices. Biotec and its Nordic partner continued to target key tenders to open the different regions for promotion of Woulgan®. Several workshops for Key Opinion Leaders (KOLs) and wound care personnel have been carried out in the Nordic region with the aim of creating sales leads and faster local adaptation.

The ongoing Post-Market Clinical Follow-up study (PMCF) increased the patient enrolment in 2017 after the protocol was amended in April 2017 to broaden the inclusion criteria. The primary goal of the study, as required by the Notified Body and MHRA approving Woulgan®, is to

Woulgan reimbursement in the UK

M-Gard
supply
agreement
in the US

demonstrate safety and usefulness of Woulgan®as compared to a treatment regime with a standard hydrogel dressing. Biotec expects to finalize recruitment to the PMCF study during 2018.

Biotec continued focusing on development of new wound care products using the betaglucan technology platform. Product development of the dry layer dressing was moved forward with investment in pilot production equipment as this concept represents the largest value potential, while the spray product development was halted. Several formulations of the dry layer product were tested, and the development is continuing in 2018. New technologies and formulations will be tested with the goal of identifying novel, high-productioncapacity technologies, as well as securing patent protection.

Adjuvant in cancer treatment

The collaboration with Memorial Sloan Kettering Cancer Center

(MSKCC) within immunotherapy of cancer continued during 2017. Biotec's SBG® is used in combination with cancer vaccine against high-risk neuroblastoma in children. The study has been expanded several times, and enrolment has increased significantly over the last two years. More than 160 patients were accrued per end of 2017. Biotec expects the study to further increase in 2018. The study has demonstrated that the combination of neuroblastoma vaccine and SBG® has excellent safety profile and holds promising results with respect to treatment effect. Biotec will use 2018 to renew the current clinical trial agreement and to review commercial possibilities

M-Glucan® (Animal health)

Biotec's animal health product *M-Glucan*® is well adopted in the market after re-introduction in 2014. A renewed one-year supply agreement was signed with a major customer in the

second half of 2017. Sales in 2017 was lower than 2016 primarily caused by lower demand from Biotec's main customers, who faced lower demand from the marine farmers.

Biotec continued discussions with its raw material supplier to look at other areas where both parties jointly can create value.

M-Gard® (Consumer health)

M-Gard® is Biotec's brand for the consumer health market. M-Gard® is an immunomodulatory betaglucan that has the ability to enhance the body's vital defence mechanisms against pathogens such as bacteria and virus. Studies show that M-Gard® has excellent immune enhancing properties. Biotec signed a supply agreement with a US company in the third quarter.



3. Enzymes



ArcticZymes AS develops and markets a growing portfolio of novel recombinant enzymes primarily for use within molecular diagnostics and research, and more recently bio-manufacturing such as gene therapy. The total enzymes market for molecular diagnostics and bio-manufacturing is USD I.8 Billion with a CAGR of 5-I2% depending on enzyme type.

New markets

Novel enzymes such as Salt Active Nucleases (SAN) offer cost effective and technical improvements in the bio-manufacturing of bio-products (viruses) compared to existing products. Such viruses carry modified DNA (i.e. therapeutic DNA payloads) and deliver the DNA at the patient's cells, which need treatment. Future advances in gene therapy will open new ways to cure devastating diseases.

Traditional markets

Traditionally molecular enzymes have been mostly applied to PCR-based methods (Polymerase Chain Reaction), which is still a growing market as the technology is constantly being developed and expanded into new applications. The market is complex as the technology includes multiple stages of specialized solutions, which allows for vast multitude of possible variations. PCR based methods as well as other amplification technologies, are fundamental to DNA sequencing technologies.

Focus for the industry is towards fast pace innovation of Next Generation Sequencing (NGS) technologies with the prospect of wide 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. In most cases, ArcticZymes' enzymes are integrated into and are critical components driving technologies in other companies, or molecular diagnostic tests and platforms.

Portfolio of products

ArcticZymes specializes in enzymes originating from organisms that have evolved in the cold Arctic water environments. Arctic organisms need enzymes that are optimally active at low temperatures. This often leads to a temperature sensitivity making enzymes intolerable to heat. Therefore, enzymes may quickly be inactivated by adding heat after use, contrary to most competitive products that must be physically removed by time-consuming and polluting separation processes.

The heat lability feature of such enzymes is particularly well suited to enhance molecular technologies. Their procedures normally include several sequential steps with each step utilising an enzyme which must be inactivated before moving onto the next step. Heat labile enzymes enable streamlining of molecular processes as inactivation is simply achieved by heating the sample prior to the next step.

Other unique features such as activity at lower temperatures, high-salt and unique specificities offer new and novel ways to utilize ArcticZymes' enzymes in next generation technologies or new molecular assay product developments.

ArcticZymes' has extended innovation beyond enzymes originating in cold aquatic environments. Discovery efforts are underway to prospect other harsh environments for unique enzymes with synergistic and commercially attractive properties.

ArcticZymes has developed a solid knowledge of genetic modification to adapt the enzyme's ability to specific market needs. Most of the enzymes are produced in-house by recombinant technology which ensures complete control over the production process. This makes the Company independent of supplies for biological raw materials and thereby lowers environmental impact.

Recombinant production also enables 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.

Customer focused

Since December 2015, ArcticZymes is ISO 9001 certified for the entire business. In elevating its quality standard, it recently achieved ISO I3485 accreditation.

In addition to developing unique enzymes and production methods based on its proprietary technology, ArcticZymes' developments are driven by customers' needs. ArcticZymes works in consultation with its customers in combining its enzymes seamlessly with customer's application-based technologies. This puts ArcticZymes in a unique position to offer its customers a more comprehensive and functionalized solution, while continuously improving its patent protection.

The Company has strong patent protection for its products and is currently marketing several unique genetically modified enzymes derived from diverse organisms, as well as enzymebased kits and non-enzyme based support products.

ArcticZymes has local business development and customer support representatives in Europe, North America and Asia to assist global business coverage. 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 standardize products, build inventories and safety stocks,

> improve cost effectiveness of logistics, and most importantly, ensure on demand delivery to customers on a global basis.

Products are sold mainly to larger corporations that use the enzymes in their own production or sell products under a private label. Enzymes are also sold to end users via own online store to promote the Company in the market. Contribution from the online store is limited in volume but is still an important marketing route in establishing new commercial relationships.

Research and development

To develop new product candidates, ArcticZymes participates actively in scientific collaborations, which includes UiT (The Arctic University of Norway). The Norwegian Research Council often supports such cooperation, i.e. the MDxPol program. This contributes to development of new product candidates for future commercialisation and expansion of the academic environment, which is important for development and application of novel products.

The Company receives project funding from the Norwegian Research Council for independent projects. These are mainly projects that are further down the value chain, intended to develop enzymes from promising product candidates into marketable products. Beyond national funding, ArcticZymes has received EU Horizion2020 funding since 2016. This

puts ArcticZymes on the international map with more than 15 other partners.

Going forward, ArcticZymes is well positioned to launch an expanded portfolio of new unique enzymes and synergistic products in established as well as in new markets.



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4. Consolidated financial statements

The financial statements for 2017 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 & 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 66.7 million in 2017, compared to NOK 71.2 million in 2016. Distribution of sales revenues in 2017 was NOK 35.1 million in the beta-glucans' segment and 31.6 million in the enzymes' segment, compared to NOK 42.9 million and NOK 28.2 million in 2016, respectively. Beta-glucans' sales were 19% down compared to previous year, primarily due to lower sales of animal health products. The enzymes' segment had a sales growth of 10% compared to 2016.

Net profit after tax for the Group was NOK -24.8 million compared to NOK -20.4 million in 2016. The operating profit (EBIT) for the Beta-glucan segment was NOK -20.4 million in 2017 compared to NOK -18.2 million in 2016. The enzymes' segment made an operating profit of NOK 4.6 million versus NOK 3.1 million in 2016. Unallocated corporate overhead expenses for 2017 were NOK 9.1 million compared to NOK 5.9 million in 2016.

Total recognized expenses for R&D within the Group in 2017 was NOK 23.5 million, compared to NOK 23.9 million in 2016. R&D expenses within both segments are close to unchanged in 2017 compared to 2016. Most of the R&D costs are expensed in 2017 except for NOK 2.4 million, which fulfilled the criteria for capitalisation. For 2016, NOK I.I million was capitalized

Cash Flow

The Group had a cash flow from operating activities of NOK -22.I million in 2017, compared to NOK -19.3 million in 2016. Cash flow from investing activities in 2017 was NOK -5.0 million against NOK -1.3 million in 2016. For 2017, investing activities were split between fixed assets of NOK 2.6 million and development of new products being prepared for sale of NOK 2.4 million. Net cash flow from financing activities was zero in both 2017 and 2016.

Net change in cash during 2017 was NOK -27.I million, compared to NOK -20.7 million in 2016.



Consolidated statement of financial position

Total equity for the Group amounted to NOK 44.8 million at the end of 2017, compared to NOK 68.1 million at the beginning of the year. Equity ratio was 73%. Cash and cash equivalents amounted to NOK 30.6 million per 31.12.2017, compared to NOK 57.7 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 I5.I million in 2017. Net profit was a loss of NOK 8.3 million. Sales revenues are intercompany sales of services to the subsidiaries and rental income from leased offices. For 2016, intercompany sales revenues were NOK I4.5 million.

Deferred tax assets were excluded from the balance sheet at the end of 2009. As of 3I.I2.20I7, the forecast for future taxable profit remains uncertain, and the Company has therefore decided not to recognize this as an asset. A new assessment will be carried out during 20I8.

The Board proposes that the 20I7 loss in the parent company Biotec Pharmacon of NOK 8.3 million is covered by allocation from retained earnings.



5. Shareholder matters



The Biotec share ended 2017 with a closing price of NOK 6.70, compared to NOK II.30 at the end of 2016. The lowest closing price during the fiscal year was NOK 5.25, while the highest closing price was NOK II.85 per share.

The Board encourages employees in the Group to become shareholders in the Company and has regularly supported employees to buy discounted shares within current tax-free rules. In 2017, employees were not given the possibility to buy discounted shares. The Board intends to reintroduce this in 2018. Since 2010, the Company has offered regular share option programs for employees in the Group. A total of 927,000 share options granted in 2015 and 2016 are outstanding per end of 2017. Deadline for exercising options granted in 2015 is 31 May 2018, while options granted in 2016 may be exercised between I June 2018 and 31 May 2019. The share option program is also described in note 15 "Executive remuneration policy".

Director Inger Rydin has been a member of the Board since I4 May 20I4. Inger Rydin owns and operates Inger Rydin AB. Inger Rydin AB is also an advisor to *Biotec BetaGlucans AS* and billed services for NOK 0.0I million 20I7 and NOK 0.02 million in 20I6.

