1st QUARTER REPORT 2011

ENZYMES

- Continued strong growth, with sales revenue up 67% from Q1 2010
- Grant of NOK 7.2 million from the Research Council of Norway for development of marine enzymes will increase the research and development capacity and strengthen the product pipeline
- Entered into new supply agreement for the proprietary HL-dsDNase enzyme with a large customer for use in new kits for contamination control in qPCR

BETA-GLUCANS

- A few very promising alternatives for a final formulation of a wound healing device will be tested in an animal model late in Q2 to determine the exact final formulation
- Data from the stability studies clarified that the adjusted formulation is stabile in all tested container types, including the commercially preferable soft polyethylene tubes. Process initiated to decide on the final design and size of tubes
- The partnering process is continuing in a positive manner, generating important feedback and guidance to the product development process

NOK million	Q1-11	Q1-10	2010
Enzymes	***6.8***	***4.1***	***21.6***
Beta-Glucans	***2.2***	***1.7***	***4.3***
Sales revenues	**9.0**	**5.8**	**25.9**
Enzymes	***1.6***	***0.5***	***5.5***
Beta-Glucans	***-4.1***	***-12.9***	***-31.9***
EBITDA	**-2.5**	**-12.4**	**-26.3**
Profit before tax	**-3.0**	**-12.8**	**-28.5**

The segment figures reflect that all costs are allocated to the two operating units

FINANCIAL DEVELOPMENT AND POSITION

- Improvement in pre-tax result to NOK -3.0 million from NOK -12.8 million in Q1 2010
- Oversubscribed repair issue of 1.2 million shares in February generated proceeds of NOK 7.0 million, giving a cash balance of NOK 46 million at the end of the quarter

OUTLOOK

- **Enzymes:** Increased commercial activities will support ArcticZymes' aggressive growth targets going forward
- **Beta-Glucans:** Conclude product formulation. Partnering processes are moving forward in a positive manner

Enzymes - ArcticZymes

Although sales increased for both own-label and OEM products, the HL-dsDNase enzyme continues to be a main driver with end-user sales more than tripling compared to the first quarter 2010. All end user sales of this product were under ArcticZymes' own brand.

The company has entered into a new supply agreement with one of its current OEM customers for the HL-dsDNase enzyme, which is expected to contribute to continued strong growth. The enzyme will be used in the customer's new kits for contamination control in qPCR, with sales expected as soon as their product development process is completed.

ArcticZymes in April received a grant of NOK 7.2 million from the Research Council of Norway for a project entitled "Development of new marine enzymes for research and diagnostics". The project is a user-driven innovation project within the Research Council's functional genomics (FUGE) program aiming to establish a stronger product development platform for new enzymes for use in molecular biology applications. The total project budget is NOK 14.4 million over 3 years.

Strategic partnerships with MabCent, MARZymes, and others strengthen the pipeline of product candidates, driving an increase in product development speed and capacity. The partnership with the University of Tromsø in the new Research Council project will strengthen the entire product development chain and increase capacity from early stage to final product. The grant from the Research Council of Norway allows a substantial increase in R&D resources, enabling shorter product development cycles and higher capacity.

In-house development of protocols to support successful customer trials has given ArcticZymes much deeper insight into the parameters important for optimal enzyme activity, and a much better base for supporting swift trial conclusions. The company is hence more pro-active in its customer relations related to trials.

This insight also provides the company with a much better basis for determining which enzyme the customer should try, the consequence being that the number of trials initiated in the first quarter 2011 fell to 21 trials, compared to 27 trials in the first quarter last year. The commercial impact of the current trial process is nevertheless expected to be much better than last year.

FINANCIAL REVIEW, ENZYMES

NOK million	Q1-11	Q1-10	2010
Sales Revenue	***6.8***	***4.1***	***21.6***
Other income	***-0.7***	***0.2***	***0.2***
Operating expenses (net)	***-4.6***	***-3.8***	***-16.3***
EBITDA	**1.6**	**0.5**	**5.5**
Depreciation	***-0.2***	***-0.1***	***-0.4***
EBIT	**1.3**	**0.4**	**5.1**

ArcticZymes achieved sales revenue of NOK 6.8 million in the first quarter 2011, which corresponded to an increase of 67 percent from the first quarter 2010. Accrued currency losses (USD) were NOK -0.7 million, accounted for as other income. Revenue after these currency effects were still 43 percent higher than in the first quarter 2010.

