

3rd QUARTER REPORT 2010

- Results from studies in mice confirm suspected differences in SBG performance depending on the type of product container used
- New and more robust gel compositions are now being tested for stability and for efficacy in an animal model
- Regulatory authorities within EU confirm that a beta-glucan based Wound Healing product may be classified as a medical device
- The recombinant SAP with improved performance has been well received in the market
- The new agreement related to the MARZymes project substantially increases the pipeline and longer-term sales potential for Marine Biochemicals.

NOK million	Q3-10	Q3-09	YTD-10	YTD-09	2009
Marine Biochemicals	2.0	4.2	12.0	12.2	17.6
Beta-Glucans	0.2	1.4	3.3	4.8	6.5
Revenues	2.2	5.6	15.3	17.0	24.1
Marine Biochemicals	-1.5	2.5	3.1	6.4	8.4
Beta-Glucans	-4.6	-20.3	-23.0	-51.2	-71.1
Corporate and unallocated	-1.2	-9.8	-5.1	-16.0	-19.4
EBITDA	-7.3	-27.7	-25.0	-60.8	-82.1
Profit before tax	-7.9	-27.8	-26.6	-59.6	-81.2

Note: Figures restated to reflect divestment of Immunocorp Consumer Health in Q4 2009

FINANCIAL DEVELOPMENT AND POSITION

Overall EBITDA was NOK -7.3 million in the third quarter 2010, compared to NOK -27.1 million in the third quarter 2009. The company is debt free with NOK 23 million in cash and an unused credit facility of NOK 10 million. Completion of the phase III clinical trials and workforce reductions in the parent company has significantly reduced the cash burn in the Group.

OUTLOOK

- **Beta-Glucans:** New robust SBG-based gel compositions with improved stability will be tested for efficacy in mice. The objective is to select a composition for development of a medical device, and discussions with potential partners are ongoing.
- **Marine Biochemicals:** Revenue and profitability are in line with expectations for the full-year, as indicated by all time high revenues of NOK 3.8 million in October. Enzyme candidates from the MabCent and MARZymes collaboration projects with the University of Tromsø are currently being evaluated for commercialization potential.

Beta-Glucans

Biotec Pharmacon's Beta-Glucan development activities are concentrated on products for treatment of immune related diseases using the bioactive compound SBG (soluble beta- 1,3/1,6-glucan). The company is in the process of developing a product for wound treatment, in particular chronic ulcers, combining the SBG substance with a solid gel to make a robust device either as a separate gel or in combination with a dressing. Biotec Pharmacon has received a written opinion from regulatory authorities within EU, confirming that such a Wound Healing product may be classified as a medical device. The company also has early stage research programs ongoing for immunotherapy of cancer in combination with monoclonal antibodies, and for treatment of inflammatory bowel disease (IBD).

As announced in September, the company received conclusive results from its animal study with SBG, which confirmed the findings announced in the second quarter report.

The study concluded that there were significant differences in the performance of SBG stored in polyethylene and polycarbonate containers, respectively. The animal model used was healing of acute wounds in diabetic mice. The company is of the opinion that the results provide sufficient documentation for the cause of the fault of the phase III studies, and has shifted its focus towards moving SBG forward as a medical device in this therapeutic area.

Stability studies are ongoing with standard SBG. The product is stable in some containers like glass and polycarbonate, but may undergo fragmentation in many of the softer plastic containers. Since there seems to be a link between fragmentation and performance, the company has started projects to combine standard SBG with gel stabilizers to form a more solid gel. The preliminary results look promising and additional gel compositions will be tested in the animal model starting mid-November. The efforts to develop a SBG-based device will be concentrated on the most efficient product composition.

Discussions are ongoing with potential partners for a wound healing product. Clear commitment from a leading market player will ensure the development of a commercially attractive product and secure a strong distribution organization once the product is ready to be launched in the market.

FINANCIAL REVIEW, BETA-GLUCANS

<i>NOK million</i>	Q3-10	Q3-09	YTD-10	YTD-09	2009
Revenue	0.2	1.4	3.3	4.9	6.5
Other operating expenses	-4.8	-21.7	-26.3	-56.1	-77.6
EBITDA	-4.6	-20.3	-23.0	-51.2	-71.1
Depreciation	-0.7	-0.7	-1.9	-2.0	-2.7
EBIT	-5.3	-21.0	-24.9	-53.2	-73.8

Revenue in the Beta-Glucans segment reflect research grants, as well as modest sales of beta-glucan products for use in the production of dietary supplements and cosmetics to the consumer health business that the company divested in 2009.

The sharp decline in other operating expenses reflects costly clinical trials in previous periods, as well as significant staff reductions as a result of the negative outcome of the phase III studies.