Director Martin Hunt has been a member of the Board since II May 2017. Martin Hunt owns and operates Invictus Management Ltd in London. For services and expenses outside his board engagement, Invictus Management Ltd has invoiced NOK O.I million in 2017. No other transactions with close associates were carried out in 2017.

As of 31.12.2017, the Company has 43.944.673 shares registered with a nominal value of NOK I.00 and 2.239 VPS-registered shareholders.

6. Risk



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

Within the business area beta-glucans, the Company has signed agreements with partners for distribution and sales of the

Company's wound care product Woulgan® in UK, Scandinavia and certain channels in Germany. The Company is in a commercialisation phase and there is uncertainty related to sales until commercial viability is proven in these markets.

There are several barriers for small companies being a one-product supplier in a fragmented and highly competitive area despite having a superior product.

There are also risks associated with further rollout of the product to other markets and regions. Regulatory processes and national reimbursement may also be factors that can delay commercial sales 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-I,3/I,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.

There are risks associated with development and sales in ArcticZymes. The Company has agreements with large multinational customers, but there is no purchase obligation 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.

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 a 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 EUR, while most expenses are accrued in NOK. A higher exchange rate for the USD and EUR against the NOK 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 recognized no losses on accounts receivable in 2017 compared to NOK 5 thousand in 2016.

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 2018.

7. The working environment and staff

At the end of 2017, there were 44 full- and part time employees in the Group. There were II employees in the parent company *Biotec Pharmacon ASA*, I4 in *Biotec BetaGlucans AS*, I9 employees in *ArcticZymes AS*, a decrease of 2 employees during the year.

Lost days due to sick leave in 2017 totalled 268 days, compared to 384 days in the previous year. Accumulated sick leave was 2.6% compared to 3.9% in 2016. No specific initiatives were taken during the year to influence the working environment, but risk

analyses were conducted to avoid work-related accidents. There were no work accidents causing injury to personnel or damage to machinery

during 2017.

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 I8 women and 26 men employed within the Group. The Board consists of 5 directors, of which 2 of the 4 shareholder-

elected representatives are women. The employeeelected representative and the employee-elected observer are both female.



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 application of these principles is published on the Company's website www.biotec.no under Investors / Corporate information.

10. Corporate social responsibility

Biotec Pharmacon ASA 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 emphasizes 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 Pharmacon at the end of 2017 is listed in the table below.

Product groups	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
Customers	In Europe	Feed producers, distributors of drugs and devices, research and diagnostic companies, hospitals and home care providers
	In USA	Manufacturers of pharmaceuticals, nutraceuticals, and laboratory kits
Code of Conduct, Ethical guidelines	Policy established and adopted in writing by all employees	Integrated part of the company's quality system
Combating corruption	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.
luman rights	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 humar rights in this country.
Employees' labour rights	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. Collective agreement with Tekna includes about 50% of all employees.
Climate impact	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

Since Woulgan® received its CE-mark, Biotec has invested resources to demonstrate the clinical and commercial potential of the product in selected markets. Experiences so far conclude that additional commercial power is needed to fully realise Woulgan's potential, including a sisable sales force to move sales in fragmented markets. The investments needed to build strong market channels and salesforce cannot be justified for a single-product business, hence Biotec is searching for partners who can support across several markets or globally.

Biotec is currently reviewing its go-to-market strategy for Woulgan® to ensure further growth of the franchise with less consumption of the company's financial resources.

During the last few years, ArcticZymes has turned around from a loss-making business to an attractive and profitable growth opportunity. During 2018, the target is to grow the business organically with an active pipeline of new product launches. ArcticZymes will also broaden its approach going forward and develop value from technologies and competences that reside with new partners and complimentary products.

The strategy is to generate further shareholder value by growing ArcticZymes to a leading molecular biology company rather than just a niche supplier of cold adapted enzymes. To reach this goal within the next few years, which is beyond the 2020 ambition, ArcticZymes needs to invest more resources into R&D, commercial activities and potential M&A opportunities.







Erik Thorsen

Inger Rydin

Martin Hunt

Chairman

Director

Director

Biotec is currently evaluating strategies for bringing the novel "neuroblastoma" treatment regime to the next level of early regulatory approval. Biotec is in discussions with Memorial Sloan Kettering Cancer Center to renew the current clinical trial agreement and review commercial possibilities.

The Group will in 2018 focus on cash consumption and expects operating cash flow to be significantly less than in 2017.

Overall, it is the Board's view that the achived milestones and the priorities adopted during 2017 represents a solid foundation for future growth and development of shareholders' values.

The Board would like to thank all employees for their efforts in 2017.



Masha Strømme

Director



Director, employee representative



Ingrid Skjæveland Christian Jørgensen

CEO





Consolidated statement of profit & loss

I. January till 3I. December

(Amounts in NOK 1 000)	Note	2017	2016*
Sales revenues	5	66 686	71 190
Other revenues	19,24	6 072	7 433
Total revenues		72 758	78 624
Cost of goods	11	-21 927	-26 736
Personnel expenses	15,18,21,23,25	-46 030	-43 151
Depreciation and amortization	6,7,23	-1 978	-1912
External services	23	-8 660	-8 596
Other operating expenses	22,23	-19 078	-19 168
Total operating expenses		-97 673	-99 562
Operating profit/loss(-)		-24 915	-20 939
Financial income	20	807	584
Financial expenses	20	-695	-34
Profit/loss(-) before income tax		-24 803	-20 389
Income tax expense	16, 17	0	0
Net profit/loss(-)		-24 803	-20 389
Net profit/loss(-) tributable to:			
Non-controlling interests	-	135	91
Equity holders of Biotec Pharmacon ASA		-24 938	-20 480
Earnings per share:			
Basic EPS from net profit/loss	9	-0.56	-0.46
Diluted EPS from net profit/loss	9	-0.56	-0.46

 $[\]mbox{\ensuremath{\star}}$ represented due to currency. See note 5 and note I9

Consolidated statement of other comprehensive income

(Amounts in NOK 1 000)	Note	2017	2016
Net profit/loss for the year		-24 803	-20 389
Items that may be reclassified to profit & loss		0	0
Total comprehensive income		-24 803	-20 389
Comprehensive income attributable to:			
-shareholders of parent company		-24 938	-20 480
-non-controlling interests		135	91
Total comprehensive income		-24 803	-20 389

Consolidated statement of financial position

As of 3I. December

(Amounts in NOK 1 000)	Note	2017	2016
ASSETS			
NON-CURRENT ASSETS			
Machinery and equipment	6	4 589	3 168
Intangible assets	7	7 119	5 465
Other non-current assets	18	9	37
Total non-current assets		11 717	8 671
CURRENT ASSETS			
Inventory	11	5011	2 775
Accounts receivable and other receivables	8,10	14 363	16716
Cash and cash equivalents	12	30 593	57 672
Total current assets		49 966	77 163
Total assets		61 683	85 834
EQUITY AND LIABILITIES			
EQUITY			
Share capital	9,13	43 945	43 945
Premium paid in capital		133 378	133 378
Retained earnings		-133 223	-109 815
Non-controlling interests		715	580
Total equity		44 813	68 087
CURRENT LIABILLITIES			
Accounts payable and other current liabilities	8,14	16 870	17 746
Total current liabilities		16 870	17 746
Total equity and liabilities		61 683	85 834

Tromsø, I4 March 2018

Erik Thorsen	Inger Rydin	Martin Hunt	Ingrid Skjæveland	Masha Strømme	Christian Jørgensen
Chairman	Director	Director	Director	Director	CEO

Consolidated statement of changes in equity

I. January till 3I. December

on- ing est Total equity 89 86 749 91 -20 389
91 -20 389
91 -20 389
-230
184
1 773
0 1727
79 68 087
19 00001
35 -24 803
33 -24 603
1 529
0 1529
15 44 813

Consolidated cash flow statement – Group

I. January till 3I. December

(Amounts in NOK 1 000)	Note	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / loss(-) before tax adjusted for:		-24 803	-20 389
Depreciation and amortization	6,7	1978	1912
Employees' options, share-based payment expense	13,21	1 529	1773
Changes in working capital:			
Inventory	11	-2 236	129
Account receivables and other receivables	10	2 354	-6 127
Trade and other payables	14	-877	3 424
Net cash flow from operating activities		-22 056	-19 278
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in machinery and equipment	6	-2 629	-300
Investment in intangible assets	7	-2 422	-1054
Changes in long-term receivables		28	7
Net cash flow from investing activities		-5 024	-1 347
CASH FLOW FROM FINANCING ACTIVITIES			
Purchase own shares	13		-230
Sale own shares	13		184
Net cash flow from financing activities		0	-46
Net change in cash during the year		-27 079	-20 671
Cash and cash equivalents as of 1 January	12	57 672	78 343
Cash and cash equivalents as of 31 December		30 593	57 672

Notes to the financial statements for 2017

Note 1 General information

Biotec Pharmacon ASA (the Company or the Group) is a scientific-based industrial company that develops and supplies immune modulating beta-glucans and cold adapted enzymes, including special formulated products derived from these ingredients. The Company has two business areas operated by two separate operating units:

- Beta-glucans for use in medical device, as nutrition supplements, as ingredients in cosmetics and animal health products
- Enzymes for use in molecular research and diagnostics

The beta-glucan segment is organized in the wholly owned subsidiary *Biotec BetaGlucans AS*, while the subsidiary *ArcticZymes AS* operates the marine enzymes' segment. The parent company *Biotec Pharmacon ASA* acts as a holding company with overall management and support functions, while the two subsidiaries carry out the operating activities.

Biotec BetaGlucans AS has developed an advanced gel (Woulgan®) for treatment of stalled wounds, cooperates in an early stage project within immunotherapy of cancer, and has activities for non-pharmaceutical purposes, including manufacturing and sales of proprietary beta-glucans, which strengthens the immune system in humans and animals.

The products in the enzyme segment are sold directly and through distributors to the research market and to larger laboratories for use in molecular biology, specifically related to testing of DNA and RNA samples.

Biotec Pharmacon ASA's headquarter is in Tromsø, Norway, co-located with the subsidiaries ArcticZymes AS and Biotec BetaGlucans AS.

Biotec Pharmacon ASA is listed on Oslo Stock Exchange under the ticker: BIOTEC.

The Board approved the consolidated financial statements on I4 March 2018.

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.

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 8 for details on subsidiaries.

Subsidiaries are consolidated from the date of which control is transferred to the Group and deconsolidated when control ceases.

The acquisition method is used to account for acquisitions of subsidiaries. The cost of an acquisition is measured at the fair value of assets provided as consideration for the acquisition, equity instruments issued and liabilities incurred or assumed on transfer of control. Identifiable assets acquired, and liabilities assumed are recorded at fair value at the acquisition date, irrespective of any non-controlling interests. The acquisition cost above the fair value of identifiable net assets acquired is recorded as goodwill. If acquisition cost is below the value of its net assets, the difference is accounted under profit and loss.