ArcticZymes is noticing a much wider geographical spread in its shipments in 2011 than in 2010, reflecting increased activity across several regions. In 2010, 19 percent of shipments went to Europe and 81 percent to the US. So far in 2011, 44 percent of shipments went to Europe, 52 percent to the US, and 4 percent to Asia.

Operating expenses increased to NOK 4.6 million from 3.8 million in the first quarter 2010, which is mainly explained by increased staff and increased marketing and sales activities.

Beta-Glucans

The beta-glucans operations were previously organized within the parent company but were transferred to the new wholly-owned subsidiary Biotec BetaGlucans AS with effect from 1 January, 2011. Biotec BetaGlucans AS will handle all research and development and manufacturing of beta-glucans within the group.

Based on the findings from animal model studies and stability studies, the company is in the process of finalizing the formulation of a robust wound treatment gel containing the company's proprietary beta-glucan product SBG. The product is primarily designed to target the still unmet need for management of diabetic ulcers, but would as a medical device product also target wound management in general.

An animal study with SBG that was carried out in the fourth quarter 2010 demonstrated that a 2% aqueous solution of SBG mixed with another gel forming agent had excellent wound healing capabilities. Stability data showed that this new formulation had favorable stability properties, and the formulation has since been further refined. Different variations of the formulation will be tested in a new animal model study late in the second quarter, in order to select the most effective formulation. The process to finalize the end-user product will be started when the final formulation has been established, and will include further stability studies and documentation.

The company is currently also working on identifying the most preferred design and type of container for the final product, based on positive results from the stability studies that showed that the new and more robust formulation of the gel is stable in the tested types of containers, including in polyethylene.

The company is continuing discussions with potential partners, and is receiving valuable input with regard to the current processes on product formulations, design of a final product, and the most favorable regulatory positioning in the market. This helps to ensure that the end user product will be commercially attractive when ready for launch. The discussions with possible partners on the commercialization of the wound healing products are progressing positively.

FINANCIAL REVIEW, BETA-GLUCANS

NOK million	Q1-11	Q1-10	2010
Sales Revenue	***2.2***	***1.8***	***4.3***
Other income	***1.0***	***0.5***	***3.5***
Operating expenses (net)	***-7.2***	***-15.2***	***-39.7***
EBITDA	**-4.1**	**-12.9**	**-31.9**
Depreciation	***-0.5***	***-0.6***	***-2.5***
EBIT	**-4.5**	**-13.5**	**-34.3**

All corporate costs have been allocated

Revenue in the Beta-Glucans segment reflects research grants as well as deliveries of beta-glucan products for dietary supplements and cosmetics to the consumer health business that the company divested in 2009. The sharp decline in other operating expenses compared to the first quarter 2010 reflects termination of clinical trials and significant staff reductions towards the end of 2009 and during the first quarter 2010.

Biotec Pharmacon – Group Figures

Overall EBITDA was NOK -2.5 million in the first quarter 2011, compared to NOK -12.4 million in the first quarter 2010.

EBIT was NOK -3.2 million in the first quarter 2011 (-13.1) and net financial income was NOK 0.1 million (0.2).

As explained above, the lower losses mainly reflect the finalization of the clinical phase III studies and the reduction of the work force carried out towards the end of 2009 and during the first quarter 2010. Increased sales in ArcticZymes contributed to the improved results.

The group had 29 employees at the end of the first quarter 2011, compared to 30 at the end of the first quarter 2010.

Balance Sheet, Cash Flow and Shareholder Matters

The company successfully completed a private placement in December 2010, with net proceeds of NOK 20.1 million strengthening the balance sheet and cash reserves. A subsequent repair issue of 1.2 million shares followed in the first quarter 2010, adding net proceeds of NOK 7.0 million. An employee share issue of 172,271 shares was registered in February, and another employee share issue of 42,635 shares was signed late March for registration in April.

