

1st QUARTER REPORT 2010

- The main cause of the phase III study failures has been identified as a product change induced by contact between SBG and the polyethylene containers
- Our belief in the pharmaceutical potential for SBG remains intact, although further investigations are needed to prove control and establish a solid foundation before initiating new clinical studies
- A number of companies have expressed interest to partner in a renewed clinical program for SBG and partnering processes will be reconsidered when product stability has been clarified
- The marine biochemical area offers a lot of opportunities, and the company will invest in new product development programs to grow this business going forward

(NOKm)	Q1-10	Q1-09	2009
<i>Marine Biochemicals</i>	4.0	3.5	17.6
<i>Pharmaceutical development</i>	1.8	2.9	6.5
Revenues	5.8	6.4	24.1
<i>Marine Biochemicals</i>	1.5	1.6	8.4
<i>Pharmaceutical development</i>	-12.0	-12.8	-71.1
<i>Corporate and unallocated</i>	-1.9	-2.8	-19.4
EBITDA	-12.4	-14.0	-82.1
Profit before tax	-12.8	-13.1	-81.2

Note: Figures restated to reflect divestment of Immunocorp Consumer Health in Q4 2009
Unallocated 2009 mostly reflect patent litigation expenses

OUTLOOK

Pharmaceutical development:

- Investigation of the biological activity in cell cultures and stability studies are ongoing to understand sensitivity of SBG to polyethylene
- An animal model will be established to verify the relation between this biological activity in cell cultures and the wound healing capabilities – findings may also lead to new intellectual property

Marine biochemicals:

- Further profitable growth expected - mainly from existing products in the medium term
- New product development will be intensified with the ongoing marine bioprospecting at the University of Tromsø as a foundation

Financial position:

- The company is debt free and has NOK 38 million in cash, and funding should be sufficient to re-establish a platform for further pharmaceutical development
- Completion of phase III clinical trials and significant workforce reductions in parent company reduces cost base, effective from the second quarter 2010

Pharmaceutical development

Biotec Pharmacon's pharmaceutical development activities are concentrated on products for treatment of immune related diseases using the bioactive compound SBG (soluble beta- 1,3/1,6-glucan), focusing on treatment of chronic ulcers and immunotherapy of cancer in combination with monoclonal antibodies.

FINANCIAL REVIEW, PHARMACEUTICAL DEVELOPMENT

NOKm	Q1-10	Q1-09	2009
Revenue	1.8	2.9	6.5
Other operating expenses (net)	-13.8	-15.7	-77.6
EBITDA	-12.0	-12.8	-71.1
Depreciation	-0.6	-0.6	-2.7
EBIT	-12.6	-13.4	-73.8

Net operating expenses in the Pharmaceutical Development segment for the first quarter 2010 reflect the remaining cost related to the finalization of the phase III studies as previously reported. From the second quarter 2010 the total cost base in the Pharmaceutical Development segment will have been reduced to less than NOK 3.0 million per month, including overhead.

As already announced, an unexpected reaction occurred between the active compound SBG and the polyethylene containers used in the SBG phase III studies. The reaction led to a fragmentation of SBG, which changed the immunomodulatory pattern of the drug substance. The company has studied the fragmented product in human phagocytic cells and found that it induced a set of signal molecules that were significantly different from those induced by SBG and could actually slow down the wound healing process.

The company needs to study in more detail what happened with the drug product in the phase III studies, and will run an extensive stability study program to ensure it will be able to handle and control the level of bioactivity in SBG in various containers. In parallel, the company will investigate whether any of the findings may lead to new IP. Only when this has been clarified and the clinical material has been analysed, the company will decide on its pharmaceutical strategy going forward.

A number of potential partners remain interested in a collaboration, also in a renewed clinical program with SBG. However, the company believes that a strong platform needs to be established in order to reach a partner agreement of maximum commercial value. None of the findings so far have changed our belief that SBG has potential as a pharmaceutical substance, but our experience is that a careful and stepwise progress is needed to ensure SBG does not fail once again.

In light of the changes in product behaviour in the polyethylene containers, the company is also in parallel examining the product's immune modulating abilities in immunotherapy of cancer in animal models. Awaiting the results from the post-phase III activities, the company has put further development for its clinical phase I/II study program for immunotherapy of cancer on hold.

Marine Biochemicals

Following the separation into the fully owned subsidiary of Biotec Marine Biochemicals AS (BMB) in June 2009, the company has experienced strong growth. In Q1 the customers recognition of BMB has been reflected in a large increase of customer trials being started. The primary reason for this was the launch of two new products and a strong testing demand for Cod UNG.

In March a new website was launched (www.marinebiochem.com) which will be a central spot for the daily contact with customers.