Acquisition-related expenses are expensed when incurred.

When step-by-step acquisition of a business occurs, the equity from previous acquisition is re-measured at fair value on the acquisition date by recording the change in value in the income statement.

Intercompany transactions, balances and unrealized 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 businesses beta-glucans and enzymes. See note 5 for segment information.

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. The rest of foreign exchange gains and losses relating sales or cost of goods are presented (net) under sales revenues or cost of goods.

Note 2.5 Machinery and equipment

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 amortization. Acquisition cost includes expenses directly attributable to the acquisition of the asset.

Subsequent expenses are included in the asset's carrying value or recognized as a separate asset, when it is deemed probable that future economic benefits associated with the item will benefit the Group and that expenses can be measured reliably. Other repair and maintenance expenses are recognized 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 Vehicles 3-5 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 amortized immediately to fair value. Reference is made to note 2.7.

Gains and losses on disposals are recognized as the difference between selling price less transaction costs and the carrying value.

Note 2.6 Intangible assets

Product rights

Through the acquisition of Marimol AS in 2010, intangible assets involved were classified as product rights. Marimol held an exclusive option on the commercial exploitation of the research arising from the project MARZymes, which is the marine bioprospecting initiative by the Arctic University of Norway. The option gives the Company the opportunity to utilize these products commercially against a license fee, which may increase future earnings for the Company. After the acquisition, Marimol AS was merged into ArcticZymes AS. The project MARZymes ended in 2015. Parts of the Polymerase project launched in 2016 originates from MARZymes project. Additional enzyme candidates may also become commercially attractive.

Research and development, patents and licenses
Research expenses are expensed when incurred.
Development of products are capitalized as intangible assets when:

- It is technically feasible to complete the intangible asset enabling it for use or sale.
- · Management intends to complete the intangible

asset and use or sell it.

- The Company has the ability to make use of the intangible asset or sell it.
- A future economic benefit to the Company for using the intangible asset may be calculated.
- Available technical, financial and other resources are sufficient to complete the development and use of or sale of the intangible asset.
- The development expense of the intangible asset can be measured reliably.

Intangible assets are depreciated by the linear method, depreciating the acquisition expense to the residual value over the estimated useful life, which are for each group of assets:

Product rights 5-I0 years Own product development IO-I2 years

Other development expenses are expensed when incurred. Previously expensed development costs are not recognized in subsequent periods. Capitalised development costs are depreciated linearly from the date of commercialization over the period in which they are expected to provide economic benefits. Capitalised development costs are tested annually by indication for impairment in accordance with IAS 36.

The Company has capitalized development expenses for Woulgan®, rSAP, HL-dsDNase, SAN Elisa-kit, San HQ and Polymerases when they meet criteria for capitalisation. Other development costs are expensed when incurred.

Note 2.7 Financial assets

Note 2.7.1 Classification

Classification of financial assets depends on the purpose of the asset and is categorised according to IAS 39 in one of the following categories:

- · At fair value through profit & loss are financial assets held for trading. A financial asset is classified in this category if acquired with the purpose to generate profit from short-term price fluctuations
- · Loans and receivables are non-derivative financial assets with fixed or defined payments that are not quoted in an active market
- Non-derivative financial assets with fixed or determinable payments and fixed maturities are classified as Held-to-Maturity
- Financial instruments available for sale are investments in short term debt and equity securities
- Other liabilities are most of the Company's liabilities such as accounts payable and other current liabilities

Note 2.7.2 Initial recognition and measuring Loans and receivables are initially recognized at fair

value plus directly attributable transaction expenses. Subsequently, these instruments are measured at their amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method.

Other liabilities are recognised initially at fair value and, in the case of loans and borrowings and payables, net of directly attributable transaction costs. Subsequently these liabilities are measured at their amortized cost using the effective interest rate method. Amortized cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate method.

Note 2.7.3 Impairment of financial assets

The Group assesses at the end of the reporting period whether there is objective evidence that a financial asset or group of financial assets are impaired. An impairment loss of a financial asset or group of financial assets are recognized only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition (a "loss event") and that loss event (or events) affects future estimated cash flows in a way that can be measured reliably.

The criteria used to determine whether there is objective evidence of an impairment loss include:

- · Significant financial distress of the issuer or debtor.
- · Breach of contract, such as breach of contract or non-payment of due interest or principal.
- The group, of economic or legal reasons relating to the borrower's financial difficulty, gives the borrower a concession that the lender would not otherwise have considered.
- It is likely the borrower will enter into bankruptcy or financial restructuring.
- Observable data indicating that there has been a measurable decrease in the estimated future cash flows from a group of financial assets after the initial recognition of those assets, although the decrease can not be identified with the individual financial assets in the group.

Under the category loans and receivables, measured amount of loss is the difference between the carrying amount and the net present value of estimated future cash flows (excluding future credit losses that have not yet been incurred) discounted at the financial asset's original effective interest rate. The carrying value of the asset is reduced and the amount of the loss is recognized in the consolidated profit & loss statement. If a loan or an investment held to maturity has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. When practical,

the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If an impairment decreases and the decrease can objectively be related to an event occurring after the impairment was recognized (such as an improvement in the debtor's credit rating), the previous loss is reversed through the consolidated profit & loss statement.

Note 2.7.4 De-recognition of financial instruments
A financial asset is de-recognized when the rights
to receive cash flows from the asset have expired;
or the Company has transferred its rights to receive
cash flows from the asset and either (i) the Company
has transferred substantially all the risks and rewards
relating to the instrument, or (ii) the Company has
neither transferred nor retained substantially all the
risks and rewards relating to the instrument, but has
transferred control of the asset.

A financial liability is derecognized when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, this is treated as derecognition of the original liability and recognition of a new liability. The difference in the respective carrying amounts is recognized in the consolidated profit & loss statement.

Note 2.8 Inventory

Inventory are stated at the lower of acquisition expense and net realizable value. Acquisition expense is determined 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 realizable value is the estimated selling price less variable costs of completion and transaction expenses.

Note 2.9 Accounts receivable and other receivables

Accounts receivables arise from the sale of goods or services within the normal operations. Settlements that are due in I2 months or less are classified as current assets. If this is not the case, they are classified as non-current assets.

Accounts receivables are initially measured at fair value. Subsequently accounts receivables are measured at amortised cost using the effective interest method, less provision for impairment. Provisions for losses are recognized when there is objective evidence that the Group will not receive settlement in accordance with the original terms. Significant financial difficulties of the debtor, probability that the debtor will enter into bankruptcy,

and default or delinquency in payments are considered to indicate that the trade receivable is impaired. Provision is the difference between the nominal value and the recoverable amount, being the net present value of expected cash flows, discounted at the effective interest rate. Changes in provision are recognized under "Other operating expenses".

Note 2.10 Cash and cash equivalents

Cash and cash equivalents consist of cash, bank deposits and other short-term liquid investments.

Note 2.11 Share capital and premium paid in capital

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. When such shares are subsequently sold or reissued, any consideration received less direct transaction costs and related income tax effects, is included in shareholders' equity.

Note 2.12 Account payables and other current liabilities

Account payables are obligations to pay for goods or services from suppliers. Account payables are classified as current liabilities if payment is due within I2 months. If this is not the case, it is classified as long-term debt. Account payables are measured at fair value upon initial recognition. Subsequently amortized cost is measured using the effective interest method.

Note 2.13 Loans

Loans and borrowings are initially at fair value when they are disbursed, less any transaction costs. In subsequent periods, loans are recorded at amortized cost using the effective interest rate. The Group has no interest bearing debt per 3I.12.2017.

Note 2.14 Current and deferred income tax

The tax expense is comprised of current and deferred tax. Tax is recognized, except when it relates to items recognized in other comprehensive income or directly in equity. In this case, the tax is also recognized 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 different from integration of enterprises, and that at the time of the transaction affects neither accounting nor taxable profit, it is not capitalized. Deferred tax is determined 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 realized or the deferred tax liability is settled.

Deferred tax assets are recognized 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.

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.

Note 2.15 Pension obligations, bonus schemes and other compensation schemes for employees

The Group has a defined contribution plan for all employees in Norway under which the Group pays a fixed percentage contribution of members' salaries. The Group has no further payment obligations once the contributions have been paid. Prepaid contributions are recognized as an asset to the extent that a cash refund or reduction of future payments is possible.

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

Note 2.16 Share based options

The Group has a share-based option scheme. Per 31.12.2017, there were 927 000 outstanding options divided on 38 employees in the Group. The fair value of the services received from the employees in return for the options granted is recognized as an expense in the consolidated profit & loss statement. Total expense for the options are accrued over the vesting period based on the fair value of the options granted, excluding impact of any vesting conditions that are not reflected in the market. Criteria not reflected in the market, affect the assumptions about the number of options expected to be exercised. At the end of each reporting period, the Company revises its estimates of the number of options expected to be exercised. It recognizes the importance of the revision of original estimates in the consolidated profit and loss statement with a corresponding adjustment in equity.

The net value of proceeds received less directly attributable transaction expenses are credited to the share capital (nominal value) and the share premium when the options are exercised.

Note 2.17 Provisions

The Group recognizes a provision when:

 There is a legal or constructive obligation as a result of past events,

- · It is probable that the obligation will be settled by a transfer of financial assets,
- The obligation can be estimated with sufficient reliability.

Provisions for future operating losses are not recognized.

Provisions are measured as the present value of expected payments to settle the obligation, using a discount rate before tax reflecting current market assessments and the risks specific to the liability. Increase in the obligation due to time is recognized as an interest expense.

Provisions are measured at the present value of expected payments to settle the obligation.

Note 2.18 Revenue recognition

Revenues are measured at the fair value of the consideration received or receivable, and represents amounts for receivable for goods supplied, stated net of discounts, returns and VAT. The Group recognizes revenue when the amount of revenue can be reliably measured, when it is probable that future economic benefit will flow to the entity, and when the specific criteria have been met, as described below.

Sale of goods

Sale of goods are recognized when significant risk and rewards of ownership of the goods is passed on to the buyer, usually on delivery of goods and when there is no unfulfilled obligation that could affect the customers' acceptance of the products. Delivery is governed by sales contracts, but usually occurs when the product is delivered to the customer.

Note 2.19 Government grants

Government grants are recognized 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 recognized as other revenue in the period in order to match the expenses they are intended to compensate. Government grants relating to the purchase of fixed assets are recorded as a reduction in the carrying cost, and are expressed in the profit and loss statement through lower annual depreciation over the expected life of the relevant fixed assets.

