3rd QUARTER REPORT 2011

ENZYMES – ArcticZymes

- Secured long term supply agreement with Affymetrix and regained worldwide sales rights over its most important product – Shrimp Alkaline Phosphatase (SAP)
- Substantial sales growth compared to Q3 2010
- Expanded customer uptake and 23% sales growth from last year for Cod UNG, the second largest product

BETA-GLUCANS

- The Woulgan® Biogel product development is moving steadily towards the first prototype product
- Commercial partnering and regulatory positioning processes continue
- Continuing good growth in beta-glucan bulk product sales to the dietary supplement market

NOK million	Q3-11	Q3-10	YTD-2011	YTD-2010
Enzymes	*3.1*	*1.2*	*12.5*	*11.2*
Beta-Glucans	*1.8*	*1.0*	*6.8*	*4.1*
Sales revenues	4.9	2.2	19.3	*15.3*
Enzymes	*-1.2*	*-2.2*	*-1.0*	*1.0*
Beta-Glucans	*-4.0*	*-5.1*	*-11.5*	*-26.0*
EBITDA	-5.2	-7.3	-12.5	*-25.0*
Profit before tax	-5.4	-7.9	-13.5	*-26.6*

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

FINANCIAL DEVELOPMENT AND POSITION

- Positive operating cash flow in the quarter, due to reduction in receivables, slimmer cost structure and careful spending across the Group
- Cash balance of NOK 42 million per 30 September, 2011

OUTLOOK

- **Enzymes:**

  Strong contribution expected from the new SAP agreement, which substantially increases sales potential beyond Affymetrix. Negotiations are ongoing with key customers in the market

  Continued good growth is expected for other products

- **Beta-Glucans:**

  Prototype products are expected to be ready early 2012. Product development activities and partnering processes are progressing in concert

Enzymes - ArcticZymes

Even without any significant contribution from SAP sales, ArcticZymes delivered revenue growth of 158% compared to the third quarter 2010, which admittedly was a very weak quarter. For the first nine months, revenue increased by 12 %.

Revenue growth in the third quarter was mainly driven by Cod UNG, which showed an increase of 23% compared to the third quarter last year. For the second consecutive quarter running, Cod UNG sales exceeded sales of SAP. Measured in units, SAP sales were flat compared to the third quarter 2010, although revenue in NOK declined by 5% due to the decline of the USD against NOK.

Towards the end of the quarter ArcticZymes and Affymetrix agreed to change the current exclusive contract into a non-exclusive contract, where ArcticZymes obtains unconditional rights to sell its SAP to any customer world wide. At the same time, the contract secures Affymetrix long-term supply of SAP from ArcticZymes, confirming the long-lasting customer relationship between the companies.

ArcticZymes was well prepared to act on the wanted contract revision, and immediately entered into negotiations with major new global customers for the important SAP product. SAP represents a market “Gold standard” in the alkaline phosphates market for sample preparation of DNA and RNA, which will support the branding process and recognition of ArcticZymes and, ultimately the company’s commercial potential.

The potential impact for ArcticZymes is thus substantial. By approaching important customers directly, ArcticZymes will be able to expand the market for this product on commercially acceptable terms.

A number of new OEM accounts were opened for Cod UNG during the third quarter, and sales volumes are expected to increase further when customers launch their new products. The new accounts have been generated through increased marketing and sales presence in local markets.

ArcticZymes continues its international expansion, and the number of active accounts has doubled over the last year. Geographically, the company begins to see sales gain momentum in Asia. The company is on track to open a US office, and has employed its first local sales representative in the USA.

In the third quarter, the company also opened a prototype webshop, supporting the growing trend with unsolicited direct orders. A full version will be introduced towards the end of the year or early in 2012. Direct ordering through the webshop is an important part of the strategy to improve logistical efficiency. The company has established a warehouse at Gardermoen to increase the efficiency of enzymes shipments and are considering to establish similar warehouses in other regions as well.