Marine Biochemicals

Within the Marine Biochemicals division, the company sees good demand for the new recombinant SAP product on the global market. The product offers significant improvements compared with native SAP, which in turn opens for new applications for this proprietary enzyme.

Marine Biochemicals focuses on cold adapted enzymes discovered in the Arctic Ocean, which possess unique features for use in the preparation and analysis of DNA and RNA samples. The company has a long-standing and close relationship with the University of Tromsø, which is acknowledged as a leader in bio-prospecting in the Arctic. This relationship was further expanded and consolidated with the recently announced agreement where Biotec Pharmacon ASA (Biotec) and the University of Tromsø extend their co-operation to also include the MARZymes project.

The MARZymes project is short for “Molecules for the future novel enzyme activities from environmental libraries”. The project has a five year horizon and targets discovery of new enzymes with capabilities for commercialization. The project is organized in collaboration between the universities in Tromsø, Trondheim (NTNU/Norway), and Umeå (Sweden), and has received a NOK 35 million grant from the Norwegian Research Council.

The commercial rights to the research results from the MARZymes project are owned by Marimol AS, which will be merged with Marine Biochemicals AS. The exclusive option to license new products from the MARZymes project is expected to give the company a wider product portfolio and a strong platform for further growth.

Continued efforts to increase customer awareness of Marine Biochemicals and its products are paying off, in the form of a very large increase in customer trials. Thirteen trials were initiated in the third quarter 2010, compared to one trial in the third quarter 2009. A total of eight trials were initiated during the second half of 2009, compared to 72 trials during the first nine months of 2010.

Sales processes are heavily based on trials, often with very long trial periods, and the surge in the number of trials is a very good indicator for the amount of future sales openings being generated.

During 2010, Marine Biochemicals has been exhibiting at nine different trade shows, of which seven in the US and two in Europe, and these have been the primary sales lead generator.

In order to maximize the benefit from the MARZymes agreement and sales leads from the customer trials, the company has hired a dedicated application developer. Furthermore, the company will also increase in its investments in the development of new products and applications, and expand its international sales and marketing activities to accommodate an expected rapid sales growth going forward.

FINANCIAL REVIEW, MARINE BIOCHEMICALS

<i>NOK million</i>	Q3-10	Q3-09	YTD-10	YTD-09	2009
Revenue	2.0	4.2	12.1	12.2	17.6
Other operating expenses	-3.4	-1.8	-9.0	-5.8	-9.2
EBITDA	-1.4	2.4	3.1	6.4	8.4
Depreciation	-0.1	0.0	-0.2	0.0	-0.1
EBIT	-1.5	2.4	2.9	6.4	8.3

The revenues for Marine Biochemicals were only NOK 2.0 million in the third quarter, compared to NOK 4.2 million in the third quarter 2009. The third quarter is seasonally slow, although sales in the third quarter 2009 were supported by SAP sales related to “swine-flu” testing. However, the main explanation for the weakness in the third quarter 2010 is that some of the large SAP orders invoiced to the distributor USB were delayed into the fourth quarter. Revenue for the month of October was a strong NOK 3.8 million, and revenue lost in the third quarter is thus expected to be fully recovered in the fourth quarter.

Biotec Pharmacon – Group Figures

Overall EBITDA was NOK -7.3 million in the third quarter 2010, compared to NOK -27.7 million in the third quarter 2009. For the first nine months of 2010, EBITDA amounted to NOK -25.0 million, compared to NOK -60.8 for the same period last year.

EBIT was NOK -8.0 million in the third quarter (-28.4) and net financial income NOK 0.1 million (0.6).

Profit before tax for continued operations was NOK -7.9 million in the third quarter 2010 and NOK -26.6 million for the first nine months, compared to NOK -27.8 million and NOK -59.6 million in the corresponding periods last year. As explained above, the lower losses mainly reflect the finalization of the clinical phase III studies and reduction of work force.

Balance Sheet, Cash Flow and Shareholder Matters

Total equity was NOK 36.2 million at 30 September, 2010, which was a decline of NOK 7.3 million in the third quarter and NOK 25.0 million in the first nine months. The decline reflects the net losses in the period. The equity ratio was 81.3 percent.

The total number of outstanding shares is 23,637,910, unchanged from 31 December 2009. The total number of options was 1,052,000 at the end of the third quarter, after cancellation of 251,500 options during the third quarter. Biotec Pharmacon holds no own shares.

Net cash flow from operating activities was a negative NOK 2.9 million in the third quarter 2010, compared to a negative NOK 29.6 million in the third quarter 2009. In the first nine months, net cash flow from operation was a negative NOK 25.4 million, compared to a negative NOK 71.0 million in the same period last year.

