



4th QUARTER REPORT 2010

ENZYMES

- Enzyme product sales reached NOK 9.5 million in the fourth quarter, up 77 percent from the fourth quarter 2009. Full-year sales increased by 23 percent
- Increased marketing and sales improves market visibility, and continued increase in customer trials strengthens the prospects for further sales growth
- Sales of own label products to end users grow faster than traditional non-branded OEM sales
- Marine Biochemicals changed name to ArcticZymes, to reflect the uniqueness of the product origin

BETA-GLUCANS

- Results from studies in mice confirm that SBG can successfully be combined with a gel forming agent to improve wound healing
- The more robust SBG gel compositions show significantly improved stability also in polyethylene containers and aluminum tubes
- Positive feedback and continued interaction with potential partners

| NOK million | Q4-10 | Q4-09 | 2010 | 2009 |
|----------------------------------|-------|-------|-------|-------|
| <i>Enzymes</i> | 9.5 | 5.4 | 21.6 | 17.6 |
| <i>Beta-Glucans</i> | 1.0 | 1.6 | 4.3 | 6.5 |
| Revenues | 10.5 | 7.0 | 25.9 | 24.1 |
| <i>Enzymes</i> | 7.4 | 2.0 | 10.5 | 8.4 |
| <i>Beta-Glucans</i> | -6.3 | -19.9 | -29.3 | -71.1 |
| <i>Corporate and unallocated</i> | -2.3 | -3.4 | -7.5 | -19.4 |
| EBITDA | -1.3 | -21.3 | -26.3 | -82.1 |
| Profit before tax | -1.9 | -21.6 | -28.4 | -81.2 |

FINANCIAL DEVELOPMENT AND POSITION

- Successful private placement of 3,500,000 shares in December strengthens balance sheet by NOK 20.1 million.
- EBITDA was NOK -1.3 million in the fourth quarter and NOK -26.3 million for the full year 2010, compared to NOK -21.3 million and NOK -82.1 million, respectively, in 2009. The operations were cash flow neutral in the fourth quarter, and year-end cash reserves were NOK 43.3 million.
- A subsequent repair issue of 1.2 million shares was oversubscribed in the first half of February 2011. Estimated proceeds of NOK 7.2 million.

OUTLOOK

- **Enzymes:** Increased focus on marketing efforts generate much higher activity level in ArcticZymes, in particular related to the newly launched products. Continuing sales growth is expected in 2011, in particular for own-label products.
- **Beta-Glucans:** Animal studies are being used to select the gel composition to be used in the first product for wound management. Work with potential partners is ongoing to ensure successful product development and commercialization.

Enzymes - ArcticZymes

This business unit has changed name from Marine Biochemicals to ArcticZymes, to underline the company's strong dedication to its products' Arctic roots. A trademark application to protect this name has been submitted.

ArcticZymes sees good demand for the new recombinant SAP (rSAP) product on the global market. Increasing raw material sourcing problems for the old native SAP made the introduction of the new improved recombinant SAP imperative. The new product provides improved as well as more stable performance, which substantially increases the value. The new rSAP is secured with a patent application giving a long term protection of this important product.

In March 2010, ArcticZymes launched a new improved version of the original double-strand specific DNase. The new enzyme was developed in an in-house mutagenesis project governing the enzyme with increased sensitivity to heat. Instead of being inactivated at 65°C for 15 minutes the new enzyme inactivates at 55°C. This key feature opens up a whole new market for the use of this enzyme as it fits with the PCR procedures required by a number of new users to whom the old product was not attractive.

The launch of the new DNase product was highly successful. The product is now being used by a number of laboratories in Europe working with hypersensitive PCR applications. The company is in discussion with potential new customers for use of this product in research and diagnostic kits.

Sales of the heat-labile double-strand specific DNase have mainly been to end-users in individual laboratories, which profiles our name and technologies much better than OEM sales where our product is invisible to the end-users. Consequently, the growth in the end-user segment was much higher than in the OEM segment in 2010, and this pattern is expected to continue into 2011.

The relation to the University of Tromsø was further strengthened by entering into the MARZymes project in September. The research teams at ArcticZymes and MARZymes are now working closely together, discussing demand driven product development opportunities to meet both the research and commercial goals of the project.