FINANCIAL REVIEW, ENZYMES

NOK million	Q3-11	Q3-10	YTD-2011	YTD-2010
Sales Revenue	3.1	1.2	12.5	11.2
Other income	0.6	0.2	-0.3	0.8
Operating expenses (net)	-4.9	-3.6	-13.2	-11.0
EBITDA	-1.2	-2.2	-1.0	1.0
Depreciation	-0.2	-0.1	-0.6	-0.3
EBIT	-1.4	-2.3	-1.6	0.7

All corporate costs have been allocated

ArcticZymes achieved revenue of NOK 3.1 million in the third quarter 2011, which was an increase of 158 % compared to the weak third quarter 2010. The main driver was strong growth of Cod UNG sales. Revenues for the first nine months in 2011 were 12% above the corresponding period in 2010. The DNase products are continuing their strong growth and although the absolute figures are still modest, both products had significantly exceeded full-year 2010 sales by the end of the third quarter 2011.

Most of the revenues are accrued in USD, and the company has recognized currency losses due to the weakening of USD against NOK. Accrued currency losses for the first nine months of 2011 amounted to NOK -0.7 million, accounted for as other income. For the third quarter isolated, the company recognized a currency gain of NOK 0.2 million.

Beta-Glucans

The product development of Woulgan® the company's new advanced biogel for wound healing is on schedule for European launch at the end of 2012 or beginning of 2013 as earlier indicated. This will require that the product is classified in either Class 2B or Class 3 rule 7, and that the registration process with the authorities following typical time frames.

The market for a topical (on the skin) wound healing device looks favorable, with a large number of patients in need of new products with improved efficacy. The total market for wound care is around USD 13bn, of which USD 5.1bn is related to advanced products used in professional wound care. The remaining market is accounted for by traditional dressing (bandages) and consumer products.

Within the professional advanced wound care market, the company believes that Europe is the most attractive market for an advanced gel based product like Woulgan®, with a total available market of approximately USD 1.7 billion. (source:Espicom)

The goal of the company's efforts in this area is a successful commercial launch and strong distributor support for the subsequent sales of this product. To ensure success, an optimal combination is required in terms of product design, documentation, regulatory classification and label claims, and partnership/distributors.

As earlier described there is a strong link between regulatory positioning and the claims you can make about the use and efficacy of a product. The decisions about the regulatory roadmap will in turn influence time and cost to launch, the product attractiveness for partner, and the commercial potential. Getting this balance right will be the main driver for the company's commercial success.

The feedback from partner discussions is generally positive, although the various potential partners have different preferences with regards to regulatory positioning and label claims. Biotec Pharmacon does not require a partner in the current phase of product development, and the ongoing partner search does not delay the product development process or time to launch. The profile of a potential partner will become clearer as we get closer to launch, and the company intends to ensure that the product eventually will be sold via the best possible partner structure to maximize its commercial potential.

The SBG substance is documented far beyond normal standard for a medical device. The earlier phase II study on the SBG substance in patients with diabetic ulcers was a double blinded study against an active placebo. It showed a statistically significant increase in healing rate after 8 weeks of treatment, which holds compelling evidence on the effect of SBG. The Woulgan® Biogel uses the same soluble beta glucan (SBG) substance but in a new and more stable formulation, and the efficacy link is documented in animal models.

Whether this is sufficient supportive information to obtain commercial success is currently being considered. As already mentioned, the company will initially focus on Europe, as it represent around 50% of the total market for advanced gel products for the professional market. The European Union is well aware of the advantage of innovation in the medical device sector. In the recently issued "Council conclusions on innovation in the medical device sector", the EU clearly states the benefit of developing new advanced medical devices, and urges its members to ensure that local legislation supports the introduction of such products.

A project to develop next generation topical wound care application has been initiated, where SBG will be combined with a dressing into a combination device. This is still in the early phase but looks promising.

New and improved patent protection has been awarded for use of SBG as an adjuvant in antibody based cancer, although the company spends little resources in this area for the time being.