Note 2.20 Leases

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are expensed over the lease period.

Note 2.21 Dividends

Dividends are classified as liabilities from the date approved by the General Assembly. No dividends for 2017 is proposed.

Note 2.22 Changes in accounting policies and disclosures

Standards and interpretations that are issued up to the date of issuance of the consolidated financial statements, but not yet effective are disclosed below. The Group's will adopt the relevant new and amended standards and interpretations when they become effective.

- · IFRS 9 Financial Instruments addresses the classification, measurement and recognition of financial assets and financial liabilities. The standard is effective as of OI.OI.2018. IFRS 9 will replace IAS 39 Financial Instrument: recognition and Measurement. The Group does not expect any significant impact on its balance sheet or equity applying the classification and measurement requirements in IFRS 9. The Group will continue the measuring its financial assets held at fair value. IFRS 9 requires the Group to record expected credit losses on all its trade receivables, either on a I2-month or lifetime basis. The Group will apply the simplified approach and record a I2-month expected losses on all trade receivables. The standard shall be implemented retrospectively, but it is not a requirement to prepare comparative figures. Based on the financial assets and liabilities held by the Group, the standard will not have any significant impact on the financial statements. The Group has evaluated potential losses on receivables based on historic losses: (table below)
- · IFRS I5 Revenue from contracts with customers. The standard is effective as of OI.OI.2018. The standard replaces all existing standards and interpretations relating to revenue recognition. The core principle of IFRS I5 is for companies to recognise revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration (that is, payment) to which the company expects to be entitled in exchange for those goods or services. With some few exceptions, the standard is applicable for all remunerative contracts and includes a model for recognition and measurement of sale of individual non-financial

- assets. The objective of the standard is to provide 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. The Group has evaluated the potential implications of the standard and have not identified any remunerative contracts which will change the practice for recognition and measurement of sale. The standard will have no influence on the financial statements for valid/identified contracts the Group has at the end of 2017. In the future the Group will work continuous to analyse new contracts or contracts with changes in current incoterms, time of delivery etc..
- · IFRS I6 Leases regulates matters relating to leased assets. It requires all leases to be recognized in the statement of financial position as a right to use asset with subsequent depreciation. This standard was endorsed 31.10.2017 by the EU and will be effective as of OI.OI.2019. IFRS I6 sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to account for all leases under a single onbalance sheet model similar to the accounting for financial leases under IAS 17. At the commencement date the lessee will recognise a liability to make lease payments and an asset representing the right to use the underlying asset during the lease term. Lessees are required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessor accounting under IFRS I6 is substantially unchanged from today's accounting under IAS I7. Lessors will continue to classify all leases using the same classification principle as in IAS I7 and distinguish between two types of leases: operating and finance leases. IFRS I6 is effective for annual periods beginning on or after I January 2019. The Group has evaluated potential implications of the standard and have estimated the following effects for the 2017 financial statements (Table next page)

Potential losses on receivables

(Amounts in NOK 1 000)	Not overdue	0-30	31-60	61-90	Over 90-
Days of maturity					
Outstanding 31.12.2017	6 343	374	227	14	259
Historical loss - %	0%	0%	0%	0%	0%
Future estimation of losses - %	0%	0%	0%	0%	0%
Expected loss - %	0%	0%	0%	0%	0%
Provision for losses	0	0	0	0	0

Potential effects on financial position

(Amounts in NOK 1 000)	31.12.2017	31.12.2017 IFRS 16 adjusted	Changes
Lease assets 1		16 368	16 368
Fixed assets	11 717	11717	
Sum fixed assets	11 717	28 085	16 368
Lease liabilities 2		13 123	13 123
Current liabilities 3	16870	20 115	3 245
Sum current liabilities	16 870	33 238	16 368

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

Potential effects on profit & loss

(Amounts in NOK 1 000)	31.12.2017	31.12.2017 IFRS 16 adjusted	Changes
Sum revenues	72 758	72 758	
Property, plant & equipment	-6 760	-3 515	3 245
Other expenses	-92 891	-92 891	
Sum expenses	-99 651	-96 406	3 245
EBITDA	-26 893	-23 648	3 245
Depreciation	-1978	-4 604	-2 626
EBIT	-28871	-28 252	619
Net financials	112	-507	-619
ЕВТ	-28 759	-28 759	

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 minimize 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 2017 to the Group are mainly denominated in USD and EUR; distributed 25% at USD and 60% 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 2017 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 31.12.2017 and all other variables held constant, this would lead to a lower / higher operating profit of NOK 46 000 (2016: NOK 102 000). For EUR would such currency changes have affected the result by NOK 27 000 (2016: NOK 124 000). 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 31.12.2017.

Price risk

The Group is very little exposed to risks related to commodity prices.

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.

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 interestbearing 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 30.6 million.

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

(Amounts in NOK 1 000)	2017	2016
MATURITY		
< 3 months	5 806	6 885
3 months – 12 months	1 111	296
Total accounts payable	6 917	7 181
Accrued public fees and withdrawals	9 953	10 566
Total accounts payable and other current liabilities	16 870	17 746

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.

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 3I December:

(Amounts in NOK 1 000)	2017	2016
Cash and cash equivalents	30 593	57 672
Less: Restricted cash equivalents	-2 008	-1 460
Net cash position	28 585	56 212

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 capitalization 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 capitalized development expenses.

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 capitalized development expense is the remaining lifetime of any related patents.

Assessing start up for amortization of intangible assets:

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

Note 5 Segment information

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.

Management submits segment results regularly to the Board.

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

(Amounts in NOK 1 000)		20	17			20	16	
	Enzymes	Beta- glucans	Corporate	Total	Enzymes	Beta- glucans	Corporate	Total
Sales revenues	31 628	35 051	7	66 686	28 232	42 959	-1	71 190
Cost of goods	-44	-21883		-21 927	-794	-25 942		-26 736
Gross profit	31 584	13 168	7	44 759	27 438	17 018		44 456
Other revenues	3 481	2 591		6 072	4 473	2 961		7 433
Operating expenses	-29 856	-34812	-9 101	-73 769	-28 297	-36 821	-5 797	-70 915
Depreciation and amortization	-639	-1 329	-10	-1978	-540	-1316	-56	-1912
Operating profit/loss(-)	4 570	-20 382	-9 104	-24 915	3 073	-18 158	-5 853	-20 939
Net financial income	-138	-601	851	112	23	-889	1416	550
Profit/loss(-) before tax	4 432	-20 982	-8 253	-24803	3 096	-19 047	-4 437	-20 389
Tax				0				0
Net profit/loss(-)	4 432	-20 982	-8 253	-24 803	3 096	-19 047	-4 437	-20 389

Currency gains / losses for 2016 have been reclassified from other revenues to sales revenues for comparison purposes.

Assets, liabilities and investments distributed to the segments:

(Amounts in NOK 1 000)	2017				20	16		
	Enzymes	Beta- glucans	Corporate	Total	Enzymes	Beta- glucans	Corporate	Total
Assets	21 204	19 923	20 556	61 683	20 680	34 702	30 451	85 834
Liabilities	5 576	7 109	4 185	16 870	5 728	9 956	2 063	17 746

Geographical distribution of sales revenues:

(Amounts in NOK 1 000)	2017	2016
Norway	28 046	40 355
Europe	18 250	9 104
Asia/Australia/Africa	1 344	1850
Americas	19 046	19881
Total sales revenues	66 686	71 190

Sales revenues from the largest customer within each segment in 2017: Beta-glucan segment NOK I8.8 million, enzyme segment NOK I4.4 million.

Geographical distribution of investments in machinery and equipment:

(Amounts in NOK 1 000)	2017	2016
Norway	2 629	300
Total	2 629	300

Note 6 Machinery and equipment

(Amounts in NOK 1 000)	Machinery	Equipment	Total
AS OF 01.01.2016			
Historic cost	31 674	6 130	37 804
Accumulated depreciation	-28 892	-4 794	-33 686
Book value at 01.01.2016	2 782	1 336	4118
FINANCIAL YEAR 2016			
Addition	237	62	299
Disposals			0
Accumulated depreciation on disposals			0
Depreciation	-667	-582	-1 249
Book value at 31.12.2016	2 353	815	3 168
AS OF 31.12.2016			
Historic cost	31 911	6 191	38 103
Accumulated depreciation	-29 559	-5 376	-34 935
Book value at 31.12.2016	2 353	815	3 168
FINANCIAL YEAR 2017			
Addition	1 995	634	2 629
Disposals	-64		-64
Accumulated depreciation on disposals	64		64
Depreciation	-810	-399	-1 209
Book value at 31.12.2017	3 537	1051	4 589
AS OF 31.12.2017			
Historic cost	33 842	6 826	40 668
Accumulated depreciation	-30 304	-5 775	-36 080
Book value at 31.12.2017	3 538	1051	4 589
Linear depreciation over useful life	5 - 10 years	2 - 5 years	

The Company has rental agreements for all premises in use. The Company has at own expense adapted the production premises for internal purpose.

The rental agreement for the production premises runs till 3I December 2020 with an optional extension period. Expenses from rental agreements for premises amouted NOK 4.2 million in 20I7 versus NOK 4.0 million in 20I6.

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

Note 7 Intangible assets

(Amounts in NOK 1 000)	Product rights	Own product development	Total
AS OF 01.01.2016			
Historic cost	1 663	6 874	8 5 3 7
Accumulated depreciation	-1663	-1 799	-3 462
Book value at 01.01.2016	0	5 075	5 075
FINANCIAL YEAR 2016			
Addition		1 054	1054
Disposals			0
Depreciation		-664	-664
Book value at 31.12.2016	0	5 465	5 465
AS OF 31.12.2016			
Historic cost	1 663	7 928	9 591
Accumulated depreciation	-1 663	-2 463	-4 126
Book value at 31.12.2016	0	5 465	5 465
FINANCIAL YEAR 2017			
Addition		2 422	2 422
Disposals			0
Depreciation		-769	-769
Book value at 31.12.2017	0	7 119	7 119
AS 0F 31.12.2017			
Historic cost	1 663	10 351	12013
Accumulated depreciation	-1663	-3 232	-4 895
Book value at 31.12.2017	0	7 119	7 119

ArcticZymes AS has acquired commercial rights to the outcome from MARZymes, the marine bioprospecting project of UiT - the Arctic University.

UiT shall be compensated by a license fee for any commercial sale of products from this project.

So far, a polymerase product has been developed for commercial sale, and other enzyme candidates are under consideration.

Aquisition cost for the product rights has been fully amortized.

Own product development is basically external services (including patent expenses) for development of rSAP, HL-dsDNase, SAN ELISA-kit, SAN HQ, Polymerases and external costs related to development of Woulgan. (see Note 2.6)

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

Note 8 Financial assets and liabilities

The financial assets consits primarily of cash and cash equvalents obtained through equity issues.

