

## INTERIM REPORT Q3 2012

### Enzymes - ArcticZymes

- Signed global supply contract with New England Biolabs
- Intensified competition and price pressure in the UNG market

### Beta-Glucans

- Ongoing registration process for Woulgan<sup>®</sup> Biogel
- First audit conducted for ISO 13485 certification
- Partner discussions advancing
- Stable sales of bulk beta-glucans for the consumer health market

<i>NOK million</i>	Q3-12	Q3-11	9M-12	9M-11	2011
<i>Enzymes</i>	1.9	3.1	8.4	12.5	15.2
<i>Beta-Glucans</i>	2.1	1.9	7.0	6.8	7.9
<b>Sales revenues</b>	<b>4.0</b>	<b>4.9</b>	<b>15.4</b>	<b>19.3</b>	<b>23.0</b>
<i>Enzymes</i>	-3.2	-1.2	-6.5	-1.0	-2.1
<i>Beta-Glucans</i>	-3.2	-3.9	-9.7	-11.5	-17.0
<b>EBITDA</b>	<b>-6.4</b>	<b>-5.2</b>	<b>-16.2</b>	<b>-12.5</b>	<b>-19.1</b>
Profit before tax	-6.8	-5.4	-17.4	-13.5	-20.1

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

### OUTLOOK

#### Enzymes - ArcticZymes:

- Expecting higher sales in Q4 than in Q3 but revenue decline for the full year compared to 2011
- Intensifying efforts to establish new high-volume accounts
- Developing more functionalized products to attract larger customers and build volume faster

#### Beta-Glucans:

- On track for issuance of CE-mark for Woulgan<sup>®</sup> Biogel by the end of first half 2013
- Partner processes to be concluded in time to prepare for commercial launch

#### Financial:

- Cash position and credit line provide funding throughout Q1 2013
- Funding alternatives to be evaluated in cooperation with financial advisors

# Enzymes - ArcticZymes

## FINANCIAL REVIEW, ENZYMES

<i>NOK million</i>	Q3-12	Q3-11	9M-12	9M-11	2011
<b>Sales Revenue</b>	<b>1.9</b>	<b>3.1</b>	<b>8.4</b>	<b>12.5</b>	<b>15.2</b>
Other income	1.1	0.6	3.4	-0.3	1.2
Operating expenses	-6.1	-4.9	-18.4	-13.2	-18.5
<b>EBITDA</b>	<b>-3.2</b>	<b>-1.2</b>	<b>-6.5</b>	<b>-1.0</b>	<b>-2.1</b>
Depreciation	-0.3	-0.2	-0.8	-0.6	-0.7
<b>EBIT</b>	<b>-3.5</b>	<b>-1.4</b>	<b>-7.3</b>	<b>-1.6</b>	<b>-2.8</b>

*All corporate costs have been allocated*

Sales revenue declined to NOK 1.9 million in Q3-12 from NOK 3.1 million in Q3-11, whereas revenue for the first nine months declined to NOK 8.4 million from NOK 12.5 million in the same period last year. Other income relates to research grants, "Skattefunn" and currency gains.

The increased operating expenses compared to last year is reflecting a larger staff, operations of the US office and expanded warehouse facilities. EBITDA was thus NOK -3.2 million in Q3-12, compared to NOK -1.2 million in Q3-11. EBITDA for the first nine months was reduced to NOK -6.5 million from NOK -1.0 million in the same period last year.

The sales revenue decline in Q3-12 mainly reflects lower volumes and price pressure for the Cod UNG enzyme. Cod UNG demand is dependent on a small number of customers, and the low volumes reflect that the main customer entered the year with higher inventories than expected.

UNG enzymes are primarily being used for elimination of DNA contamination in PCR-amplification of DNA or RNA, a crucial step in DNA and gene expression analysis. The market potential has increased, as patents covering broad applications in carry-over contamination control have expired. This has also intensified the competition and so far, the net effect has been negative for ArcticZymes, as prices had to be reduced in existing supply contracts.

ArcticZymes' Cod-UNG is the only commercially available UNG enzyme that is completely and irreversibly inactivated by moderate heat treatment (50°C). This is a particularly favorable characteristic in reverse transcription PCR (RT-PCR), and the company is working to strengthen the relationship with customers willing to pay premium for these product features.