The total number of outstanding shares was 28,552,816 per 31 March 2011, including the employee share issues. The total number of options outstanding was 772,000 at the end of the first quarter, after the exercise of 214,906 options from a program of a total 250,000 options during the period. The remaining 35,094 unused options were cancelled on expiry date. Biotec Pharmacon holds no own shares.

Total equity was NOK 61.7 million at 31 March, 2011, which was an increase of NOK 25.3 million in the first quarter. This reflects that the share issue in December was not registered until January. The share issue proceeds were thus temporarily booked as debt in the Balance Sheet at the end of 2010. The equity ratio was 86.1 percent at the end of the first quarter 2011. Net cash flow from operating activities was a negative NOK 5.0 million, compared to a negative NOK 11.9 million in the first quarter 2010.

Tromsø, 12 May, 2011

Board of Directors Biotec Pharmacon ASA

BIOTEC PHARMACON

Financial statement 1st quarter 2011

INCOME STATEMENT

(Amounts in NOK 1.000 - exept EPS)	1Q 2011	1Q 2010	2010
Sales revenues	**8 988**	**5 827**	**25 909**
Cost of goods sold	-666	-261	-1 690
Personell expenses	-6 067	-8 011	-26 853
Depreciation and amortisation expenses	-676	-679	-2 944
Other income	341	781	3 732
Other expenses	-5 097	-10 714	-27 436
Operating profit	**-3 177**	**-13 057**	**-29 282**
Finanical income, net	140	210	741
Profit before tax	-3 037	-12 847	-28 541
Tax	0	0	0
Profit after tax for the period	**-3 037**	**-12 847**	**-28 541**
Basic EPS (profit for the period)	-0,11	-0,54	-1,21
Diluted EPS (profit for the period)	-0,11	-0,54	-1,21

EXTENDED INCOME STATEMENT

(Amounts in NOK 1.000)	1Q 2011	1Q 2010	2010
Profit after tax for the period	-3 037	-12 847	-28 541
Extended profit	0	0	0
Net profit for the period	**-3 037**	**-12 847**	**-28 541**

BALANCE SHEET

(Amounts in NOK 1.000)	2011-03-31	2010-03-31	2010-12-31
Non-current assets			
Machinery and equipment	5 860	7 111	6 299
Intangible assets	2 802	1 343	2 917
Financial assets available for sale	99	329	99
Other financial assets	1 471	2 101	1 174
Total non-current assets	**10 232**	**10 884**	**10 489**
Current assets			
Inventories	2 588	3 696	3 220
Trade receivables and other receivables	13 886	12 335	11 907
Cash and cash equivalents	45 933	37 604	43 361
Total current assets	**62 407**	**53 635**	**58 488**
Total assets	**72 639**	**64 519**	**68 977**
Equity			
Share capital	28 510	23 638	23 638
Share premium capital	23 225	0	0
Other equity and minority interests	9 966	25 073	12 749
Total equity	**61 701**	**48 711**	**36 387**
Current liabilities			
Trade-, short term-, and other payables	10 938	15 807	32 590
Total current liabilities	**10 938**	**15 807**	**32 590**
Total equity and liabilities	**72 639**	**64 519**	**68 977**

CHANGES IN EQUITY

(Amounts in NOK 1000)	Share capital	Share premium reserve	Own shares	Minority interests	Other reserves	Total equity
Balance at 2009-12-31	**23 638**	**0**	**0**	**0**	**37 516**	**61 154**
Total comprehensive income/-loss for the period	0	0	0	0	-12 847	-12 847
Transactions with shareholders:						
Employee stock option provision	0	0	0	0	404	404
Total transactions with shareholders	0	0	0	0	404	404
Balance at 2010-03-31	**23 638**	**0**	**0**	**0**	**25 073**	**48 711**
Total comprehensive income/-loss for the period	0	0	0	0	-16 096	-16 096
Transactions with shareholders:						
New equity regarding merger with Marimol AS	0	0	0	1 796	0	1 796
Purchase of own shares	0	0	-17	0	-25	-42
Sale of own shares	0	0	17	0	0	17
Employee stock option provision	0	0	0	0	2 001	2 001
Total transactions with shareholders	0	0	0	1 796	1 976	3 772
Balance at 2010-12-31	**23 638**	**0**	**0**	**1 796**	**10 953**	**36 387**
Total comprehensive income/-loss for the period	0	0	0	0	-3 037	-3 037
Transactions with shareholders:						
Private placements - new equity	4 872	23 225	0	0	0	28 097
Employee stock option provision	0	0	0	0	254	254
Total transactions with shareholders	4 872	23 225	0	0	254	28 351
Balance at 2011-03-31	**28 510**	**23 225**	**0**	**1 796**	**8 170**	**61 701**