Assets per 31.12

(Amounts in NOK 1 000)	2017	2016
LOANS AND RECEIVABLES:		
Accounts receivables	7 431	11 957
Other receivables	6 932	4 759
Total loans and receivables	14 363	16 716

The Group has no financial assets available for sale, assets held for trading or non-derivative financial assets. See note IO for breakdown and assessment of accounts receivable.

Liabilities per 31.12

(Amounts in NOK 1 000)	2017	2016
OTHER LIABILITIES		
Accounts payable	5 808	7 181
Public taxes and withholdings	2 713	2 087
Other current payables	8 349	8 479
Total accounts payable and other current liabilities	16 870	17 746

NOK I.I million included in other current liabilities is an upfront payment recieve from Horizon 2020 more than I2 moths ago. The Group has no interest-bearing loans or debt

Note 9 Earnings per share

Earnings per share are calculated by dividing net income by the weighted average number of shares during the year, net of treasury shares (note I3)

(Amounts in NOK 1 000)	2017	2016
Profit attributable to ordinary shareholders of the parent	-24 938	-20 480
Profit attributable to non-controlling interests	135	91
Profit from continued operations	-24 803	-20 389
Weighted average number of shares issued (1 000 shares)	43 945	43 945
Weighted average number of shares and options (1 000 shares)	44 905	44 903
Earnings per share (NOK per share)	-0.56	-0.46

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

Note 10 Receivables

(Amounts in NOK 1 000)	2017	2016
Accounts receivables	7 431	11 957
Provisions for estimated losses on accounts receivables	0	0
Accounts receivables, net	7 431	11 957
Research grants	685	1 344
Tax grants	2 647	2 589
Prepayments	3 027	126
VAT	512	657
Other receivables	60	42
Total receivables	14 363	16 716

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

Age breakdown of a	ccounts receivable pe	r 31.12.2017:			
Not yet due	1 – 30 days	31 - 60 days	61 – 90 days	Over 90 days	Total
6 557	374	227	14	259	7 431

A majority of accounts receivables overdue on 3I December have been settled subsequently.

Age breakdown of a	accounts receivable pe	r 31.12.2016:			
Not yet due	1 – 30 days	31 – 60 days	61 – 90 days	Over 90 days	Total
11 254	565	34	4	100	11 957

Fair value of receivables by currency:	2017	2016
USD	1 443	2 280
EUR	9 111	9 646
GBP	142	
NOK	3 667	4791
Total receivables	14 363	16 716

Note 11 Inventory and cost of goods

(Amounts in NOK 1 000)	2017	2016
Raw materials	868	449
Semi-finished goods	1 436	641
Finished goods	2 707	1 684
Total inventories	5 0 1 1	2 775

(Amounts in NOK 1 000)	2017	2016
Change in inventories of goods in progress and in finished goods	-681	201
Cost of goods	22 608	26 535
Total cost of goods	21 927	26 736

Note 12 Cash and cash equivalents

(Amounts in NOK 1 000)	2017	2016
Cash	15 583	56 209
Money marked fund	13 000	
Deposits, restricted	3	3
Tax withdrawal accounts	2 008	1 460
Total cash and cash equivalents	30 593	57 672

Note 13 Share capital, share premium, share options, and other equity

(Number of shares)	Shares	Whereof treasury shares
FINANCIAL YEAR 2016:		
Per 01.01.2016	43 944 673	
Purchase own shares	17 895	17 895
Sale own shares	-17 895	-17 895
Per 31.12.2016	43 944 673	0
FINANCIAL YEAR 2017:		
Purchase own shares	0	0
Sale own shares	0	0
Per 31.12.2017	43 944 673	0

All shares are fully paid up. Par value is NOK I.00 per share.

2016

The Annual General Meeting on II May 2016 granted three authorizations to the Board:

- I. Authorization to issue 4 390 000 shares. The authority does not include non-cash share issues or capital increases in connection with mergers. The shareholders' rights in accordance with the Public Limited Companies Act §10-4 may be waived. Other terms of the issue of new shares are determined by the Board. The authorization had not been exercised as at 3I December 2016. This authorization replaced the authorization granted by the General Meeting on 12 May 2015 and valid until the Annual General Meeting in 2017.
- Authorisation to issue up to I 200 000 shares in connection with share schemes for employees.
 The authorization was valid until the Annual General Meeting in 2017. This authorization was not exercised as of 3I December 2016.
- 3. Authorization to purchase up to 300 000 treasury shares. Lowest price per share is NOK I and maximum NOK IOO. The Board may decide when and how the shares may be disposed of. The company held no treasury shares as at 3I December 2016. The authorization was valid until

the Annual General Meeting in 2017. In November 2016 the company acquired 17 895 treasury shares and resold these to interested employees at a 20% discount on the market price of NOK I2.86.

2017

The Annual General Meeting held on II May 2017 authorized the Board to increase the share capital by NOK I 200 000 by one or more capital increases directed towards associates, as a part of the Company's share option program.

The General Meeting approved the allocation of up to I 200 000 share options to the Company's associates for the period until the next Annual General Meeting to cover outstanding options until the next Annual General Meeting in 2018, but not later than 30 June 2018. The Board shall decide on the principles for and the allocation of the options.

Share options

Share options have been awarded all employees of the company since 2010. The scheme is 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 the second quarter of 2015, a total of 452 500 options were allocated to the employees, of which 80 000 to the CEO. The options have a 2-year vesting period, and the strike is NOK 18.42. In 2016, a total of 519 500

options were allocated to the employees, of which 80 000 to the CEO. These options have a 2-year vesting period, and average strike is NOK II.93. Criterias for allocation of options have not been changed over the last 3 years. In 2017 no options were granted. See note 2I regarding expensed amount for share options.

(Amounts in NOK 1 000)	2017		2016	
	Average exercise price	Number of share options	Average exercise price	Number of share options
As of 01.01.	15.41	1 175 250	18.17	655 750
Granted during the year			11.93	519 500
Elapsed		-45 000		
Expired		-203 250		
Outstanding at 31 Decemb	per	927 000		1 175 250

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

Expiry date	Average exercise price	Number of share options 2017	Number of share options 2016
2017, 31 May	17.61		203 250
2018, 31 May	18.42	440 000	452 500
2019, 31 May	11.93	487 000	519 500
Outstanding at 31 December		927 000	1 175 250
Exercisable options at 31 December		440 000	203 250

The fair value of employee share options are calculated according to the Black-Scholes method. The most important parameters are share price at grant date, exercise prices shown above, volatility (66.3%), expected dividend yield (0%), expected term of 3 years, annual risk free interest rate (I.53%). The volatility is based on market data from the last year. The fair value is expensed over the vesting period. Adjustements have been made for employees leaving their position during the year. Per 3I.I2.20I7 a total of NOK I6.9 million had been expensed, of which NOK I.5 million applies to 20I7. 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 3I Dec 2017

Ownership information:	Shares	Ownership
Tellef Ormestad	3 127 969	7.12 %
AKA AS	1 450 000	3.30 %
Danske Bank AS	1 214 794	2.76 %
Clearstream Banking S.A.	1 168 114	2.66 %
Odd Knut Birkeland	1 030 000	2.34 %
Nordnet Bank AB	876 303	1.99 %
MP Pensjon	873 239	1.99 %
Pro AS	874 169	1.99 %
Progusan AS	750 026	1.71 %
Nordea Bank Denmark AS	750 785	1.71 %
Belvedere AS	700 095	1.59 %
Isar AS	699 853	1.59 %
Hartvig Wennberg II	696 033	1.58 %
Arne Ketil Kyrkjebø	694 119	1.58 %
Nordnet Livsforsikring AS	661 648	1.51%
Middelboe AS	481 660	1.10 %
Spiralen Industrier AS	474 639	1.08 %
Catilina Invest AS	470 000	1.07 %
Rolf Engstad	370 774	0.84 %

The 20 largest shareholders as of 3I Dec 2016

Ownership information:	Shares	Ownership
Tellef Ormestad	3 220 756	7.33 %
AKA AS	1 450 000	3.30 %
Danske Bank AS	1 218 496	2.77 %
Nordnet Bank AB	1031746	2.35 %
Clearstream Banking S.A.	869 654	1.98 %
MP Pensjon	822 931	1.87 %
Progusan AS	750 026	1.71 %
Nordea Bank Denmark AS	736 250	1.68 %
Belvedere AS	700 095	1.59 %
Hartvig Wennberg AS	696 033	1.58 %
Nordnet Livsforsikring AS	681746	1.55 %
Arne Ketil Kyrkjebø	621 020	1.41%
Nordea Bank Danmark A/S	528 036	1.20 %
Trapesa AS	521 048	1.19 %
lvar Hjørungnes	490 000	1.12 %
Odd Knut Birkeland	431 400	0.98 %
Spiralen Industrier AS	429 639	0.98 %
KLP Aksje Norge Indeks	404 704	0.92 %
Pro AS	364821	0.83 %
Euro Hage og Anlegg AS	350 000	0.80 %
20 largest shareholders aggregated	16 318 401	37.13 %

Note 14 Accounts payable and other current liabilities

Tarago AS

aggregated

20 largest shareholders

344 787

17 709 007

(Amounts in NOK 1 000)	2017	2016
Accounts payable	5 808	7 181
Accrued public fees and withdrawals	2714	2 086
Accrued holiday pay, bonus, and salaries	5 346	5 846
Miscellaneous other accrued costs	3 002	2 633
Total accounts payable and other current liabillities	16 870	17 746

0.78%

40.30 %

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

Age breakdown of a	Age breakdown of accounts payable per 31.12.2017:				
Not yet due	1 – 30 days	31 - 60 days	61 – 90 days	Over 90 days	Total
5 077	729	0	0	2	5 808

A majority of accounts payable overdue on 3I December have been settled subsequently.

Age breakdown of accounts payable per 31.12.2016:					
Not yet due	1 – 30 days	31 – 60 days	61 – 90 days	Over 90 days	Total
6 881	300	0	0	0	7 181

Book value of accounts payable and other current liablities measured by currency (Amounts in NOK 1 000):	2017	2016
NOK	9 880	9 961
EUR	5 169	7 160
USD	1 366	235
GBP	415	232
DKK		50
SEK	39	108
Total accounts payable and other current liabillities	16 870	17 746

Note 15 Executive remuneration policy

Note 15.1. 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. If the Board deviates from the guidelines on determination of salaries, the reason for this will be recorded in the board minutes. Allocated share options referred to in paragraph 2.5 is binding for the Board and the Company until expiry of the options. The annual general meeting is supposed to renew authorisation to issue shares every year.

Biotec Pharmacon ASA defines the following positions as senior executives: CEO, CFO, CSO and VP Marketing Woulgan, and Managing director ArcticZymes.