ArcticZymes is continuously working to improve the products' user-friendliness in both the OEM and research markets. The first kit product, the "Heat & Run<sup>®</sup>" kit for RNA purification, was launched in the third quarter, and similar kits will be developed for other applications and launched throughout next year.

Revenues from rSAP (recombinant Shrimp Alkaline Phosphate) were stable in the quarter. Exclusivity clauses in the supply contract with Affymetrix were disbanded last autumn but build-up of new high-volume rSAP customer accounts has taken more time than anticipated. A recently signed supply agreement with New England Biolabs marks a breakthrough in this respect. Under the agreement New England Biolabs will offer ArcticZymes' rSAP through their global sales networks, and other ArcticZymes products may be included at a later stage.

New England Biolabs is a world leader in the production and supply of reagents for the life science industry, offering the largest available selection of recombinant and native enzymes. ArcticZymes' products fit well into this leading portfolio, given the suitability of the cold-adapted, heat-labile enzymes in sample preparation and purification in the high volume RNA/DNA market.

# Beta-Glucans

## FINANCIAL REVIEW, BETA-GLUCANS

<i>NOK million</i>	Q3-12	Q3-11	9M-12	9M-11	2011
<b>Sales Revenue</b>	<b>2.1</b>	<b>1.9</b>	<b>7.0</b>	<b>6.8</b>	<b>7.8</b>
Other income	0.5	0.4	1.7	2.2	1.6
Operating expenses	-5.8	-6.2	-18.4	-20.5	-26.5
<b>EBITDA</b>	<b>-3.2</b>	<b>-3.9</b>	<b>-9.7</b>	<b>-11.5</b>	<b>-17.0</b>
Depreciation	-0.3	-0.3	-0.8	-1.0	-1.3
<b>EBIT</b>	<b>-3.5</b>	<b>-4.2</b>	<b>-10.5</b>	<b>-12.6</b>	<b>-18.4</b>

*All corporate costs have been allocated*

Sales revenue in the Beta-Glucan segment was NOK 2.1 million in the third quarter 2012 and NOK 7.0 million for the first nine months. This was slightly up from the corresponding periods in 2011, reflecting higher bulk sales of beta-glucan products for the consumer health market.

Increased sale of NBG bulk material will reflect demand for NutraQ's food grade beta-1,3/1,6-glucan NBG<sup>®</sup>, which has been granted novel food approval in the EU. This allows for introduction of NBG<sup>®</sup> as an ingredient in food, food supplements and components for particular nutritional uses in the European market. Biotec BetaGlucans is the sole supplier of NBG raw material to NutraQ.

However, the main value driver going forward will be the Woulgan<sup>®</sup> Biogel for wound healing. An important milestone was reached in July, when Biotec BetaGlucans filed the dossier for approval of the product as an advanced Class III wound healing device. The filing was done to the MHRA (Medicines and Healthcare Regulatory Authorities) in UK as approving body and with Presafe (DNV Nemko) as Notified Body.

The approval process for CE-marking of Woulgan<sup>®</sup> Biogel is still expected to be finalized by the end of the first half of 2013, after which the product will be ready for commercial launch.

Advanced class III registration means that Biotec BetaGlucans would be allowed to market the wound healing efficacy and immunological functions of Woulgan<sup>®</sup> Biogel, which will support an attractive positioning in the market place.

Work is ongoing to prepare the organization for the commercialization phase. Presafe has conducted the first full audit under ISO 13485 and a product review of Woulgan Biogel, which is an important part of the preparations before launch of Woulgan<sup>®</sup> Biogel as a medical device. Final audit is scheduled for the end of January 2013, which is well within the time frame required in the registration process.

The company earlier this year produced a successful first validation batch of Woulgan<sup>®</sup> Biogel at Sanochemica AG in Austria. The second validation batch is scheduled for the first week in November. A third and final validation batch will be produced in H1-2013. The first validation batch has been tested in a diabetic mice wound model with good results.

The company continues its discussions with potential partners for the commercialization of Woulgan<sup>®</sup> Biogel, with both regional and global leaders within wound healing. The company remains confident that the processes will be concluded in time to prepare for commercial launch.