Cash and cash equivalents amounted to NOK 23.0 million at the end of the third quarter, a decline of NOK 3.0 million during the third quarter and NOK 26.7 million during the first nine months.

Oslo, 11 November 2010

Board of directors Biotec Pharmacon ASA

Biotec Pharmacon ASA Group - Third quarter accounts 2010

INCOME STATEMENT

Amounts in NOK 1.000

	3Q 2010	3Q 2009	Jan. - Sept. 2010	Jan. - Sept. 2009
Sales revenues	2 182	5 643	15 344	17 037
Cost of goods sold	160	329	-860	-652
Personell expenses	-6 682	-9 518	-20 140	-24 298
Depreciation and amortisation expenses	-707	-743	-2 083	-2 170
Other income	1 632	2 599	3 088	7 991
Other expenses	-4 634	-26 755	-22 455	-60 933
Operating profit	-8 047	-28 446	-27 106	-63 025
Finanical income, net	148	647	545	3 452
Profit before tax	-7 900	-27 799	-26 561	-59 573
Tax	0	0	0	0
Profit after tax, continued operations	-7 900	-27 799	-26 561	-59 573
Profit after tax, discontinued operation of the consumer health business		-2 257		-7 237
Profit after tax for the period	-7 900	-30 055	-26 561	-66 810
Basic EPS (profit for the period)	-0,33	-1,27	-1,12	-2,83
Diluted EPS (profit for the period)	-0,33	-1,27	-1,12	-2,83

EXTENDED INCOME STATEMENT

Amounts in NOK 1.000

	3Q 2010	3Q 2009	Jan. - Sept. 2010	Jan. - Sept. 2009
Profit after tax for the period	-7 900	-30 055	-26 561	-66 810
Extended profit:				
Adjustment financial assets available for sale	0	0	0	0
Translation differences	0	-1 328	0	-1 883
Extended profit after tax for the period	0	-1 328	0	-1 883
Net profit for the period	-7 900	-31 383	-26 561	-68 693

BALANCE SHEET

Amounts in NOK 1.000

	30.09.2010	30.09.2009	31.12.2009
Non-current assets			
Machinery and equipment	7 044	8 345	7 696
Intangible assets	1 284	36 697	1 373
Financial assets available for sale	329	329	329
Other financial assets	2 099	2 023	2 050
Total non-current assets	10 756	47 394	11 449
Current assets			
Inventories	3 525	8 124	3 613
Trade receivables and other receivables	7 205	11 312	27 492
Cash and cash equivalents	22 986	49 452	49 647
Total current assets	33 716	68 889	80 752
Total assets	44 472	116 283	92 201
Equity			
Share capital	23 638	23 638	23 638
Other equity	12 513	68 973	37 516
Total equity	36 151	92 611	61 154
Current liabilities			
Trade-, short term-, and other payables	8 321	23 671	31 047
Total current liabilities	8 321	23 671	31 047
Total equity and liabilities	44 472	116 283	92 201

CHANGES IN EQUITY

	3Q	3Q	Jan. - Sept.	Jan. - Sept.	Year
<i>Amounts in NOK 1.000</i>	2010	2009	2010	2009	2009
As of beginning of period	43 467	123 152	61 154	159 273	159 273
Net profit for the period	-7 900	-30 055	-26 561	-66 810	-99 372
Adjustment financial assets available for sale	0	0	0	0	0
Purchase own shares	0	0	0	0	-327
Sale own shares	0	0	0	0	274
Employee share options	584	842	1 558	2 032	2 682
Translation differences	0	-1 328	0	-1 883	-1 377
As of end of period	36 151	92 611	36 151	92 611	61 154

CASH FLOW ANALYSIS

	3Q	3Q	Jan. - Sept.	Jan. - Sept.	Year
<i>Amounts in NOK 1.000</i>	2010	2009	2010	2009	2009
Cash flow from operating activities					
Profit after tax	-7 900	-30 055	-26 561	-66 810	-99 372
Adjustment:					
Tax	0	0	0	0	35 523
Depreciation	707	793	2 083	2 328	2 984
Employee stock options	584	842	1 558	2 032	2 682
Unrealized disagio (agio)	0	0	0	0	-80
Profit by sale of fixed assets	0	0	-83	0	-57
Profit/loss by sale of subsidiaries	0	0	0	0	-16 196
Changes in working capital					
Inventory	-330	-1 644	88	-1 620	593
Account receivables and other receivables	5 217	250	20 287	-2 459	-19 686
Payables and other current liabilities	-1 190	234	-22 726	-4 469	4 610
Net cash flow from operating activities	-2 912	-29 580	-25 354	-70 999	-89 000
Cash flow from investing activities					
Purchase of fixed assets	-160	-499	-1 540	-849	-1 254
Sale of fixed assets	0	0	280	0	260
Sale of subsidiary	0	0	0	0	16 787
Purchase of investments in shares and other investments	0	0	0	-1 667	-1 667
Change in long term receivables	71	-143	-47	-1 313	-14
Net cash flow from investing activities	-89	-642	-1 307	-3 829	14 111
Cash flow from financing activities					
Purchase of own shares	0	0	0	0	-327
Sale of own shares	0	0	0	0	274
Net cash flow from financing activities	0	0	0	0	-53
Changes in cash and cash equivalents	-3 001	-30 222	-26 661	-74 827	-74 942
Cash and cash equivalents at the beginning of period	25 987	79 782	49 647	124 589	124 589
Currency conversion difference	0	-108	0	-310	0
Cash and cash equivalents at end of period	22 986	49 452	22 986	49 452	49 647