FINANCIAL REVIEW, BETA-GLUCANS

NOK million	Q3-11	Q3-10	YTD-2011	YTD-2010
Sales Revenue	1.8	1.0	6.8	4.1
Other income	0.5	1.4	2.2	2.3
Operating expenses (net)	-6.2	-7.6	-20.5	-32.4
EBITDA	-3.9	-5.2	-11.5	-26.0
Depreciation	-0.3	-0.6	-1.1	-1.8
EBIT	-4.2	-5.8	-12.6	-27.8

All corporate costs have been allocated

The sales in the Beta-Glucan segment increased to NOK 1.8 million in the third quarter of which NOK 1.6 million came from sale of Beta-Glucan products, up from NOK 1.0 million in the third quarter 2010. For the first nine months 2011, sales revenue amounted to NOK 6.8 million of which NOK 6.2 million was from sale of Beta-Glucan products up from NOK 4.1 million in the same period in 2010. The success in this area is a good reference for the quality of the company's products.

The continued decline in other operating expenses compared to last year reflects modest spending.

Biotec Pharmacon – Group Figures

Overall EBITDA was NOK -5.2 million in the third quarter 2011, compared to NOK -7.3 million in the third quarter 2010. EBITDA for the first nine months of 2011 was NOK -12.5 million, compared to NOK -25.0 million in the same period in 2010.

EBIT was NOK -5.7 million in the third quarter 2011 (-8.0) and NOK -14.2 million YTD 2011 (-27.1). Net financial income was NOK 0.3 million in the third quarter (0.1), and NOK 0.7 million YTD 2011 (0.5).

The profit before tax was thus NOK -5.4 million in the third quarter 2011, compared to NOK -7.9 million in the same period last year. For the nine months of 2011 the profit before tax amounted to NOK -13.5 million, which was an improvement of NOK 13.1 million from NOK -26.6 million in corresponding period of 2010.

The improved result compared to previous periods mainly reflect the finalization of the clinical phase III studies during the first half 2010, the reduction of the work force implemented during that period, and other reductions in external research activities during 2011.

The group had 29 employees at the end of the third quarter 2011. This compares to 28 at the end of the third quarter 2010.

Balance Sheet, Cash Flow and Shareholder Matters

A private placement in December 2010 generated net proceeds of NOK 20.1 million and strengthened the balance sheet and cash reserves. This was followed up with a repair issue of 1.2 million shares in February 2011, adding further net proceeds of NOK 7.0 million. Two employee share issues of a total 214,906 shares were completed in April, generating net proceeds of NOK 1.3 million.

The total number of outstanding shares was 28,552,816 per 30 September 2011. The total number of options outstanding was 1,082,500 at the end of the third quarter, after expiry of 253,500 options issued in 2008 and cancellation of 25,000 options from 2011. Biotec Pharmacon holds no own shares.

Total equity was NOK 52.1 million at 30 September, 2011, which was an increase of NOK 15.7 million since the end of 2010. This reflects that the share issue in December was registered as equity in January 2011, as well as the effects of the above mentioned share issues in February and April. The equity ratio was 84.0 percent at the end of the third quarter 2011.

Net cash flow from operating activities was a positive NOK 1.0 million in the third quarter 2011 and a negative NOK -9.9 million for the first nine months 2011. This compares to a negative NOK -7.9 million in the third quarter 2010, and a negative NOK -25.4 million for the first nine months of 2010.

Risk factors

The main risk regarding the development in key financials in the second half of 2011 relates to ArcticZymes' sales.The impact of the revised SAP agreement is expected to be positive, although this requires contract signings with new customers. Within the beta-glucan segment, there is risk related to ongoing product development and partnering processes and no guarantees can be given as to the outcome of these processes going forward.

There is inherent financial risk mainly related to currency developments, as sales mainly are exports in USD (and EUR) and costs mainly are denominated in NOK. For other financial or operational risks, please refer to the Annual Report for 2010 and the Prospectus issued in January 2011.