Our sales process is heavily based on customer trials, and the number of such trials increased from 9 in 2009 to more than 90 in 2010. The first few have now turned into orders. The company is working on the development of own protocols and is establishing very close working relations with customers to reduce the lead time from trials to product sale. This increased marketing and sales efforts have given us the opportunity to expand our relations both with individual researchers in the laboratories as well as with the international reagent corporations that supply research and diagnostic kits to the molecular biology community. The surge in the number of customer trials is a very good indicator for the amount of future sales.

ArcticZymes has expanded both the R&D and Application Development departments during 2010, in order to take pipeline product candidates faster through the development cycle and to work more closely with the customers during trials. The company will increase its investments in the development of new products and applications in 2011, and expand its international sales and marketing activities by hiring local representatives in the main areas.

FINANCIAL REVIEW, ENZYMES

| <i>NOK million</i> | Q4-10 | Q4-09 | 2010 | 2009 |
|--------------------------------|------------|------------|-------------|------------|
| Revenue (sales & other income) | 9.5 | 5.4 | 21.6 | 17.3 |
| Other operating expenses | -2.1 | -3.4 | -11.1 | -8.9 |
| EBITDA | 7.4 | 2.0 | 10.5 | 8.4 |
| Depreciation | -0.1 | 0.1 | -0.2 | -0.1 |
| EBIT | 7.3 | 1.9 | 10.3 | 8.3 |

ArcticZymes reported record revenue of NOK 9.5 million in the fourth quarter 2010, as sales increased by 77 percent from the fourth quarter 2009. The high sales partly reflect a postponement of some large SAP orders from the third to the fourth quarter but also strong underlying revenue growth.

For the full year, product sales increased by 23 percent, and given the rapidly increasing sales prospects, the company is on track to meet its target of a doubling of revenue from 2009 to 2012.

Beta-Glucans

The company is continuing the development of a novel wound healing product based on the bioactive compound SBG (soluble beta-1,3/1,6-glucan), targeting treatment of diabetic ulcers in particular. A hydrogel formulation combining SBG and an additional gel forming substance is being developed and tested with respect to both efficacy and stability.

The company conducted a second animal study with SBG in the fourth quarter 2010. Results confirm the findings from the first study, showing that a 2% aqueous solution of SBG has good wound healing capabilities. An important goal of the second study was to investigate different concentrations of SBG as well as the combination of SBG and an additional gel forming agent. Preliminary stability data indicate that such a mixed formulation has increased stability compared to a pure 2% aqueous SBG solution. The second animal study protocol also included several different commercial hydrogel forming agents that typically are being used in wound healing. The results showed that SBG successfully can be mixed with different gel agents, and indicate that such mixes may improve the wound healing capability of SBG.

The best results were obtained with a combination of 2% SBG and carboxymethylcellulose (CMC), the latter being used in several of the commercial wound treatment hydrogels on the market. This combination product of SBG and CMC induced significantly improved wound healing from day 12 throughout day 24 at the end of the study. The results also confirm that the SBG based product performs much better than all the commonly used hydrogel forming agents that were tested, including the placebo used in the earlier clinical trials.

As already reported it was observed that a pure 2% aqueous solution of SBG, as used in the clinical trials, was very sensitive to accelerated storage conditions when stored in aluminum tubes or polyethylene ampoules. In order to stimulate stress conditions, these two container types were accordingly chosen for the ongoing stability testing to ensure rapid progress in establishing stability data. Preliminary data from the accelerated stability studies have so far shown that the stability of SBG can be significantly improved by increasing the concentration of SBG or by mixing SBG with an additional gel forming agent.

Data from the animal models and the stability program have given the company a good indication as to the best formulation used in a commercial wound healing product. These data, together with the packaging material and container designs are currently being discussed with potential partners. Partner discussions are moving ahead in a positive manner to ensure a successful product development and commercialization.

FINANCIAL REVIEW, BETA-GLUCANS

| <i>NOK million</i> | Q4-10 | Q4-09 | 2010 | 2009 |
|--------------------------------|-------|-------|-------|-------|
| Revenue (sales & other income) | 2.8 | 4.0 | 9.0 | 17.2 |
| Other operating expenses | -9.2 | -23.9 | -38.3 | -88.3 |
| EBITDA | -6.3 | -19.9 | -29.3 | -71.1 |
| Depreciation | -0.7 | -0.7 | -2.5 | -2.7 |
| EBIT | -7.0 | -20.6 | -31.9 | -73.8 |

Revenue in the Beta-Glucans segment reflects 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 reduced clinical trial costs compared to previous periods, as well as significant staff reductions following the non-conclusive outcome of the phase III studies at the end of 2009.