CASH FLOW ANALYSIS

(Amounts in NOK 1.000)	1Q 2011	1Q 2010	2010
Cash flow from operating activities:			
Profit after tax	-3 037	-12 847	-28 541
Adjusment:			
Amortization	676	679	2 944
Depreciation stocks for sale	0	0	1 064
Employee stock options	254	404	2 001
Unrealized disagio (agio)	0	0	208
Profit by sale of fixed assets	0	0	-83
Changes in working capital			
Inventory	633	-83	393
Account receivables and other receivables	-1 393	15 157	15 585
Payables and other current liabilities	-2 160	-15 240	-18 536
Net cash flow from operating activities	**-5 027**	**-11 929**	**-24 965**
Cash flow from investing activities:			
Purchase of fixed assets	-122	-64	-1 790
Sale of fixed assets	0	0	280
Cash and cash equivalents merged company	0	0	135
Change in long term receivables	-297	-50	0
Net cash flow from investing activities	**-419**	**-114**	**-1 375**
Cash flow from financing activities:			
Cashflow from Private placement	8 018	**0**	20 079
Purchase of own shares	0	0	-125
Sale of own shares	0	0	100
Net cash flow from financing activities	**8 018**	**0**	**20 054**
Changes in cash and cash equivalents	2 572	-12 043	-6 286
Cash and cash equivalents at the beginning of period	43 361	49 647	49 647
Cash and cash equivalents at end of period	**45 933**	**37 604**	**43 361**

Notes to the interim accounts for Q1 2011

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 31 March 2011. 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 2010 (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 accounted at NOK 0 in the balance sheet. This is based on an evaluation early in year 2010. A new evaluation will take place during year 2011.

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

From first quarter 2011 the operating activities are devided into only two segments, Beta-glucans and Enzymes. Income and expences in Biotec BetaGlucans AS are allocated to the Beta-glucans segment, and income and expences in ArcticZymes AS are allocated to the Enzymes segment. Income and expences in the parent company are allocated to both segments according to a predefined key.
The comparatives from year 2010 have been rearranged to fit the presentational changes.

(Amounts in NOK 1.000)	1Q 2011	1Q 2010	2010
Sales revenue:			
Beta-Glucans	2 194	1 764	4 317
Enzymes	6 794	4 063	21 592
Group operating revenue	**8 988**	**5 827**	**25 909**
Other income:			
Beta-Glucans	998	538	3 546
Enzymes	-657	243	186
Group other income	**341**	**781**	**3 732**
Operating expenses:			
Beta-Glucans	-7 246	-15 213	-39 715
Enzymes	-4 584	-3 773	-16 264
Group operating expenses before depreciation	**-11 830**	**-18 986**	**-55 979**
Operating profit (EBITDA):			
Beta-Glucans	-4 054	-12 911	-31 852
Enzymes	1 553	533	5 514
Group operating profit - EBITDA	**-2 501**	**-12 378**	**-26 338**
Depreciation:			
Beta-Glucans	-463	-597	-2 504
Enzymes	-213	-82	-440
Group depreciation	**-676**	**-679**	**-2 944**
Operating profit (EBIT):			
Beta-Glucans	-4 517	-13 508	-34 356
Enzymes	1 340	451	5 074
Group operating profit - EBIT	**-3 177**	**-13 057**	**-29 282**

May 12, 2011.
Biotec Pharmacon ASA