

INTERIM REPORT Q3 AND 9M 2013

THIRD QUARTER HIGHLIGHTS

- Classification of Woulgan[®] Biogel according to class III, rule 13 confirmed by MHRA
- Strong revenue increase in the enzyme business driven by strategic focus on larger accounts in ArcticZymes
- Overall reduced operating loss compared to Q3 2012

NOK million	Q3 2013	Q3 2012	9M 2013	9M 2012	2012
Enzymes	4.7	1.9	11.9	8.4	12.8
Beta-Glucans	1.7	2.1	4.9	7.0	8.7
Sales revenues	6.3	4.0	16.8	15.5	21.5
Enzymes	-0.1	-3.2	-2.1	-6.5	-7.8
Beta-Glucans	-4.3	-3.2	-13.1	-9.7	-14.8
EBITDA	-4.4	-6.4	-15.2	-16.2	-22.6
Profit before tax	-4.8	-6.8	-16.2	-17.4	-24.3

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

OUTLOOK

- Awaiting final decision on CE-marking of Woulgan[®] Biogel following the confirmation of classification
- Woulgan[®] Biogel market evaluation process with Smith & Nephew to start upon CE-marking

Enzymes - ArcticZymes

FINANCIAL REVIEW, ENZYMES

NOK million	Q3 2013	Q3 2012	9M 2013	9M 2012	2012
Sales Revenue	4.7	1.9	11.9	8.4	12.8
Other income	1.1	1.1	3.8	3.4	4.4
Operating expenses	-5.9	-6.1	-17.8	-18.4	-24.9
EBITDA	-0.1	-3.2	-2.1	-6.5	-7.8
Depreciation	-0.3	-0.3	-0.8	-0.8	-1.1
EBIT	-0.4	-3.5	-2.9	-7.8	-8.9

All corporate costs have been allocated

Sales revenue amounted to NOK 4.7 million in Q3-13, an improvement from NOK 1.9 million in the same period last year and NOK 2.7 million in the previous quarter. Total revenue amounted to NOK

11.9 million for the first nine months 2013, a 41 percent increase from NOK 8.4 million in the same period last year.

Other income mainly relates to research grants, "Skattefunn" and currency gains, and was stable at NOK 1.1 million for the third quarter and increased to NOK 3.8 million from NOK 3.4 million for the first nine months.

Operating expenses were reduced to NOK 5.9 million in the third quarter from NOK 6.1 million in the same period last year, and to NOK 17.8 million in the first nine months 2013 from NOK 18.4 million in the same period last year.

Earnings before depreciation, amortization and taxes (EBITDA) thus showed a marginal loss of NOK 0.1 million in Q3-13, compared to an EBITDA-loss of NOK 3.2 million in the third quarter 2012 and a loss of NOK 1.0 million in the previous quarter.

The improved results mainly reflect the top-line growth derived from the increased strategic focus on large global and regional customers. Over the past year, ArcticZymes has entered into new supply contracts with global accounts within life science which will open up new revenue opportunities and reduces volatility and risk in the long term.

There is an increasing awareness and interest for the Company's novel products from a number of companies both in the research- and diagnostic market and the Company has a number of customer trials ongoing. These activities should contribute to the long term growth of this business and ArcticZymes expects to sign additional agreements going forward.

In particular the Cod UNG, dsDNase, and SAN enzymes are beginning to gain momentum with our OEM customers and the end user market segment. Therefore an increasing proportion of revenues are coming from other products than the Company's lead product rSAP.

The process to set up new OEM partners and to phase in the Company's enzymes in new workflows takes time, but once they are established the iteration rate is very high. During the quarter, a new Business Development Manager has been hired in North America, based in Boston. An increasing part of the Company's business is in North America and dedicated resources are needed to execute the commercial strategy in this region.

ArcticZymes' R&D remains focused on the development of new ready-for-use enzyme kits and functionalized enzymes, which are in demand from both commercial kit providers and researchers. So far the Company has launched a "Heat & Run"® kit for RNA purification and a kit for PCR decontamination. The user-driven innovation project "Functionalization of enzymes from marine bioprospecting" is expected to accelerate the commercialization of new functionalized enzyme solutions as part of The Norwegian Research Council's "Biotek 2021 initiative". ArcticZymes received a NOK 5 million grant from The Norwegian Research Council in February, and expects this funding to facilitate effective new kit developments and subsequent launches over the next three years.