Biotec Pharmacon – Group Figures

Overall EBITDA was NOK -1.3 million in the fourth quarter 2010, compared to NOK -21.3 million in the fourth quarter 2009. The full year EBITDA loss was reduced to NOK -26.3 million from NOK -82.1 for 2009.

EBIT was NOK -2.0 million in the fourth quarter (-22.1) and net financial income NOK 0.1 million (0.5). EBIT for the full year 2010 was NOK -29.1 million (-85.1), net financial income NOK 0.7 million (3.9).

Profit before tax for continued operations was NOK -1.9 million in the fourth quarter 2010 and NOK -28.4 million for the full year, compared to NOK -21.6 million and NOK -81.2 million in the corresponding periods for 2009. As explained above, the lower losses mainly reflect the finalization of the clinical phase III studies and reduction of work force. In addition to the cost reductions, increased sales in ArcticZymes contribute significantly to the improvement.

Balance Sheet, Cash Flow and Shareholder Matters

The company completed successfully a private placement in December with net proceeds of NOK 20.1 million which strengthened the balance sheet and the cash reserves followed by a subsequent repair issue in Q1 2011.

Total equity was NOK 56.6 million at 31 December, 2010, which is an improvement of NOK 20.4 million in the fourth quarter, but NOK 4.6 million below year end 2009. The decline reflects the net losses in the period and the capital increase from the private placement in December. The equity ratio was 81.9 percent.

The total number of outstanding shares is 27,137,910 per 31 December 2010, including the private placement of 3,500,000 shares signed 22 December 2010. The total number of options was 1,022,000 at the end of the fourth quarter, after cancellation of 30,000 options during the fourth quarter. Biotec Pharmacon holds no own shares.

Net cash flow from operating activities was a positive NOK 0.4 million in the fourth quarter 2010, compared to a negative NOK 16.2 million in the fourth quarter 2009. For the full year, net cash flow from operation was a negative NOK 25.0 million, compared to a negative NOK 89.0 million for 2009.

Tromsø/Oslo, 16 February, 2011

Board of directors Biotec Pharmacon ASA

Biotec Pharmacon ASA Group - Fourth quarter accounts 2010

INCOME STATEMENT

Amounts in NOK 1,000

| | 4Q 2010 | 4Q 2009 | Jan. - Dec. 2010 | Jan. - Dec. 2009 |
|--|------------|------------|---------------------|---------------------|
| Sales revenues | 10 565 | 7 038 | 25 909 | 24 075 |
| Cost of goods sold | -830 | -1 049 | -1 690 | -1 701 |
| Personell expenses | -6 713 | -9 162 | -26 853 | -33 460 |
| Depreciation and amortisation expenses | -709 | -814 | -2 792 | -2 984 |
| Other income | 1 709 | 2 468 | 4 797 | 10 459 |
| Other expenses | -6 019 | -20 581 | -28 501 | -81 513 |
| Operating profit | -1 997 | -22 100 | -29 130 | -85 124 |
| Financial income, net | 142 | 457 | 687 | 3 909 |
| Profit before tax | -1 855 | -21 643 | -28 443 | -81 215 |
| Tax | 0 | -30 708 | 0 | -30 708 |
| Profit after tax, continued operations | -1 855 | -52 351 | -28 443 | -111 923 |
| Profit after tax, discontinued operation of the consumer health business | 19 788 | 19 788 | 19 788 | 12 551 |
| Profit after tax for the period | -1 855 | -32 563 | -28 443 | -99 372 |
| Basic EPS (profit for the period) | -0,08 | -1,38 | -1,20 | -4,39 |
| Diluted EPS (profit for the period) | -0,08 | -1,38 | -1,20 | -4,39 |
| EPS continued operations | -0,08 | -2,21 | -1,20 | -4,73 |
| Diluted EPS continued operations | -0,08 | -2,21 | -1,20 | -4,73 |

EXTENDED INCOME STATEMENT

Amounts in NOK 1,000

| | 4Q 2010 | 4Q 2009 | Jan. - Dec. 2010 | Jan. - Dec. 2009 |
|--|------------|------------|---------------------|---------------------|
| Profit after tax for the period | -1 855 | -32 563 | -28 443 | -99 372 |
| Extended profit: | | | | |
| Translation differences | 0 | 546 | 0 | -1 337 |
| Extended profit after tax for the period | 0 | 546 | 0 | -1 337 |
| Net profit for the period | -1 855 | -32 017 | -28 443 | -100 709 |