Related party transactions

Most of the employees exercised their options to buy shares during the first half of 2011, with the total purchase price for 214,906 shares amounting to NOK 1.3 million. There have been no other transactions with related parties in the first nine months of 2011 beyond what have been reported as standard operations in the Annual Report for 2010.

Financial statement 3rd quarter 2011

INCOME STATEMENT

(Amounts in NOK 1.000 - exept EPS)	3Q 2011	3Q 2010	Jan.-Sept. 2011	Jan.-Sept. 2010	2010
Sales revenues	**4 944**	**2 182**	**19 301**	**15 344**	**25 909**
Cost of goods sold	-121	160	-1 088	-860	-1 690
Personell expenses	-6 855	-6 682	-17 748	-20 140	-26 853
Depreciation and amortisation expenses	-499	-707	-1 674	-2 083	-2 944
Other income	997	1 632	1 854	3 088	3 732
Other expenses	-4 142	-4 632	-14 826	-22 455	-27 436
Operating profit	**-5 676**	**-8 047**	**-14 181**	**-27 106**	**-29 282**
Finanical income, net	305	147	692	545	741
Profit before tax	-5 371	-7 900	-13 489	-26 561	-28 541
Tax	0	0	0	0	0
Profit after tax for the period	**-5 371**	**-7 900**	**-13 489**	**-26 561**	**-28 541**
Basic EPS (profit for the period)	-0,19	-0,33	-0,47	-1,12	-1,21
Diluted EPS (profit for the period)	-0,19	-0,33	-0,47	-1,12	-1,21

EXTENDED INCOME STATEMENT

(Amounts in NOK 1.000)	3Q 2011	3Q 2010	Jan.-Sept. 2011	Jan.-Sept. 2010	2010
Profit after tax for the period	-5 371	-7 900	-13 489	-26 561	-28 541
Extended profit	0	0	0	0	0
Net profit for the period	**-5 371**	**-7 900**	**-13 489**	**-26 561**	**-28 541**

BALANCE SHEET

(Amounts in NOK 1.000)	2011-09-30	2010-09-30	2010-12-31
Non-current assets			
Machinery and equipment	6 610	7 044	6 299
Intangible assets	2 578	1 284	2 917
Financial assets available for sale	99	329	99
Other financial assets	1 181	2 099	1 174
Total non-current assets	**10 468**	**10 756**	**10 489**
Current assets			
Inventories	2 910	3 525	3 220
Trade receivables and other receivables	6 667	7 205	11 907
Cash and cash equivalents	41 944	22 986	43 361
Total current assets	**51 521**	**33 716**	**58 488**
Total assets	**61 989**	**44 472**	**68 977**
Equity			
Share capital	28 553	23 638	23 638
Share premium capital	23 292	0	0
Other equity and minority interests	245	12 513	12 749
Total equity	**52 090**	**36 151**	**36 387**
Current liabilities			
Trade-, short term-, and other payables	9 899	8 320	32 590
Total current liabilities	**9 899**	**8 320**	**32 590**
Total equity and liabilities	**61 989**	**44 472**	**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	-26 561	-26 561
Transactions with shareholders:						
Employee stock option provision	0	0	0	0	1 558	1 558
Total transactions with shareholders	0	0	0	0	1 558	1 558
Balance at 2010-09-30	**23 638**	**0**	**0**	**0**	**12 513**	**36 151**
Total comprehensive income/-loss for the period	0	0	0	0	-1 978	-1 978
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	443	443
Total transactions with shareholders	0	0	0	1 796	418	2 214
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	-13 489	-13 489
Transactions with shareholders:						
Private placements - new equity	4 915	23 292	0	0	0	28 207
Employee stock option provision	0	0	0	0	985	985
Total transactions with shareholders	4 915	23 292	0	0	985	29 192
Balance at 2011-09-30	**28 553**	**23 292**	**0**	**1 796**	**-1 551**	**52 090**