Beta-Glucans

FINANCIAL REVIEW, BETA-GLUCANS

NOK million	Q3 2013	Q3 2012	9M 2013	9M 2012	2012
Sales Revenue	1.7	2.1	4.9	7.0	8.7
Other income	0.2	0.5	1.0	1.7	1.1
Operating expenses	-6.2	-5.8	-19.1	-18.4	-24.6
EBITDA	-4.3	-3.2	-13.1	-9.7	-14.8
Depreciation	-0.3	-0.3	-0.9	-0.8	-1.1
EBIT	-4.6	-3.5	-14.0	-10.5	-15.9

All corporate costs have been allocated

The main project in Biotec BetaGlucans is the wound healing product Woulgan® Biogel, which is based on the company's proprietary Soluble Beta-Glucan (SBG). Biotec BetaGlucans in July 2012 submitted an application to have Woulgan® Biogel classified as a medical device in class III under rule

13 in the EU Directive for Medical Devices. This is a classification for medical devices with a secondary, ancillary medicinal effect.

Woulgan[®] Biogel contains Biotec BetaGlucans' proprietary beta-glucan SBG which has such a medicinal effect. This requires the approval of an authorised medical authority, which in this case has been the The Medicines and Healthcare products Regulatory Authority (MHRA) in the UK.

Classification and approval of medical devices with ancillary medicinal effects are complicated processes. The MHRA has therefore consulted medical authorities in other countries with respect to the classification of Woulgan[®] Biogel. This has led to delays in the approval process. These consultations have now been finalised, and based on the documentation Biotec BetaGlucans has submitted- the MHRA has concluded that Woulgan[®] Biogel satisfies the requirements for classification as a class III medical device under rule 13.

Although certain process- and quality-related questions need answering before the MHRA can complete its final approval of the application, the company believes that this decision significantly reduces the risk related to the approval process.

Some work also remains with respect to certification from Presafe, which is the designated Notified Body responsible for the CE-marking of Woulgan[®] Biogel. The company does not expect this to generate any significant problems for the application.

In the pre-marketing phase, the Company's main focus is to establish contacts with key opinion leaders at wound clinics in Scandinavia, and to participate at industry seminars on wound healing. The company's exclusive industrial partner, Smith & Nephew, will carry out an evaluation study at selected clinics once the product has been CE marked.

Biotec BetaGlucans and Smith & Nephew share the vision of making Woulgan[®] Biogel a mass product in the markets for diabetic ulcers, leg ulcers, pressure ulcers and burns, a market in need for medically efficient and cost-effective products.

SBG also holds promising potential in immunotherapy of cancers, which has further been established in the ongoing phase II vaccine trial in neuroblastoma patients at the Memorial Sloan Kettering Cancer Center (MSKCC). The study, where stage 4 neuroblastoma patients are treated with MSKCC's vaccine antigens in combination with oral SBG, aims to recruit 45 patients by mid-2014. The company is currently assessing how to move the application of SBG in immunotherapy of cancer forward.

The company is the exclusive supplier of food grade beta-1,3/1,6-glucan to NutraQ's NBG[®]. Sales revenue in the Beta-glucan segment was NOK 1.7 million in Q3-13, compared to NOK 2.1 million in Q3-12. The sale of beta-glucan for the consumer health market fluctuates between quarters due to the irregularity of bulk orders. For the first nine months, sales revenue declined to NOK 4.9 million from NOK 7.0 million. It is not expected that sales for the full year will reach sales for previous year.

Other income reflects research grants and allocated "Skattefunn", and declined to NOK 0.2 million from NOK 0.5 million in the third quarter last year. Operating expenses increased to NOK 6.2 million from NOK 5.8 million in the third quarter 2012. The resources spent on preparations for the technical and commercial launch of Woulgan[®] Biogel product, once the CE marking is obtained, determines the expense level for the Beta Glucans segment.

The EBITDA-loss thus increased to NOK 4.3 million from NOK 3.2 million in the same period last year, whereas the EBIT-loss increased to NOK 4.6 million from NOK 3.5 million.

For the first nine months, the EBITDA-loss increased to NOK 13.1 million from NOK 9.7 million, whereas the EBIT-loss increased to NOK 14.0 million from NOK 10.5 million in the first nine months last year.

Biotec Pharmacon – Group Figures

Overall EBITDA was NOK -4.4 million in the third quarter 2013 (-6.4) and NOK -15.2 million in the first nine months (-16.2). Depreciation was stable across the periods, and EBIT was NOK -4.9 million in the third quarter (-7.0) and NOK -16.9 million in the first nine months (-17.8).

The reduced operating losses mainly reflect higher revenue in the enzyme business.

Net financial income was NOK 0.2 million in the third quarter (0.1) and NOK 0.7 million in the first nine months (0.4). Higher financial income reflects the cash position following share issues in the first quarter of the year. Profit before tax was hence NOK -4.8 million in the third quarter (-6.8) and NOK -16.2 million for the first nine months (-17.4).