## Biotec Pharmacon – Group Figures

Overall EBITDA was NOK -6.4 million in the third quarter 2012, compared to NOK -5.2 million in the third quarter 2011. EBIT declined to NOK -7.0 million from NOK -5.7 million in the same period the previous year.

The lower operating results primarily reflect lower revenue and higher costs in the enzyme business, mainly due to increased marketing and internationalization efforts. EBITDA in the beta-glucan business improved as a result of cost reductions and somewhat higher bulk sales to the consumer health market.

Net financial income was NOK 0.1 million in the third quarter (0.3).

Profit before tax was thus NOK -6.8 million in the third quarter 2012, compared to NOK -5.4 million in the same period last year.

The group had 35 employees at the end of Q3-2012, compared to 30 at the end of Q3-2011.

### **Balance Sheet, Cash Flow and Shareholder Matters**

Total equity amounted to NOK 28.7 million at the end of the third quarter 2012. The decline of NOK 17.1 million from year-end 2011 mainly reflects the loss during the period.

The total number of issued shares was 28,552,816 per 30 September 2012. There have been no changes in the number of shares issued during the first nine months. The total number of issued share options was 1,045,250, after expiry of 109,250 options at the end of the quarter. Biotec Pharmacon holds no own shares.

Total assets was NOK 37.1 million and the equity ratio was 77.3 percent per 30 September, 2012.

Net cash flow from operating activities was NOK -6.7 million in the third quarter and NOK -20.9 million in the first nine months, compared to a positive NOK 1.0 million and NOK -7.9 million in the corresponding periods in 2011.

Net cash flow from investing activities amounted to NOK -0.5 million in the third quarter and NOK -2.7 million for the first nine months, compared to NOK -1.3 million and NOK -1.7 million in the corresponding periods last year. The increase in the first nine months reflects investments in development of Woulgan® Biogel and in related QC equipment.

The company had a small net negative cash flow from financing of NOK 33,000 in the third quarter, relating to purchase and sales of own shares.

Total net cash flow was thus NOK -7.2 million in the third quarter and NOK -23.6 million in the first nine months, compared to NOK -0.5 million and NOK -1.4 million in the same periods last year. This reduced the cash balance to NOK 12.5 million at the end of the third quarter. The company also has an unused credit facility of NOK 10 million.

Cash position and credit line provide funding throughout Q1 2013. Biotec Pharmacon is evaluating the funding alternatives under different scenarios and has retained Carnegie as a financial advisor in this process.

## Financial statement 3rd quarter 2012

### INCOME STATEMENT

(Amounts in NOK 1,000 - except EPS)	Q3		Jan.-Sept.	
	2012	2011	2012	2011
<b>Sales revenues</b>	<b>3 976</b>	<b>4 944</b>	<b>15 446</b>	<b>19 301</b>
Cost of goods sold	-479	-121	-1 652	-1 088
Personell expenses	-7 310	-6 855	-19 757	-17 748
Depreciation and amortisation expenses	-543	-499	-1 647	-1 674
Other income	1 573	997	5 105	1 854
Other expenses	-4 190	-4 142	-15 337	-14 826
<b>Operating profit</b>	<b>-6 973</b>	<b>-5 676</b>	<b>-17 842</b>	<b>-14 181</b>
Financial income, net	137	305	401	692
Profit before tax	-6 836	-5 371	-17 441	-13 489
Tax	0	0	0	0
<b>Profit after tax for the period</b>	<b>-6 836</b>	<b>-5 371</b>	<b>-17 441</b>	<b>-13 489</b>
Basic EPS (profit for the period)	-0,24	-0,19	-0,61	-0,47
Diluted EPS (profit for the period)	-0,24	-0,19	-0,61	-0,47

### EXTENDED INCOME STATEMENT

(Amounts in NOK 1,000)	Q3		Jan.-Sept.	
	2012	2011	2012	2011
Profit after tax for the period	-6 836	-5 371	-17 441	-13 489
Extended profit	0	0	0	0
<b>Net profit for the period</b>	<b>-6 836</b>	<b>-5 371</b>	<b>-17 441</b>	<b>-13 489</b>