Note 15.2. Guidelines for salaries and other benefits for 2017

Note 15.2.1 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.

Note 15.2.2 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.

Note 15.2.3 Benefits in kind

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

Note 15.2.4 Performance related payPerformance related pay for senior executives:

Maximum bonus

	Maximum bonus
CEO	50 % of fixed annual salary
CFO	20 % of fixed annual salary
CSO, Biotec BetaGlucans AS	25 % of fixed annual salary
VP Marketing Woulgan, Biotec BetaGlucans AS	20 % of fixed annual salary
Managing Director, ArcticZymes AS	25 % of fixed annual salary

Performance related pay depends on the Company and the individual achieving predefined measurable objectives (Key Performance Indicators) and will be determined by the Board. Performance related payments in 2017 were based on the objectives achieved during 2016. Total average performance related payment in 2017 amounted to 61% of the maximum.

Note15.2.5 Allocated options to senior executives and other employees

A share option scheme for all employees was established in the second quarter of 2015, with a two- year vesting period and one year for declaration period. The option scheme provide an incentive to stay with the company and the size of the award depends on each employee's opportunity to contribute to shareholder value. The main principle for the option scheme is that the strike price should be equal or higher than the market price at grant. In total 452 500 share options were issued in the second quarter 2015 at a strike price of NOK 18.42 per share. The first exercise date was on I June 2017.

A second share option scheme for all employees was established in the second quarter of 2016. The option scheme follows the same outline as the program in 2015 with two-year vesting period and one-year declaration period. In total 519 500 options were issued in the second quarter of 2016 at a strike price of NOK II.93 per share. The first exercise date is I June 2018

Senior executives, i.e. CEO (resigned 30.09.2017) S. Lien holds 160 000 options, CFO B. Sørvoll holds 70 000 options, CSO R. Engstad holds 80 000 options, Managing Director ArcticZymes J. Holter holds 80 000 options and VP Marketing S. Devine holds 30 000 options related to these programs. Svein Lien's options in the 2016 program need to be called by end of the first quarter 2018. Christian Jørgensen who replaced Svein Lien as CEO on 02.10.2017 has an agreement giving him the right to receive 500 000 options, or equivalent cash compensation, with the following plan:

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

Christian Jørgensen's options have a three-year vesting period and a two-year declaration period after award.

At 3I December 20I7 the total number of options outstanding is 972 000. See note I3 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.

Note 15.2.6 New options

The Board wants to continue awarding options based on principles previously defined, see section 2.5. The Board proposes to the annual general meeting a new program with award of up to I 300 000 share options to senior executives for the period up to annual general meeting in 2019. This includes 500 000 options to the CEO (according to CEO employment contract) and 800 000 options divided equally between CFO Børge Sørvoll, MD ArcticZymes Jethro Holter, CSO Rolf Engstad and VD Marketing Stuart Devine. For each senior executive, the principles of option plan will be:

Proposed options	Option strike price	Options earned at share price
20% of options	NOK 8.00 per share	NOK 11.00 per share
20% of options	NOK 8.00 per share	NOK 14.00 per share
20% of options	NOK 8.00 per share	NOK 17.00 per share
20% of options	NOK 8.00 per share	NOK 20.00 per share
20% of options	NOK 8.00 per share	NOK 23.00 per share

Christian Jørgensen's options have a three-year vesting period and a two-year declaration period after award.

The vesting period will be three-years (2018-2020), with an additional two-year declaration period (until 2022). The options will be awarded after the annual general meeting in 2018. It is assumed that the Annual General Meeting will renew this program every year during the length of the program.

The Board further proposes that a maximum of IOO OOO options are allocated to other employees, based on Board of Director's discretion. Exercise price for these allocated options will be five-days average

closing price prior to the date they are awarded. The options have a vesting period of three-years and an additional one-year declaration period. It is assumed that the Annual General Meeting will renew this program every year during the length of the program.

Note 15.2.7 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 I2G. All employees contribute with additional 2% of own salary to the pension scheme.

Note 15.2.8 Severance schemes

Resigned CEO Svein Lien is employed by the Company until I April 2018. He will not receive any severance pay after notice period expires.

CEO Christian Jørgensen employment contract entitles him to 6 months' severance payment beyond the 6 months' notice period if the Company terminates the employment. CFO Børge Sørvoll and Managing

Director *ArcticZymes* AS Jethro Holter are entitled to 6 months' severance pay from the Company. Severance schemes for other senior executives are not established.

Note 15.2.9 Other remuneration

There are no other elements in remuneration to senior executives.

Note 15.3. Executive salary policy for the fiscal year 2017

During 2017 *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 2016. The CEO's (Svein Lien) salary was unchanged in 2017. The position as Managing Director of *Biotec BetaGlucans AS* has been held by the CEO of the Group in 2017.



Note 16 Deferred tax asset

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities assuming that the deferred taxes relate to the same taxation authority.

Temporary differences

(Amounts in NOK 1 000):	2017	2016	Change
Non current assets	-26616	-36 843	-10 227
Gains and loss account	20 721	25 902	5 180
Total temporary differences	-5 894	-10 942	-5 048
Deferred tax asset:			
Tax assessment loss carried forward	-425 913	-393 554	32 359
Calculation base deferred tax asset	-431 807	-404 496	27 311
Deferred tax asset, 23%/24%	-99 316	-97 079	2 237

The Group has excluded from the financial position deferred tax asset of NOK 99.3 million related to temporary differences and tax loss carryforwards, as the company did not meet the criteria for capitalization under IAS I2. On approval date of this report, there was insufficient data available to predict reliable future earnings in order incorporate deferred tax asset in the finacial position.

Note 17 Tax expense

(Amounts in NOK 1 000)	2017	2016
Profit before income tax	-24 740	-20 389
Group profit consolidation		-18 645
Non deductable expenses	18	55
Non taxable income	-2 653	-2 551
Utilisation of tax loss carried forward		-3 673
Changes in temporary differences	-5 047	14 302
Tax base	-32 422	-30 901
Tax expense	0	0

Tax payable is not calculated. Deferred tax asset is not recognized and tax expense thus constitutes NOK 0.

Note 18 Pension costs

The Group 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.I G, and 8% for salaries between 7.I G and I2 G. In addition employees pay 2% of their salary to the pension plan. As of 31.12.2017 the Group paid for 41 members of the scheme. As of 31.12.2016 the Group paid for 42 members of the scheme.

(Amounts in NOK 1 000)	2017	2016
Total pension costs	1 452	1 366

Note 19 Other operating revenues

(Amounts in NOK 1 000)	2017	2016
Government grants (note 24)	1 675	4 102
Tax grants "Skattefunn" (note 24)	2 600	3 124
Other grants	1 796	208
Total other operating revenues	6 072	7 433

Currency gains/losses for 2016 have been reclassified to sales revenues for comparison purposes.

Note 20 Financial income and expense

(Amounts in NOK 1 000)	2017	2016
Interest income	807	584
Other financial income / expense(-)	-695	-34
Total financial income and expense, net	112	550

Note 21 Personnel expenses

(Amounts in NOK 1 000)	2017	2016
Salaries	40 193	37 406
Employer's social security contribution	2 856	2 606
Estimated value of share options granted to employees (note 13)	1 529	1773
Pension costs (note 18)	1 452	1 366
Total personnel expenses	46 030	43 151
Number of employees on 31 December:	44	46
Number of FTEs	44.0	41.2

The pension scheme (note I8) complies with the requirements for compulsary occupational pensions in Norway.

Note 22 Other operating expenses

(Amounts in NOK 1 000)	2017	2016
Marketing expenses	1735	1 141
Patent and licensing expenses	2 997	3 411
Rental and operation of premises	8 269	8 453
Other operating expenses	6 077	6 163
Total other operating expenses	19 078	19 168

Note 23 Research and development expenses

According to the Group's accounting policies (note 2.6), the development of Woulgan, rSAP, HL-dsDNase, Elisa-kit, San HQ and Polymerases are considered to be development projects that meets the IFRS criteria for capitalization in 2017. The Group capitalized NOK 2.4 millon in 2017. Other expenses related to research and development are expensed when incurred.

(Amounts in NOK 1 000)	2017	2016
RESEARCH AND DEVELOPMENT EXPENSES:		
Personnell expenses	16 505	16 395
Purchase of external services	2 065	3 277
Other operating expenses	2 960	2 379
Depriciation and amortization	1 968	1853
Total R&D expenses, not capitalized	23 500	23 904

Note 24 Government grants

A significant part of the Group's activities is research-based and complies with regulations for grants from the Research Council of Norway. A grant is settled based on annual financial reporting. From time to time the company applies for grants from other available sources. The following grants for research and development activities are included in other operating income (note 19):

(Amounts in NOK 1 000)	Grants expiry	2017	2016
FROM RESEARCH COUNSIL OF NORWAY (FORSKNINGSRÅDET):			
Functionalization of enzymes from marine bioprospecting	2016		580
Enabling new concepts for marine enzymes	2017	263	2 159
Phd funding program	2018	378	702
X-press	2019	1034	500
FROM INNOVATION NORWAY (INNOVASJON NORGE):			
Investment grant for production equipment, distributed over amortization periods	2016		66
FROM MABIT:			
Increased protection against sea lice infestation with an activated immune system	2017	344	28
FROM TROMS FYLKESKOMMUNE (VRI):			
Better protection against viruses by activating the immune system	2017	103	97
FROM REGIONAL RESEARCH FUND (REGIONALT FORSKNINGSFOND):			
Reduced sea lice infestation by adding beta-glucan	2017	167	83
FROM NORINNOVA TECHNOLOGY TRANSFER:			
MdxPol	2018	654	
FROM HORIZON 2020 (EU):			
Virus X	2020	529	94
Tax grants "Skattefunn"	Annually	2 600	3 124
Total grants		6 072	7 433

Note 25 Related party disclosures

Director Martin Hunt has been a member of the Board since II May 2017. 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.I million in 2017. Director Inger Rydin owns and operates Inger Rydin AB. Inger Rydin AB is an advisor to *Biotec BetaGlucans AS* and invoiced during 2017 services for NOK 0.0I million. Beyond this, the Group had no transactions with related parties.