* Discontinued operation for consumer health, included in 3Q 2009 and Jan.-Sept. 2009-figures

Notes to the interim accounts for Q3 2010

Note 1 - Basis of preparation of financial statements

These financial statements are the unaudited interim consolidated financial statements (hereafter "the Interim Financial Statements") of Biotec Pharmacon ASA and its subsidiaries (hereafter "the Group") for the period ended 30 September 2010. The Interim Financial Statements are prepared in accordance with the International Accounting Standard 34 (IAS 34). These Interim Financial Statements should be read in conjunction with the Consolidated Financial Statements for the year ended 31 December 2009 (hereafter "the Annual Financial Statements"), as they provide an update of previously reported information.

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

The Group does not experience significant seasonal or cyclical variations in total sales during the financial year. Income tax expense or benefit is recognized based upon the best estimate of the weighted average income tax rate expected for the full financial year. Postponed income tax benefit is activated in the balance sheet hence the probability of future utilization.

Note 2 - Discontinued operation consumer health

The subsidiary company Immunocorp Consumer Health AS was sold as of 30.12.2009 together with patents and trade marks associated to the consumer health business. The accounts for previous periods are regrouped according to IFRS 5, now presenting operating profit and loss including profit related to the sale of consumer health business as "Profit after tax, discontinued operation".

Profit after tax, discontinued operation consumer health:

	3Q 2010	3Q 2009	Year 2009
Profit from operations before tax	0	-7 237	-8 460
Profit from sale of business as of 30.12.09	0	0	16 196
Tax	0	0	4 815
Profit after tax for discontinued operation consumer health	0	-7 237	12 551

Cashflow discontinued operation consumer health:

Cashflow operations	0	-7 187	-24 452
Cashflow investing activities	0	0	16 787
Cashflow financing activities	0	0	0
Cashflow	0	-7 187	-7 665

Note 3 - Analysis of operating revenue and -expenses, segment information

	3Q 2010	3Q 2009	Jan. - Sept. 2010	Jan. - Sept. 2009
<i>Amounts in NOK 1,000</i>				
Sales revenue:				
Beta-Glucans	176	1 397	3 281	4 858
Marine biochemicals	2 006	4 246	12 063	12 178
Group operating revenue	2 182	5 643	15 344	17 037
Operating expenses:				
Beta-Glucans	-6 820	-24 571	-29 154	-64 412
Marine biochemicals	-3 091	-1 530	-9 088	-5 450
Corporate & non-allocated costs	-1 243	-9 843	-5 213	-16 021
Group operating expenses before depreciation	-11 154	-35 943	-43 455	-85 882
Other income:				
Beta-Glucans	1 998	2 850	2 873	8 306
Marine biochemicals	-366	-251	132	-316
Corporate & non-allocated costs	0	0	83	0
Group other income	1 632	2 599	3 088	7 991
Operating profit (EBITDA):				
Beta-Glucans	-4 646	-20 324	-23 000	-51 247
Marine biochemicals	-1 452	2 465	3 107	6 413
Corporate & non-allocated costs	-1 243	-9 843	-5 130	-16 021
Group operating profit before depreciation	-7 340	-27 702	-25 023	-60 855
Depreciation:				
Beta-Glucans	-653	-650	-1 875	-1 953
Marine biochemicals	-53	-30	-163	-30
Corporate & non-allocated costs	0	-62	-45	-188
Group depreciation	-707	-743	-2 083	-2 170
Operating profit (EBIT):				
Beta-Glucans	-5 299	-20 974	-24 875	-53 199
Marine biochemicals	-1 505	2 435	2 944	6 383
Corporate & non-allocated costs	-1 243	-9 905	-5 175	-16 208
Group operating profit	-8 047	-28 446	-27 106	-63 025