### BALANCE SHEET

(Amounts in NOK 1,000)	2012-09-30	2011-09-30	2011-12-31
<b>Non-current assets</b>			
Machinery and equipment	6 036	6 610	6 464
Intangible assets	6 861	2 578	5 327
Financial assets available for sale	79	99	99
Other financial assets	202	1 181	273
<b>Total non-current assets</b>	<b>13 178</b>	<b>10 468</b>	<b>12 163</b>
<b>Current assets</b>			
Inventories	2 710	2 910	2 802
Trade receivables and other receivables	8 776	6 667	5 403
Cash and cash equivalents	12 484	41 944	36 075
<b>Total current assets</b>	<b>23 970</b>	<b>51 521</b>	<b>44 280</b>
<b>Total assets</b>	<b>37 148</b>	<b>61 989</b>	<b>56 443</b>
<b>Equity</b>			
Share capital	28 553	28 553	28 553
Share premium capital	23 262	23 262	23 262
Other equity	-24 768	-1 393	-7 651
Non-controlling interests	1 668	1 668	1 668
<b>Total equity</b>	<b>28 715</b>	<b>52 090</b>	<b>45 832</b>
<b>Current liabilities</b>			
Trade-, short term-, and other payables	8 433	9 899	10 611
<b>Total current liabilities</b>	<b>8 433</b>	<b>9 899</b>	<b>10 611</b>
<b>Total equity and liabilities</b>	<b>37 148</b>	<b>61 989</b>	<b>56 443</b>

## CHANGES IN EQUITY

<i>(Amounts in NOK 1000)</i>	Share capital	Share premium capital	Own shares	Minority interests	Other reserves	Total equity
<b>Balance at 2010-12-31</b>	<b>23 638</b>	<b>0</b>	<b>0</b>	<b>1 850</b>	<b>10 899</b>	<b>36 387</b>
Total comprehensive income/-loss for the period	0	0	0	-182	-19 921	-20 103
Transactions with shareholders:						
Private placements - new equity	4 915	23 292	0	0	0	28 207
Employee stock option provision	0	0	0	0	1 370	1 370
Purchase of own shares	0	-125	-27	0	0	-152
Sale of own shares	0	95	27	0	0	122
Total transactions with shareholders	4 915	23 262	0	0	1 370	29 547
<b>Balance at 2011-12-31</b>	<b>28 553</b>	<b>23 262</b>	<b>0</b>	<b>1 668</b>	<b>-7 651</b>	<b>45 832</b>
Total comprehensive income/-loss for the period	0	0	0	0	-4 754	-4 754
Transactions with shareholders:						
Private placements - new equity	0	0	0	0	0	0
Employee stock option provision	0	0	0	0	385	385
Purchase of own shares	0	0	0	0	0	0
Sale of own shares	0	0	0	0	0	0
Total transactions with shareholders	0	0	0	0	385	385
<b>Balance at 2012-03-31</b>	<b>28 553</b>	<b>23 262</b>	<b>0</b>	<b>1 668</b>	<b>-12 020</b>	<b>41 463</b>
Total comprehensive income/-loss for the period	0	0	0	0	-5 852	-5 852
Prior period adjustments	0	0	0	0	-48	-48
Transactions with shareholders:						
Private placements - new equity	0	0	0	0	0	0
Employee stock option provision	0	0	0	0	0	0
Purchase of own shares	0	0	0	0	0	0
Sale of own shares	0	0	0	0	0	0
Total transactions with shareholders	0	0	0	0	0	0
<b>Balance at 2012-06-30</b>	<b>28 553</b>	<b>23 262</b>	<b>0</b>	<b>1 668</b>	<b>-17 920</b>	<b>35 563</b>
Total comprehensive income/-loss for the period	0	0	0	0	-6 836	-6 836
Prior period adjustments	0	0	0	0	0	0
Currency conversion difference	0	0	0	0	20	20
Transactions with shareholders:						
Private placements - new equity	0	0	0	0	0	0
Employee stock option provision	0	0	0	0	0	0
Purchase of own shares	0	0	-27	0	-132	-159
Sale of own shares	0	0	27	0	99	126
Total transactions with shareholders	0	0	0	0	-33	-33
<b>Balance at 2012-09-30</b>	<b>28 553</b>	<b>23 262</b>	<b>0</b>	<b>1 668</b>	<b>-24 768</b>	<b>28 715</b>