BALANCE SHEET

Amounts in NOK 1,000

| | 31.12.2010 | 31.12.2009 |
|---|------------|------------|
| Non-current assets | | |
| Machinery and equipment | 6 451 | 7 696 |
| Intangible assets | 2 917 | 1 373 |
| Financial assets available for sale | 99 | 329 |
| Other financial assets | 1 174 | 2 050 |
| Total non-current assets | 10 641 | 11 449 |
| Current assets | | |
| Inventories | 3 220 | 3 613 |
| Trade receivables and other receivables | 11 907 | 27 492 |
| Cash and cash equivalents | 43 307 | 49 647 |
| Total current assets | 58 434 | 80 752 |
| Total assets | 69 075 | 92 201 |
| Equity | | |
| Share capital | 43 717 | 23 638 |
| Other equity | 12 847 | 37 516 |
| Total equity | 56 564 | 61 154 |
| Current liabilities | | |
| Trade-, short term-, and other payables | 12 511 | 31 047 |
| Total current liabilities | 12 511 | 31 047 |
| Total equity and liabilities | 69 075 | 92 201 |

CHANGES IN EQUITY

| <i>Amounts in NOK 1000</i> | Share capital | Share premium reserve | Own shares | Minority interests | Other reserves | Total equity |
|--|---------------|-----------------------|------------|--------------------|----------------|----------------|
| Balance at 2008-12-31 | 23 638 | 0 | 0 | 0 | 135 635 | 159 273 |
| Total comprehensive income/-loss for the period | 0 | 0 | 0 | 0 | -68 973 | -68 973 |
| Transactions with shareholders: | | | | | | |
| Employee stock option provision | 0 | 0 | 0 | 0 | 2 032 | 2 032 |
| Total transactions with shareholders | 0 | 0 | 0 | 0 | 2 032 | 2 032 |
| Balance at 2009-09-30 | 23 638 | 0 | 0 | 0 | 68 694 | 92 332 |
| Total comprehensive income/-loss for the period | 0 | 0 | 0 | 0 | -33 806 | -33 806 |
| Transactions with shareholders: | | | | | | |
| Purchase of own shares | 0 | 0 | -10 | 0 | -317 | -327 |
| Sale of own shares | 0 | 0 | 10 | 0 | 263 | 273 |
| Employee stock option provision | 0 | 0 | 0 | 0 | 2 682 | 2 682 |
| Total transactions with shareholders | 0 | 0 | 0 | 0 | 2 628 | 2 628 |
| 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 | -1 855 | -1 855 |
| Transactions with shareholders: | | | | | | |
| New capital, decided but not registered increase in equity | 3 500 | 16 579 | 0 | 0 | 0 | 20 079 |
| New equity regarding merger with Marimol AS | 0 | 0 | 0 | 1 796 | 0 | 1 796 |
| Purchase of own shares | 0 | 0 | -125 | 0 | 0 | -125 |
| Sale of own shares | 0 | 0 | 100 | 0 | 0 | 100 |
| Employee stock option provision | 0 | 0 | 0 | 0 | 443 | 443 |
| Total transactions with shareholders | 3 500 | 16 579 | -25 | 1 796 | 443 | 22 293 |
| Balance at 2010-12-31 | 27 138 | 16 579 | -25 | 1 796 | 11 101 | 56 564 |