The group had 33 employees at the end of the first nine months 2013, compared to 35 at the end of the first nine months 2012 and at the end of 2012.

Balance Sheet, Cash Flow and Shareholder Matters

Total equity amounted to NOK 48.8 million at the end of the first nine months (28.7), with the increase from NOK 21.9 million at the end of 2012 mainly explained by share issues in the first quarter. The current number of shares is 39,393,173. Current number of share options is 813,500 after expiry of 125,000 in Q1 and 159,250 in Q3.

Total assets were NOK 57.3 million at the end of the first nine months (37.1), and the equity ratio 85 percent (77). The company has no interest bearing debt.

Net cash flow from operating activities was NOK -6.8 million in the third quarter (-6.7) and NOK -16.5 million in the first nine months (-20.9), with the quarterly cash flow reflecting a build-up of receivables. Net cash flow from investing activities was NOK -0.1 million in the quarter (-0.5) and NOK -0.7 million for the first nine months (-2.7). Net cash flow from financing activities was zero in the quarter (0) and NOK 43.3 million in the first nine months (0), with the latter in entirety reflecting proceeds from share issues.

Change in cash and cash equivalents was NOK -6.8 million in the quarter (-7.2) and NOK 26.1 million in the first 9 months (-23.6), leading up to a cash balance of NOK 35.5 million at the end of the first 9 months (12.5).

Financial statement 3rd quarter 2013

INCOME STATEMENT - THE GROUP

(Amounts in NOK 1.000 - exept EPS)	Q3		Jan-Sept	
	2013	2012	2013	2012
Sales revenues	6 347	3 976	16 796	15 446
Cost of goods sold	-661	-479	-2 120	-1 652
Personell expenses	-7 301	-7 310	-19 682	-19 757
Depreciation and amortisation expenses	-557	-543	-1 681	-1 647
Other income	1 331	1 573	4 824	5 105
Other expenses	-4 140	-4 190	-15 054	-15 337
Operating profit	-4 981	-6 973	-16 917	-17 842
Financial income, net	206	137	685	401
Profit before tax	-4 775	-6 836	-16 232	-17 441
Tax	0	0	0	0
Profit after tax for the period	-4 775	-6 836	-16 232	-17 441
Basic EPS (profit for the period)	-0,14	-0,24	-0,47	-0,61
Diluted EPS (profit for the period)	-0,14	-0,24	-0,47	-0,61

EXTENDED INCOME STATEMENT - THE GROUP

(Amounts in NOK 1.000)	Q3		Jan-Sept	
	2013	2012	2013	2012
Profit after tax for the period	-4 775	-6 836	-16 232	-17 441
Other comprehensive income:				
- Currency translation effect	-7	0	-107	0
Total comprehensive income	-4 782	-6 836	-16 339	-17 441

BALANCE SHEET - THE GROUP

(Amounts in NOK 1.000)	2013-09-30	2012-09-30	2012-12-31
Non-current assets			
Machinery and equipment	5 060	6 036	5 912
Intangible assets	5 758	6 861	5 855
Financial assets available for sale	46	79	67
Other financial assets	149	202	203
Total non-current assets	11 013	13 178	12 037
Current assets			
Inventories	2 674	2 710	2 666
Trade receivables and other receivables	8 173	8 776	8 155
Cash and cash equivalents	35 460	12 484	9 379
Total current assets	46 307	23 970	20 200
Total assets	57 320	37 148	32 237
Equity			
Share capital	39 393	28 553	28 553
Share premium capital	55 648	23 262	23 229
Other equity	-47 395	-24 768	-31 055
Non-controlling interests	1 182	1 668	1 182
Total equity	48 828	28 715	21 909
Current liabilities			
Trade-, short term-, and other payables	8 492	8 433	10 328
Total current liabilities	8 492	8 433	10 328
Total equity and liabilities	57 320	37 148	32 237