## CASH FLOW ANALYSIS

(Amounts in NOK 1.000)	Q3		Jan.-Sept.	
	2012	2011	2012	2011
<b>Cash flow from operating activities:</b>				
Profit after tax	-6 836	-5 371	-17 441	-13 489
<b>Adjustment:</b>				
Amortization	543	499	1 647	1 674
Depreciation stocks for sale	0	0	33	0
Employee stock options	0	361	385	985
Unrealized disagio (agio)	0	0	0	0
Profit by sale of fixed assets	0	0	0	0
Prior period adjustments	0	0	-48	0
Currency conversion difference	20	0	20	0
<b>Changes in working capital</b>				
Inventory	346	-77	92	310
Account receivables and other receivables	-1 371	2 721	-3 373	5 240
Payables and other current liabilities	615	2 853	-2 179	-2 612
<b>Net cash flow from operating activities</b>	<b>-6 683</b>	<b>986</b>	<b>-20 864</b>	<b>-7 892</b>
<b>Cash flow from investing activities:</b>				
Purchase of fixed assets	-310	-1 482	-992	-1 645
Invested in intangible assets	-231	0	-1 760	0
Sale of fixed assets		0	0	0
Change in long term receivables	33	135	58	-7
<b>Net cash flow from investing activities</b>	<b>-508</b>	<b>-1 347</b>	<b>-2 694</b>	<b>-1 652</b>
<b>Cash flow from financing activities:</b>				
Cashflow from Private placement	0	-98	0	8 127
Purchase of own shares	-159	0	-159	0
Sale of own shares	126	0	126	0
<b>Net cash flow from financing activities</b>	<b>-33</b>	<b>-98</b>	<b>-33</b>	<b>8 127</b>
Changes in cash and cash equivalents	-7 224	-459	-23 591	-1 417
Cash and cash equivalents at the beginning of period	19 708	42 403	36 075	43 361
<b>Cash and cash equivalents at end of period</b>	<b>12 484</b>	<b>41 944</b>	<b>12 484</b>	<b>41 944</b>

## Notes to the interim accounts for 3rd quarter 2012

### 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 september 30 2012. 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 2011 (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.

Income tax expense or benefit is recognized based upon the best estimate of the weighted average income tax rate expected for the full financial year. Deferred tax asset is accounted at NOK 0 in the balance sheet.

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

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

<i>(Amounts in NOK 1.000)</i>	Q3		Jan.-Sept.	
	2012	2011	2012	2011
<i>Sales revenue:</i>				
Beta-Glucans	2 090	1 866	7 024	6 756
Enzymes	1 886	3 078	8 422	12 545
<b>Group operating revenue</b>	<b>3 976</b>	<b>4 944</b>	<b>15 446</b>	<b>19 301</b>
<i>Other income:</i>				
Beta-Glucans	513	439	1 707	2 205
Enzymes	1 060	558	3 398	-351
<b>Group other income</b>	<b>1 573</b>	<b>997</b>	<b>5 105</b>	<b>1 854</b>
<i>Operating expenses:</i>				
Beta-Glucans	-5 842	-6 249	-18 382	-20 503
Enzymes	-6 136	-4 869	-18 364	-13 159
<b>Group operating expenses before depreciation</b>	<b>-11 978</b>	<b>-11 118</b>	<b>-36 746</b>	<b>-33 662</b>
<i>Operating profit (EBITDA):</i>				
Beta-Glucans	-3 239	-3 944	-9 651	-11 542
Enzymes	-3 190	-1 233	-6 544	-965
<b>Group operating profit - EBITDA</b>	<b>-6 429</b>	<b>-5 177</b>	<b>-16 195</b>	<b>-12 507</b>
<i>Depreciation:</i>				
Beta-Glucans	-278	-288	-845	-1 040
Enzymes	-267	-211	-803	-634
<b>Group depreciation</b>	<b>-545</b>	<b>-499</b>	<b>-1 648</b>	<b>-1 674</b>
<i>Operating profit (EBIT):</i>				
Beta-Glucans	-3 517	-4 232	-10 496	-12 582
Enzymes	-3 457	-1 444	-7 347	-1 599
<b>Group operating profit - EBIT</b>	<b>-6 974</b>	<b>-5 676</b>	<b>-17 843</b>	<b>-14 181</b>

Tromsø/Oslo, November 5, 2012  
The Board of Directors of Biotec Pharmacon ASA

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