CASH FLOW ANALYSIS

| <i>Amounts in NOK 1.000</i> | 4Q 2010 | 4Q 2009 | Jan. - Dec. 2010 | Jan. - Dec. 2009 |
|---|---------------|---------------|---------------------|---------------------|
| Cash flow from operating activities | | | | |
| Profit after tax | -1 855 | -32 563 | -28 443 | -99 372 |
| Adjustment: | | | | |
| Tax | 0 | 35 523 | 0 | 35 523 |
| Amortization | 709 | 814 | 2 792 | 2 984 |
| Depreciation stocks for sale | 1 064 | 0 | 1 064 | 0 |
| Employee stock options | 443 | 650 | 2 001 | 2 682 |
| Unrealized disagio (agio) | 208 | -80 | 208 | -80 |
| Profit by sale of fixed assets | 0 | -57 | -83 | -57 |
| Profit/loss by sale of subsidiaries | 0 | -16 196 | 0 | -16 196 |
| Changes in working capital | | | | |
| Inventory | 305 | 4 511 | 393 | 593 |
| Account receivables and other receivables | -4 702 | -16 180 | 15 585 | -19 686 |
| Payables and other current liabilities | 4 190 | 7 376 | -18 536 | 4 610 |
| Net cash flow from operating activities | 362 | -16 202 | -25 019 | -89 000 |
| Cash flow from investing activities | | | | |
| Purchase of fixed assets | -250 | -405 | -1 790 | -1 254 |
| Sale of fixed assets | 0 | 260 | 280 | 260 |
| Sale of subsidiary | 0 | 16 787 | 0 | 16 787 |
| Purchase of investments in shares and other investments | 0 | 0 | 0 | -1 667 |
| Cash and cash equivalents merged company | 135 | 0 | 135 | 0 |
| Change in long term receivables | 20 | 65 | 0 | -15 |
| Net cash flow from investing activities | -95 | 16 707 | -1 375 | 14 111 |
| Cash flow from financing activities | | | | |
| Cashflow from Private Placement | 20 079 | 0 | 20 079 | 0 |
| Purchase of own shares | -125 | 0 | -125 | -327 |
| Sale of own shares | 100 | 0 | 100 | 274 |
| Net cash flow from financing activities | 20 054 | 0 | 20 054 | -53 |
| Changes in cash and cash equivalents | 20 321 | 505 | -6 340 | -74 942 |
| Cash and cash equivalents at the beginning of period | 22 986 | 49 452 | 49 647 | 124 589 |
| Currency conversion difference | 0 | -310 | 0 | 0 |
| Cash and cash equivalents at end of period | 43 307 | 49 647 | 43 307 | 49 647 |

* Discontinued operation for consumer health included in 2009 figures.

Notes to the interim accounts for Q4 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 31 December 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 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 - 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:

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

Cashflow discontinued operation consumer health:

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

Note 3 - Private placement, adopted but not registered

Private placement of 3,500,000 shares was adopted December 22, 2010. New capital from the placement was registered in The Register of Business Enterprises January 7, 2011.

Note 4 - Analysis of operating revenue and -expenses, segment information

| <i>Amounts in NOK 1.000</i> | 4Q 2010 | 4Q 2009 | Jan. - Dec. 2010 | Jan. - Dec. 2009 |
|--|------------|------------|---------------------|---------------------|
| <i>Sales revenue:</i> | | | | |
| Beta-Glucans | 1 036 | 1 648 | 4 317 | 6 506 |
| Enzymes | 9 529 | 5 391 | 21 592 | 17 569 |
| Group operating revenue | 10 565 | 7 038 | 25 909 | 24 075 |
| <i>Operating expenses:</i> | | | | |
| Beta-Glucans | -9 174 | -23 905 | -38 328 | -88 317 |
| Enzymes | -2 056 | -3 449 | -11 144 | -8 899 |
| Corporate & non-allocated costs | -2 332 | -3 437 | -7 572 | -19 458 |
| Group operating expenses before depreciation | -13 562 | -30 792 | -57 044 | -116 674 |
| <i>Other income:</i> | | | | |
| Beta-Glucans | 1 803 | 2 404 | 4 676 | 10 710 |
| Enzymes | -94 | 9 | 37 | -307 |
| Corporate & non-allocated costs | 0 | 56 | 84 | 56 |
| Group other income | 1 709 | 2 468 | 4 797 | 10 459 |
| <i>Operating profit (EBITDA):</i> | | | | |
| Beta-Glucans | -6 335 | -19 854 | -29 335 | -71 101 |
| Enzymes | 7 379 | 1 950 | 10 485 | 8 363 |
| Corporate & non-allocated costs | -2 332 | -3 381 | -7 488 | -19 402 |
| Group operating profit before depreciation | -1 288 | -21 285 | -26 338 | -82 140 |
| <i>Depreciation:</i> | | | | |
| Beta-Glucans | -653 | -739 | -2 528 | -2 692 |
| Enzymes | -57 | -42 | -220 | -72 |
| Corporate & non-allocated costs | 1 | -32 | -44 | -220 |
| Group depreciation | -709 | -814 | -2 792 | -2 984 |
| <i>Operating profit (EBIT):</i> | | | | |
| Beta-Glucans | -6 988 | -20 594 | -31 863 | -73 793 |
| Enzymes | 7 322 | 1 908 | 10 265 | 8 291 |
| Corporate & non-allocated costs | -2 331 | -3 414 | -7 532 | -19 622 |
| Group operating profit | -1 997 | -22 100 | -29 130 | -85 124 |