CHANGES IN EQUITY - THE GROUP

<i>(Amounts in NOK 1000)</i>	Share capital	Share premium capital	Own shares	Non-controlling interests	Other equity	Total equity
Balance at 2012-01-01	28 553	23 262	0	1 688	-7 652	45 832
Total comprehensive income/-loss for the period	0	0	0	0	-4 754	-4 754
Transactions with shareholders:						
Employee stock option provision	0	0	0	0	385	385
Total transactions with shareholders	0	0	0	0	385	385
Balance at 2012-03-31	28 553	23 262	0	1 688	-12 021	41 463
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:						
Total transactions with shareholders	0	0	0	0	0	0
Balance at 2012-06-30	28 553	23 262	0	1 668	-17 920	35 563
Total comprehensive income/-loss for the period	0	0	0	0	-6 836	-6 836
Currency conversion difference	0	0	0	0	20	20
Transactions with shareholders:						
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
Balance at 2012-09-30	28 553	23 262	0	1 668	-24 768	28 715
Balance at 2013-01-01	28 553	23 229	0	1 182	-31 055	21 909
Total comprehensive income/-loss for the period	0	0	0	0	-6 560	-6 560
Currency conversion difference	0	0	0	0	15	15
Transactions with shareholders:						
Share issue	10 840	32 343	0	0	0	43 183
Total transactions with shareholders	10 840	32 343	0	0	0	43 183
Balance at 2013-03-31	39 393	55 572	0	1 182	-37 600	58 547
Total comprehensive income/-loss for the period	0	0	0	0	-4 897	-4 897
Currency conversion difference	0	0	0	0	-115	-115
Transactions with shareholders:						
Share issue	0	76	0	0	0	76
Total transactions with shareholders	0	76	0	0	0	76
Balance at 2013-06-30	39 393	55 648	0	1 182	-42 613	53 610
Total comprehensive income/-loss for the period	0	0	0	0	-4 775	-4 775
Currency conversion difference	0	0	0	0	-7	-7
Transactions with shareholders:						
Total transactions with shareholders	0	0	0	0	0	0
Balance at 2013-09-30	39 393	55 648	0	1 182	-47 395	48 828

CASH FLOW ANALYSIS - THE GROUP

(Amounts in NOK 1.000)	Q3		Jan-Sept	
	2013	2012	2013	2012
Cash flow from operating activities:				
Profit after tax	-4 774	-6 836	-16 232	-17 441
Adjustment:				
Amortization	557	543	1 681	1 647
Depreciation stocks for sale	0	0	33	33
Employee stock options	0	0	0	385
Currency conversion differences	-9	20	-107	20
Prior period adjustments	0	0	0	-48
Changes in working capital				
Inventory	-211	346	-8	92
Account receivables and other receivables	-2 015	-1 371	-19	-3 373
Payables and other current liabilities	-313	615	-1 836	-2 179
Net cash flow from operating activities	-6 765	-6 683	-16 488	-20 864
Cash flow from investing activities:				
Purchase of fixed assets	-65	-310	-416	-992
Invested in intangible assets	0	-231	-315	-1 760
Change in long term receivables	14	33	41	58
Net cash flow from investing activities	-51	-508	-690	-2 694
Cash flow from financing activities:				
Purchase of own shares	0	-159	0	-159
Sale of own shares	0	126	0	126
Cashflow from Private placement	0	0	43 259	0
Net cash flow from financing activities	0	-33	43 259	-33
Changes in cash and cash equivalents	-6 816	-7 224	26 081	-23 591
Cash and cash equivalents at the beginning of period	42 276	19 708	9 379	36 075
Cash and cash equivalents at end of period	35 460	12 484	35 460	12 484

Notes to the interim accounts for 3rd quarter 2013

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 2013. 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 2012 (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.

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

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

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

(Amounts in NOK 1.000)	Q3		Jan-Sept	
	2013	2012	2013	2012
<i>Sales revenue:</i>				
Beta-Glucans	1 686	2 090	4 913	7 024
Enzymes	4 661	1 886	11 883	8 422
Group operating revenue	6 347	3 976	16 796	15 446
<i>Other income:</i>				
Beta-Glucans	202	513	1 023	1 707
Enzymes	1 129	1 060	3 801	3 398
Group other income	1 331	1 573	4 824	5 105
<i>Operating expenses:</i>				
Beta-Glucans	-6 199	-5 842	-19 062	-18 382
Enzymes	-5 902	-6 136	-17 794	-18 364
Group operating expenses before depreciation	-12 101	-11 978	-36 856	-36 746
<i>Operating profit (EBITDA):</i>				
Beta-Glucans	-4 311	-3 239	-13 126	-9 651
Enzymes	-112	-3 190	-2 110	-6 544
Group operating profit - EBITDA	-4 423	-6 429	-15 236	-16 195
<i>Depreciation:</i>				
Beta-Glucans	-303	-278	-917	-845
Enzymes	-254	-267	-764	-803
Group depreciation	-557	-545	-1 681	-1 648
<i>Operating profit (EBIT):</i>				
Beta-Glucans	-4 614	-3 517	-14 043	-10 496
Enzymes	-366	-3 457	-2 874	-7 347
Group operating profit - EBIT	-4 980	-6 974	-16 917	-17 843

Tromsø, October 31, 2013

The Board of Directors of Biotec Pharmacon ASA

Erik Thorsen
Chairman

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Kjersti Grimsrud

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