Remuneration of Board of Directors and Management

(Amounts in NOK 1 000)		20	17			20	16	
	Salaries paid	Bonus paid	Pension costs	Other benefits	Salaries paid	Bonus paid	Pension costs	Other benefits
Erik Thorsen, Chairman	415				400			
Inger Rydin, Director	200				190			
Masha LG Strømme, Director	171				165			
Martin Hunt, Director	105							
Ingrid Skjæveland, Director / Employee	45							
Jan Raa, former Director	39							
Richard Godfrey, former Director	66				99			
Gerd Nilsen, former Director	30				75			
Olav Flaten, former Director	70				171			
Gunnar Rørstad, former Director					80			
Christian Jørgensen, CEO (01.10.17)	1 111		23	3				
Svein Lien, former CEO	2 825	873	82	25	2 799	911	83	26
Børge Sørvoll, CFO	1 180	157	75	11	1 157	174	85	9
Rolf Engstad, CSO Biotec BetaGlucans AS	1 420	167	90	18	1313	190	84	17
Jethro Holter, Managing Director ArcticZymes AS	1 304	259	77	11	1 265	223	83	9
Stuart Devine, VP Global Marketing Woulgan, Biotec Betaglucans AS	1828	178			1942	246		

See note I3 in reference to share options to executives and note I5 regarding executive remuneration policy. The Group has a bonus scheme for key employees. Bonus will depend on achieving defined objectives (Key Performance Indicators) for the current year. The maximum bonuses for 2017 are 50% of salary for Svein Lien, 20% of salary for Børge Sørvoll, 25% of salary for Rolf Engstad, 25% for Jethro Holter and 20% for Stuart Devine. The criteria for bonus payments for 2017 are partly fulfilled. Provisions made in the financial accounts according to best estimate. CEO Christian Jørgensen received a sign-on fee when joining the Company.

Shares owned or controlled by directors and senior management per 31.12.2017:

	Options	Shares *
Erik Thorsen, Chairman		23 500
Ingrid Skjæveland, Director, employees' representative	17 500	16 087
Christian Jørgensen, CEO		62 000
Rolf Engstad, CSO	80 000	370 774
Børge Sørvoll, CFO	70 000	17 428
Jethro Holter, Managing Director ArcticZymes AS	80 000	564
Suart Devine, VP Marketing, BBG	30 000	25 187

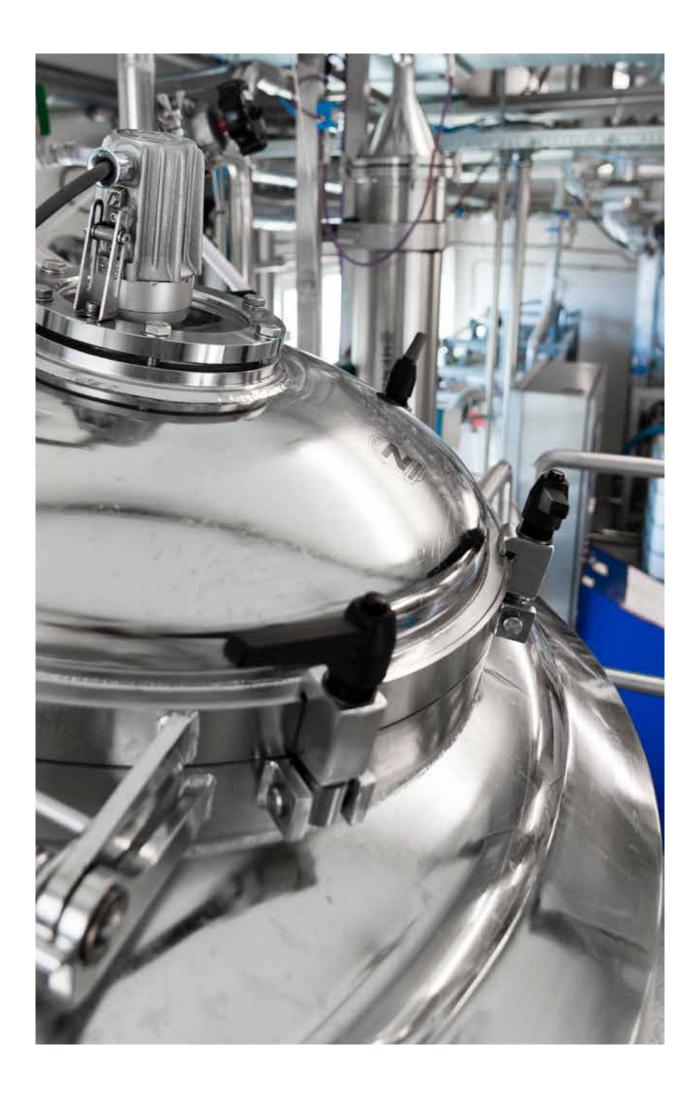
 $[\]mbox{\ensuremath{^{\star}}}$ Including shareholdings of close assosiates

External auditor: Auditing fees and expenses ex VAT:

(Amounts in NOK 1 000)	2017	2016
Statutory audit	274	269
Other attestation services	10	4
Other services beside auditing	31	100
Total auditing fees and expenses	315	372

Note 26 Events after balance sheet date, 31 December 2017

There are no events of significance to the financial statements for the period from the financial position date to the date of approval; I4 March 2018.





Financial statements - parent company

Financial statement of profit & loss – parent company

I. January till 3I. December

(Amounts in NOK 1 000)	Note	2017	2016
Sales revenues	5	15 075	14 523
Total revenues		15 075	14 523
Personnel expenses	6,13	15 840	13 708
Depreciation and amortization	1	10	56
Other operating expenses		8 328	6613
Total operating expenses		24 178	20 377
Operating profit / loss (-)		-9 104	-5 854
Financial income	11	877	1 446
Financial expenses	11	-26	-30
Profit/loss(-) before income tax		-8 253	-4 437
Income tax expense	2	0	0
Net profit/loss(-)		-8 253	-4 437
Transferrals			
Transferred to other equty		-8 253	-4 437

Financial statement of comprehensive income – parent company

(Amounts in NOK 1 000)	Note 2017	2016
Net profit/loss for the year	-8 253	-4 437
Other income & costs after tax	0	0
Comprehensive income	-8 253	-4 437

Statement of financial position – parent company

As of 3I. December

(Amounts in NOK 1 000)	Note	2017	2016
ASSETS			
NON-CURRENT ASSETS			
Office equipment	1	5	15
Investments in subsidiaries	8,9	244 537	244 537
Total non-current assets		244 542	244 552
CURRENT ASSETS			
Accounts receivables	4, 9, 12	1 476	1 3 1 2
Other receivables	4,12	375	190
Cash and cash equivalents	3,12	54 869	61 135
Total current assets		56 720	62 637
Total assets		301 262	307 188
EQUITY AND LIABILITIES EQUITY			
Share capital	7	43 945	43 945
Premium paid in capital		133 378	133 378
Other paid-in capital		46 282	44 753
Retained earnings		73 472	81 725
Total equity		297 076	303 801
CURRENT LIABILLITIES			
Accounts payable	12	29	296
Public fees and tax withholdings	12	1 399	701
Other current liabilities	10,12	2 758	2 391
Total current liabilities		4 185	3 388

Tromsø, I4 March 2018

	•	•			
Erik Thorsen	Inger Rydin	Martin Hunt	Ingrid Skjæveland	Masha Strømme	Christian Jørgensen
Chairman	Director	Director	Director	Director	CEO

Statement of changes in equity – parent company

I. January till 3I. December

(Amounts in NOK 1 000)	Share capital	Premium paid in capital	Other paied in capital	Retained earnings	Total
Equity as of 01.01.2016	43 945	133 378	43 027	86 161	306 511
Purchase own shares				-230	-230
Sale own shares				184	184
Employees' share options			1773		1773
Net profit for the year 2016				-4 437	-4 437
Equity as of 31.12.2016	43 945	133 378	44 753	81724	303 801
Purchase own shares					
Sale own shares					
Employees' share options			1 529		1 529
Net profit for the year 2017				-8 253	-8 253
Equity as of 31.12.2017	43 945	133 378	46 282	73 471	297 076
The Company's share capital con	sists of 43 944 673	shares as of 31.12.20	17.		

Statement of cash flow – parent company

I. January till 31. December

(Amounts in NOK 1 000)	Note	2017	2016
CASH FLOW FROM OPERATING ACTIVITIES			
Profit / loss(-) after tax adjusted for:		-8 253	-4 437
Depreciation and amortization	1	10	56
Employees' options, share-based payment expense	6	1 529	1773
Changes in working capital			
Account receivables and other receivables	4	-390	-416
Trade and other payables		797	-359
Net cash flow from operating activities		-6 307	-3 383
CASH FLOW FROM INVESTING ACTIVITIES			
Investment in subsidiary			-70 000
Changes in long-term receivables		41	76
Net cash flow from investing activities		41	-69 924
CASH FLOW FROM FINANCING ACTIVITIES			
Share issue			
Purchase own shares	7		-230
Sale own shares	7		184
Net cash flow from financing activities		0	-46
Net change in cash during the year	3,12	-6 266	-73 353
Cash and cash equivalents as of 1 January	3, 12	61 135	134 489
Cash and cash equivalents as of 31.12		54 869	61 135

Notes to the financial statements for 2017 — 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 Depreciation fixed assets

(Amounts in NOK 1 000)	Office equipment 2017	Total 2017	Office equipment 2016	Total 2016
Accumulated costs as of 01.01.	471	471	471	471
Accumulated depreciation	466	466	456	456
Book value as of 31.12.	5	5	15	15
This year's depreciation	10	10	56	56
Depreciation rate	3-5 years			

Note 2 Tax expense

(Amounts in NOK 1 000)	2017	2016	Change
TEMPORARY DIFFERENCES			
Non current assests	4 973	6 211	-1 238
Gains and loss account	20 721	25 901	-5 180
Total temporary differences	25 694	32 112	-6 418
Tax assessment loss carried forward	-189 846	-188016	-1830
Calculation base deferred tax asset	-164 152	-155 904	-8 248
Deferred tax asset, 23%/24%	-37 755	-37 417	-338
Profit before income tax	-8 253	-4 437	
Permanent differences	5	7	
Change temporary differeces	6 4 1 8	8 103	
Profit before tax loss carried forward	-1830	3 673	
Utilisation of tax loss carried forward	1830	-3 673	
Tax base	0	0	
Change in deferred tax asset	0	0	
Tax expense	0	0	

Deferred tax asset has not been incorporated in the financial position for 2016 nor 2017.

Note 3 Cash and cash equivalents

(Amounts in NOK 1 000)	2017	2016
Cash and bank accounts	53 764	60 622
Tax withdrawal accounts	1 106	513
Cash and cash equivalents, gross	54 869	61 135
Joint liability for debt of the subsidiary Biotec BetaGlucans to DNB in accordance with bank account terms for the Group.	-34 526	-12 340
Total cash and cash equivalents, net	20 343	48 795

The Company's bank deposits are included in the group account agreement with DNB. See note I2 for the Group showing the Group's net cash equivalents. See note I2 for the parent company.

Note 4 Receivables

(Amounts in NOK 1 000)	2017	2016
Accounts receivable	1 476	1312
Other receivables	375	190
Total receivables	1851	1 502

The fair value of accounts receivable and other receivables equals book value. The Company has no long term dept. There are no significant concentrations of credit risk.