FINANCIAL REVIEW, MARINE BIOCHEMICALS

NOKm	Q1-10	Q1-09	2009
Revenue	4.1	3.4	17.6
Other operating expenses (net)	-2.5	-1.8	-9.2
EBITDA	1.5	1.6	8.4
Depreciation	-0.1	0	-0.1
EBIT	1.4	1.6	8.3

Revenue in marine biochemicals amounted to NOK 4.1 million in the first quarter, an increase of 18 percent from the first quarter 2009 with an EBITDA margin of 37 percent. The sales growth is obtained through orders for the new recombinant SAP products while the old native SAP still selling at the level of 2009. The new product is expected to substitute the native product during the next 12-18 months and the manufacturing of the native enzyme will then be terminated. The recombinant SAP product is being launched in May 2010 and is expected to open new sales opportunities for SAP being on the market since 1993 in its native form. Furthermore a DNase enzyme launched in 2001 has now been approved by one of the world leading companies and their initial projections indicate a substantial increase in sale of this product going forward.

The reason for the drop in EBITDA is primarily related to a scale up of commercial and development capacity over the last 12 months which has lead to an increased cost base. Going forward, the company aims to intensify new product development including leveraging on its right to output from an ongoing marine bioprospecting screening program at the University of Tromsø (e.g. SFI - MABCENT and other projects).

Biotec Pharmacon – Group Figures

Overall EBITDA was NOK -12.4 million in the first quarter 2010, compared to NOK -14.0 million in the first quarter 2009.

EBIT was NOK -13.1 million in the first quarter (-14.7), and net financial items a positive NOK 0.2 million (1.7).

Profit before tax for continued operations was NOK -12.8 million in the first quarter 2010, compared to NOK -13.1 million in the first quarter 2009. As explained above, the negative results reflect the continued high cost level related to the finalisation of the clinical pharmaceutical studies. In combination with the cost effects of significant workforce reductions, the completion of these programs will reduce the cost base considerably with effect from the second quarter of 2010.

Balance Sheet, Cash Flow and Shareholder Matters

Total equity was NOK 48.7 million at 31 March, 2010, which was a decline of NOK 12.4 million from the end of 2009. The decline reflects the net losses in the period. The equity ratio was 76%.

The total number of outstanding shares was 23,637,910 at 31 March 2010, which was unchanged from 31 December 2009. The total number of options granted was 1,145,500, including 300,000 options granted to the new CEO in the first quarter and 460,000 options cancelled during the same period. Biotec Pharmacon holds no own shares.

Net cash flow from operating activities was a negative NOK 11.9 million in the first quarter 2010, compared to a negative NOK 16.4 million in the first quarter 2009. Cash and cash equivalents declined to NOK 37.6 million at 31 March, 2010, from NOK 49.6 million at the end of 2009. The company also retains an unused credit facility of NOK 5 million.

Biotec Pharmacon ASA Group - First quarter accounts 2010

INCOME STATEMENT

Amounts in NOK 1.000

	1Q 2010	1Q 2009	Year 2009
Sales revenues	5 827	6 365	24 075
Cost of goods sold	-261	-393	-1 701
Personell expenses	-8 011	-8 480	-33 460
Depreciation and amortisation expenses	-679	-714	-2 984
Other income	781	3 851	10 459
Other expenses	-10 714	-15 371	-81 513
Operating profit	-13 057	-14 741	-85 124
Financial income, net	221	1 687	3 909
Profit before tax	-12 836	-13 054	-81 215
Tax	0	0	-30 708
Profit after tax, continued operations	-12 836	-13 054	-111 923
Profit after tax, discontinued operation of the consumer health business	-11	-3 077	12 551
Profit after tax for the period	-12 847	-16 132	-99 372
Basic EPS (profit for the period)	-0,54	-0,68	-4,20
Diluted EPS (profit for the period)	-0,54	-0,68	-4,20

EXTENDED INCOME STATEMENT

Amounts in NOK 1.000

	1Q 2010	1Q 2009	Year 2009
Profit after tax for the period	-12 847	-16 132	-99 372
Extended profit:			
Adjustment financial assets available for sale	0	0	0
Translation differences	0	-440	-1 377
Extended profit after tax for the period	0	-440	-1 377
Net profit for the period	-12 847	-16 572	-100 749

BALANCE SHEET

Amounts in NOK 1.000

	31.03.2010	31.03.2009	31.12.2009
Non-current assets			
Machinery and equipment	7 111	9 198	7 696
Intangible assets	1 343	36 946	1 373
Financial assets available for sale	329	329	329
Other financial assets	2 101	533	2 051
Total non-current assets	10 884	47 006	11 449
Current assets			
Inventories	3 696	6 833	3 613
Trade receivables and other receivables	12 335	11 331	27 492
Cash and cash equivalents	37 604	108 148	49 647
Total current assets	53 634	126 311	80 752
Total assets	64 519	173 317	92 201
Equity			
Share capital	23 638	23 638	23 638
Other equity	25 073	119 949	37 516
Total equity	48 711	143 587	61 154
Current liabilities			
Trade-, short term-, and other payables	15 807	29 730	31 047
Total current liabilities	15 807	29 730	31 047
Total equity and liabilities	64 519	173 317	92 201