CASH FLOW ANALYSIS

(Amounts in NOK 1.000)	3Q 2011	3Q 2010	Jan.-Sept. 2011	Jan.-Sept. 2010	2010
Cash flow from operating activities:					
Profit after tax	-5 371	-7 900	-13 489	-26 561	-28 541
Adjustment:					
Amortization	499	707	1 674	2 083	2 944
Depreciation stocks for sale	0	0	0	0	1 064
Employee stock options	361	584	985	1 558	2 001
Unrealized disagio (agio)	0	0	0	0	208
Profit by sale of fixed assets	0	0	0	-83	-83
Changes in working capital					
Inventory	-77	-330	310	88	393
Account receivables and other receivables	2 721	5 217	5 240	20 287	15 585
Payables and other current liabilities	2 853	-1 190	-2 612	-22 726	-18 536
Net cash flow from operating activities	**986**	**-2 912**	**-7 892**	**-25 354**	**-24 965**
Cash flow from investing activities:					
Purchase of fixed assets	-1 482	-160	-1 645	-1 540	-1 790
Sale of fixed assets	0	0	0	280	280
Cash and cash equivalents merged company	0	0	0	0	135
Change in long term receivables	135	71	-7	-47	0
Net cash flow from investing activities	**-1 347**	**-89**	**-1 652**	**-1 307**	**-1 375**
Cash flow from financing activities:					
Cashflow from Private placement	-98	0	8 127	0	20 079
Purchase of own shares	0	0	0	0	-125
Sale of own shares	0	0	0	0	100
Net cash flow from financing activities	**-98**	**0**	**8 127**	**0**	**20 054**
Changes in cash and cash equivalents	-459	-3 001	-1 417	-26 661	-6 286
Cash and cash equivalents at the beginning of period	42 403	25 987	43 361	49 647	49 647
Cash and cash equivalents at end of period	**41 944**	**22 986**	**41 944**	**22 986**	**43 361**

Notes to the interim accounts for 3rd quarter 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 30 September 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. Deferred tax asset is accounted at NOK 0 in the balance sheet.

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

As from first quarter 2011 the operating activities are divided 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)	3Q 2011	3Q 2010	Jan.-Sept. 2011	Jan.-Sept. 2010	2010
Sales revenue:					
Beta-Glucans	1 866	1 022	6 756	4 127	4 317
Enzymes	3 078	1 160	12 545	11 217	21 592
Group operating revenue	**4 944**	**2 182**	**19 301**	**15 344**	**25 909**
Other income:					
Beta-Glucans	439	1 383	2 205	2 323	3 546
Enzymes	558	249	-351	765	186
Group other income	**997**	**1 632**	**1 854**	**3 088**	**3 732**
Operating expenses:					
Beta-Glucans	-6 249	-7 564	-20 503	-32 415	-39 715
Enzymes	-4 869	-3 590	-13 159	-11 040	-16 264
Group operating expenses before depreciation	**-11 118**	**-11 154**	**-33 662**	**-43 455**	**-55 979**
Operating profit (EBITDA):					
Beta-Glucans	-3 944	-5 159	-11 542	-25 965	-31 852
Enzymes	-1 233	-2 181	-965	942	5 514
Group operating profit - EBITDA	**-5 177**	**-7 340**	**-12 507**	**-25 023**	**-26 338**
Depreciation:					
Beta-Glucans	-288	-634	-1 040	-1 853	-2 504
Enzymes	-211	-73	-634	-230	-440
Group depreciation	**-499**	**-707**	**-1 674**	**-2 083**	**-2 944**
Operating profit (EBIT):					
Beta-Glucans	-4 232	-5 793	-12 582	-27 818	-34 356
Enzymes	-1 444	-2 254	-1 599	712	5 074
Group operating profit - EBIT	**-5 676**	**-8 047**	**-14 181**	**-27 106**	**-29 282**