Note 5 Sales revenue

(Amounts in NOK 1 000)	2017		2016	
GEOGRAPHICAL DISTRIBUTION:				
Norway	100%	15 075	100%	14 523
Total sales revenues	100 %	15 075	100%	14 523

Note 6 Personnel expenses

(Amounts in NOK 1 000)	2017	2016
Salaries	12 600	10 468
Employer's social security contribution	1 098	903
Pension costs	457	348
Estimated value of share options granted to employees (note 13)	1 529	1 773
Other benefits	158	216
Total personnel expenses	15 840	13 708

2017: 9.2 FTE split between 4.45 men and 4.75 women. 2016: 7.6 FTE split between 2.85 men and 4.75 women. The company's pension scheme complies with the requirements in regard to compulsary occupational pensions in Norway.

Auditor expenses, ex VAT:

(Amounts in NOK 1 000)	2017	2016
Statutory auditing	160	90
Other auditing services		19
Other services beside auditing	28	19
Total auditing expenses	188	128

Remuneration of the Board of Directors and management:

(Amounts in NOK 1 000)		20	17		2016			
	Salaries paid	Bonus paid	Pension costs	Other benefits	Salaries paid	Bonus paid	Pension costs	Other benefits
Erik Thorsen, Chairman	415				400			
Inger Rydin, Director	200				190			
Masha LG Strømme, Director	171				165			
Martin Hunt, Director	105							
Ingrid Skjæveland, Director / Employee representative	45							
Jan Raa, former Director	39							
Richard Godfrey, former Director	66				99			
Gerd Nilsen, former Director	30				75			
Olav Flaten, former Director	70				171			
Christian Jørgensen, CEO (01.10.17)	1111		23	3				
Svein Lien, former CEO	2825	873	82	25	2 799	911	83	26
Børge Sørvoll, CFO	1 180	157	75	11	1 157	174	85	9

The Company has a bonus scheme for key employees. Bonus will depend on achieving defined objectives (Key Performance Indicators) for the current year. The maximum bonuses for 2017 are 50% of salary for Svein Lien, and 20% of salary for Børge Sørvoll. The criterias for bonus payments for 2017 are partly fulfilled. CEO Christian Jørgensen received a sign-on fee when joining the Company.

See note I3 in the accounts for the Group regarding share options to employees, and note I5 for matters concerning the CEO. There are no loans, prepayments or guarantees in favour of senior executives in the Company.

Note 7 Share capital

(Number of shares)	Number of shares	Whereof treasury shares
01.01.2016	43 944 673	
Purschase own shares	17 895	17 895
Sale own shares	-17 895	-17 895
Per 31.12.2016	43 944 673	0
Per 31.12.2017	43 944 673	0

The Annual General Meeting on II May 2017 granted one authorization to the Board: Authorization to issue up to I 200 000 shares in connection with share schemes for employees. The authorization is valid until the AGM in 2018 or at the latest 30.06.2018. This authorization was not exercised as of 31 December 2017.

See Group note 13 for an overview over largest shareholdings.

Note 8 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 %	42 500	3 377	18329
Biotec BetaGlucans AS	Tromsø	122 037	100 %	202 037	-20 492	494

Note 9 Group internal accounts

(Amounts in NOK 1 000)	2017	2016
Receivables from subsidiaries as of 31.12	1 476	1 312
Liablitities to subsidiaries as of 31.12	0	0

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.

Note 10 Other current liabilities

(Amounts in NOK 1 000)	2017	2016
Accrued salaries and holiday payment	1 639	1 034
Other accrued costs	1 119	1 358
Total other current liabilities	2 758	2 391

Book value of current liabilities equals fair value.

Note 11 Financial income and expense

(Amounts in NOK 1 000)	2017	2016
Interest income	867	1 446
Total financial income	867	1 446
Impairment loss on unlisted shares		-29
Net loss on currencies, not realised	-15	-1
Interest expense	-1	
Total financial expense	-16	-30
Total financial income and expense, net	851	1 417

Note 12 Financial instruments by category

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

Assets per 31.12

And the second s		
(Amounts in NOK 1 000)	2017	2016
DEPOSITS AND RECEIVABLES		
Accounts receivable	1851	1 502
Money market fund	13 000	
Cash and cash equivalents	41 869	61 135
Total financial instruments	56 720	62 637

Liabilities per 31.12

(Amounts in NOK 1 000)	2016	2015
FINANCIAL LIABILITIES AT AMORTISED COST		
Accounts payable	29	296
Public fees and tax witholdings	1 399	701
Other current liabillities	2 758	2 391
Total current liabilities	4 185	3 388

Note 13 Pensions

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.I G, and 8% for salaries between 7.I G and I2 G. In addition employees pay 2% of their salary to the pension plan. As of 3I.I2.20I7 the Company paid for I2 members of the scheme.

(Amounts in NOK 1 000)	2017	2016
Total pension costs	457	348

Note 14 Events after balance sheet date, 31 December 2017

There are no events of significance to the financial statements for the period from the financial position date to the date of approval; I4 March 2018.

Statement by the Board of Directors and CEO

We confirm, to the best of our knowledge, that the financial statement for the period I. January to the 3I. December 2017 have been prepared in accordance with current accounting standards and that the information in the accounts gives a true and fair view of the Company and the Group's assets, liabilities, financial position and results of operation.

We also confirm, to the best of our knowledge, that the 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, I4. March 2018 Board of Directors Biotec Pharmacon ASA

Erik Thorsen	Inger Rydin	Martin Hunt	Ingrid Skjæveland	Masha Strømme	Christian Jørgensen
Chairman	Director	Director	Director, employee representative	Director	CEO



Statsautoriserte revisorer Ernst & Young AS

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INDEPENDENT AUDITOR'S REPORT

To the Annual Shareholders' Meeting of Biotec Pharmacon ASA

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Biotec Pharmacon ASA, which comprise the financial statements for the parent company and the Group. The financial statements of the parent company comprise the balance sheet as at 31 December 2017, the statements of other comprehensive income, income statement, cash flows and changes in equity for the year then ended and notes to the financial statements, including a summary of significant accounting policies. The consolidated financial statements comprise the balance sheet as at 31 December 2017, the statements of other comprehensive income, income statement, cash flows and changes in equity 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 financial statements present fairly, in all material respects, the financial position of the parent company as at 31 December 2017, and of its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act section 3-9;
- the consolidated financial statements present fairly, in all material respects the financial position of the Group as at 31 December 2017 and of 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 in accordance with the ethical requirements that are relevant to our audit of the financial statements in Norway, and we have fulfilled our ethical responsibilities as required by law and regulations. We have also complied with our other ethical obligations 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 for 2017. We have determined that there are no key audit matters to communicate in our report.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures provide the basis for our audit opinion on the financial statements.

Other information

Other information consists of the information included in the Company's annual report other than the financial statements and our auditor's report thereon. The Board and Chief Executive Officer (management) are responsible for the other information. 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.

Responsibilities of management for the financial statements

Management is responsible for the preparation and fair presentation of the financial statements 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 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 Company or to cease operations, or has no realistic alternative but to do so.

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 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 the 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 law, regulations and generally accepted auditing principles 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, 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 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'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 to cease to continue as a going concern.

- 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 also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

Report on other legal and regulatory requirements

Opinion on the Board of Directors' report and on the statements on corporate governance and corporate social responsibility

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 proposal for the allocation of the result is consistent with the financial statements and complies with the law and regulations.

Opinion on registration and documentation

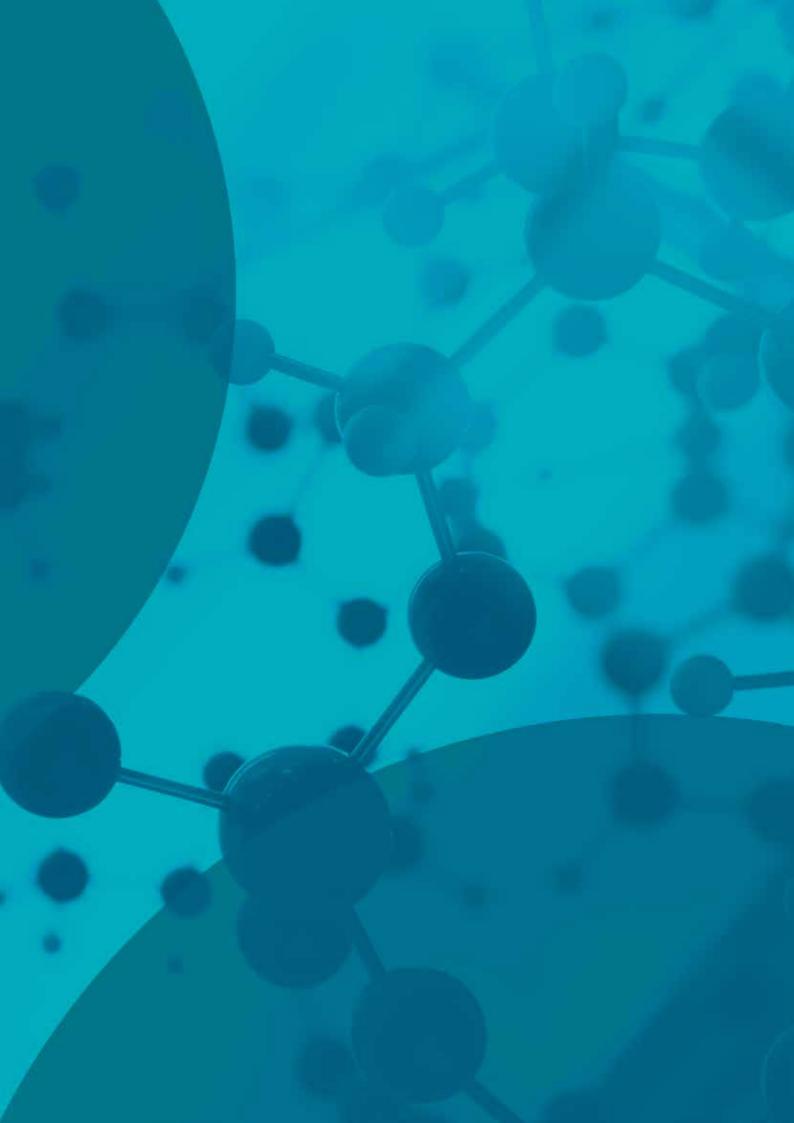
Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, Assurance Engagements Other than Audits or Reviews of Historical Financial Information, it is our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

Tromsø, 15 March 2018 ERNST & YOUNG AS

Kai Astor Frøseth

Van Oktor Frank

State Authorised Public Accountant (Norway)



Biotec Pharmacon ASA

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