CHANGES IN EQUITY

<i>Amounts in NOK 1.000</i>	1Q 2010	1Q 2009	Year 2009
As of beginning of period	61 154	159 273	159 273
Net profit for the period	-12 847	-16 132	-99 372
Adjustment financial assets available for sale	0	0	0
Purchase own shares	0	0	-327
Sale own shares	0	0	274
Employee share options	404	886	2 682
Translation differences	0	-440	-1 377
As of end of period	48 711	143 587	61 154

CASH FLOW ANALYSIS

<i>Amounts in NOK 1.000</i>	1Q 2010	1Q 2009	Year 2009
Cash flow from operating activities			
Profit after tax	-12 847	-16 132	-99 372
Adjustment:			
Tax	0	0	35 523
Depreciation	679	769	2 984
Employee stock options	404	886	2 682
Unrealized disagio (agio)	0	0	-80
Profit by sale of fixed assets	0	0	-57
Profit/loss by sale of subsidiaries	0	0	-16 196
Changes in working capital			
Inventory	-83	-329	593
Account receivables and other receivables	15 157	-2 476	-19 686
Payables and other current liabilities	-15 240	911	4 610
Net cash flow from operating activities	-11 929	-16 371	-89 000
Cash flow from investing activities			
Purchase of fixed assets	-64	0	-1 254
Sale of fixed assets	0	0	260
Sale of subsidiary	0	0	16 787
Purchase of investments in shares and other investments	0	0	-1 667
Change in long term receivables	-51	33	-14
Net cash flow from investing activities	-114	33	14 111
Cash flow from financing activities			
Purchase of own shares	0	0	-327
Sale of own shares	0	0	274
Net cash flow from financing activities	0	0	-53
Changes in cash and cash equivalents	-12 043	-16 338	-74 942
Cash and cash equivalents at the beginning of period	49 647	124 589	124 589
Currency conversion difference	0	-104	0
Cash and cash equivalents at end of period	37 604	108 148	49 647

* Discontinued operation for consumer health, included in 1Q 2009-figures

Notes to the interim accounts for Q1 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 March 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.

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:

	1Q 2010	1Q 2009	Year 2009
Profit from operations before tax	-11	-3 077	-8 460
Profit from sale of business as of 30.12.09	0	0	16 196
Tax	0	0	4 815
Profit after tax for discontinued operation consumer health	-11	-3 077	12 551

Cashflow discontinued operation consumer health:

Cashflow operations	-11	-4 407	-24 452
Cashflow investing activities	0	0	16 787
Cashflow financing activities	0	0	0
Cashflow	-11	-4 407	-7 665

Note 3 - Analysis of operating revenue and -expenses, segment information

<i>Amounts in NOK 1.000</i>	1Q 2010	1Q 2009	Year 2009
<i>Sales revenue:</i>			
Pharmaceuticals development	1 764	2 927	6 506
Marine biochemicals	4 063	3 439	17 569
Group operating revenue	5 827	6 365	24 075
<i>Operating expenses:</i>			
Pharmaceuticals development	-14 313	-19 496	-88 318
Marine biochemicals	-2 766	-1 908	-8 899
Corporate & non-allocated costs	-1 908	-2 840	-19 457
Group operating expenses before depreciation	-18 986	-24 244	-116 674
<i>Other income:</i>			
Pharmaceuticals development	577	3 797	10 709
Marine biochemicals	204	55	-306
Corporate & non-allocated costs	0	0	57
Group other income	781	3 851	10 460
<i>Operating profit (EBITDA):</i>			
Pharmaceuticals development	-11 972	-12 772	-71 103
Marine biochemicals	1 502	1 585	8 364
Corporate & non-allocated costs	-1 908	-2 840	-19 400
Group operating profit before depreciation	-12 378	-14 027	-82 138
<i>Depreciation:</i>			
Pharmaceuticals development	-590	-652	-2 692
Marine biochemicals	-55	0	-72
Corporate & non-allocated costs	-34	-63	-221
Group depreciation	-679	-714	-2 984
<i>Operating profit (EBIT):</i>			
Pharmaceuticals development	-12 563	-13 424	-73 793
Marine biochemicals	1 447	1 585	8 292
Corporate & non-allocated costs	-1 941	-2 902	-19 621
Group operating profit	-13 057	-14 741	-85 124

10 May, 2010

The Board of Directors of Biotec Pharmacon ASA

Svein Mathisen
Chairman

Ingrid Wiik

Ingrid Alfheim

Morten Elde

Gunnar Rørstad