



Fourth quarter and full year 2009

CEO Lars Viksmoen
VP Fin.& Adm. Arvid Vangen

1 March, 2010

Operational review

- Disappointing phase III results – SBG did not show superiority over placebo in diabetic foot ulcer and oral mucositis
- Interaction with polypropylene in product containers may have rendered SBG inactive
- Phase III failure significantly changing planned scope of activities; cost base and workforce aligned with lower activity level
- Maintained and continuing discussions with potential partners and investment groups
- Continued strong growth in Biotec Marine Biochemicals AS
- Divested Immunocorp Consumer Health AS

Pharmaceutical Development

Re-analysis of study medication

Relevant questions & possible “root causes”

Relevant questions:

- Is SBG a dead asset?
- Do we know why SBG failed?
- Can we fix it and make sure that SBG will not fail again?

Possible “root causes”:

- Study design flaws
- Technical study flaws
- Product flaws
 - SBG
 - Placebo

Re-analysis of study medication

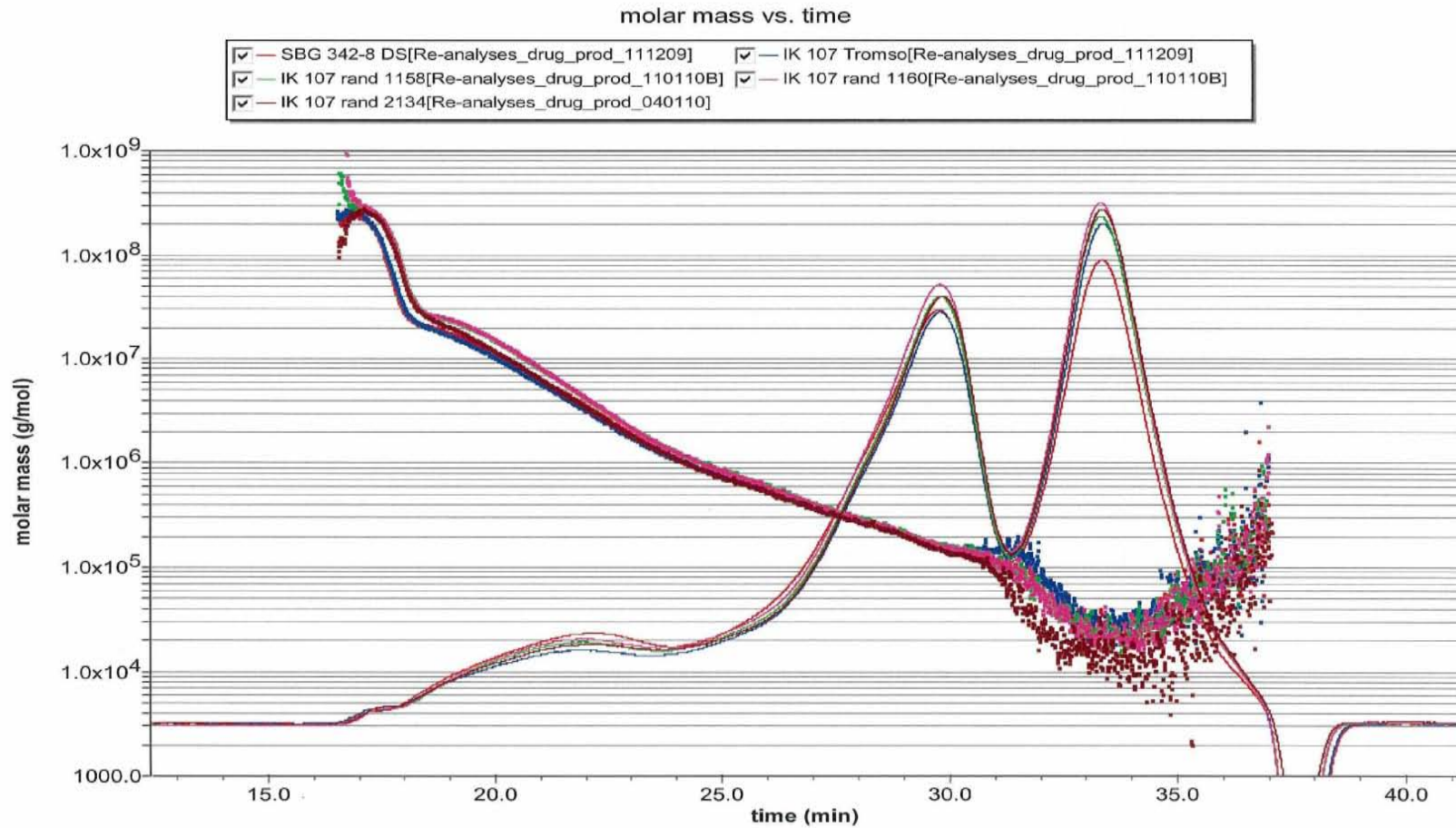
Sampling of drug substance/product

Substance	Storage place
Drug substance (Active Product Ingredient)	Quality laboratorium Tromsø
Drug product (Polyethylene-ampules)	Production factory Tromsø (from Holopack)
Drug product (Polyethylene-ampules)	Returned from study centers (UK og Europa)

- Compared with samples of drug substance/product also from phase I and II, where available
- Basket of tests, with main focus on biological activity, both for SBG and placebo

Re-analysis of study medication

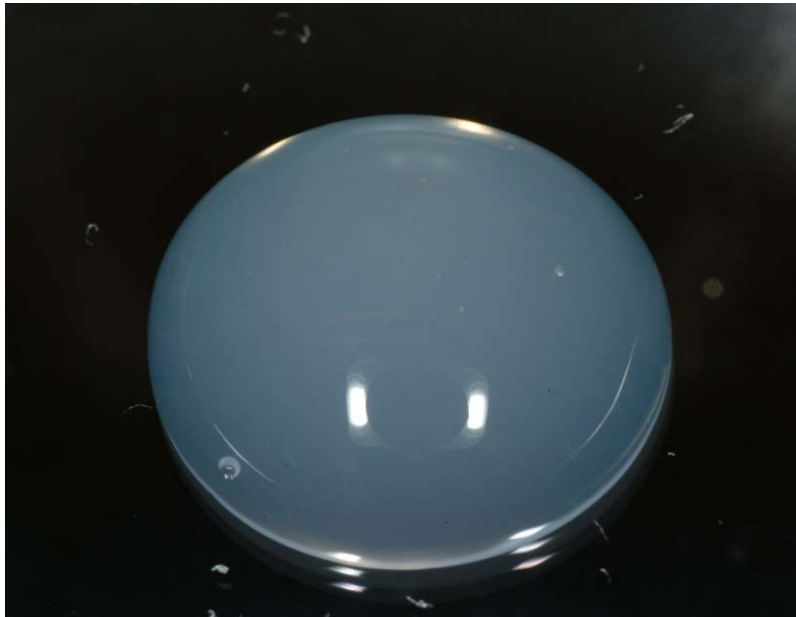
Molecular weight distribution (SEC-MALS-RI) in DS vs DP



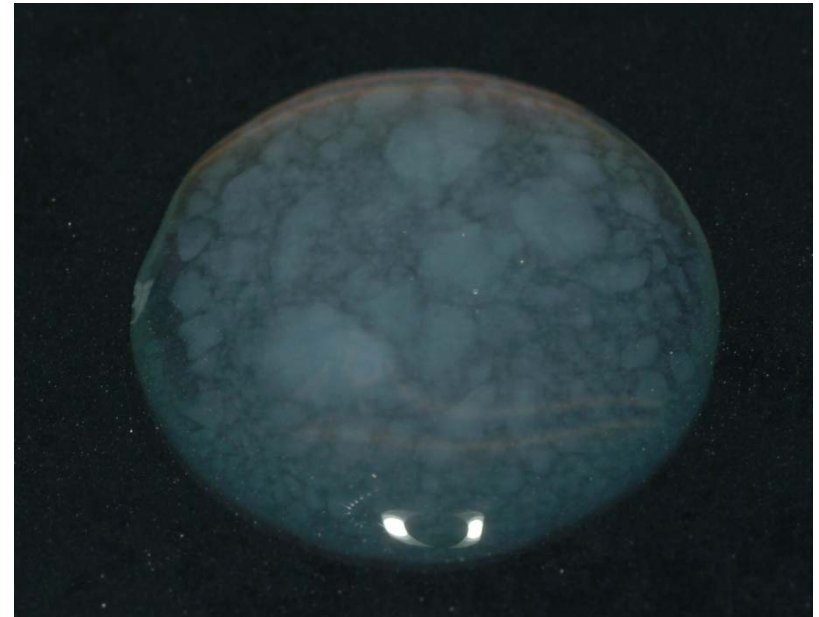
Re-analysis of study medication

Visual comparison of SBG products

Drug substance (DS) vs Drug Product (DP)



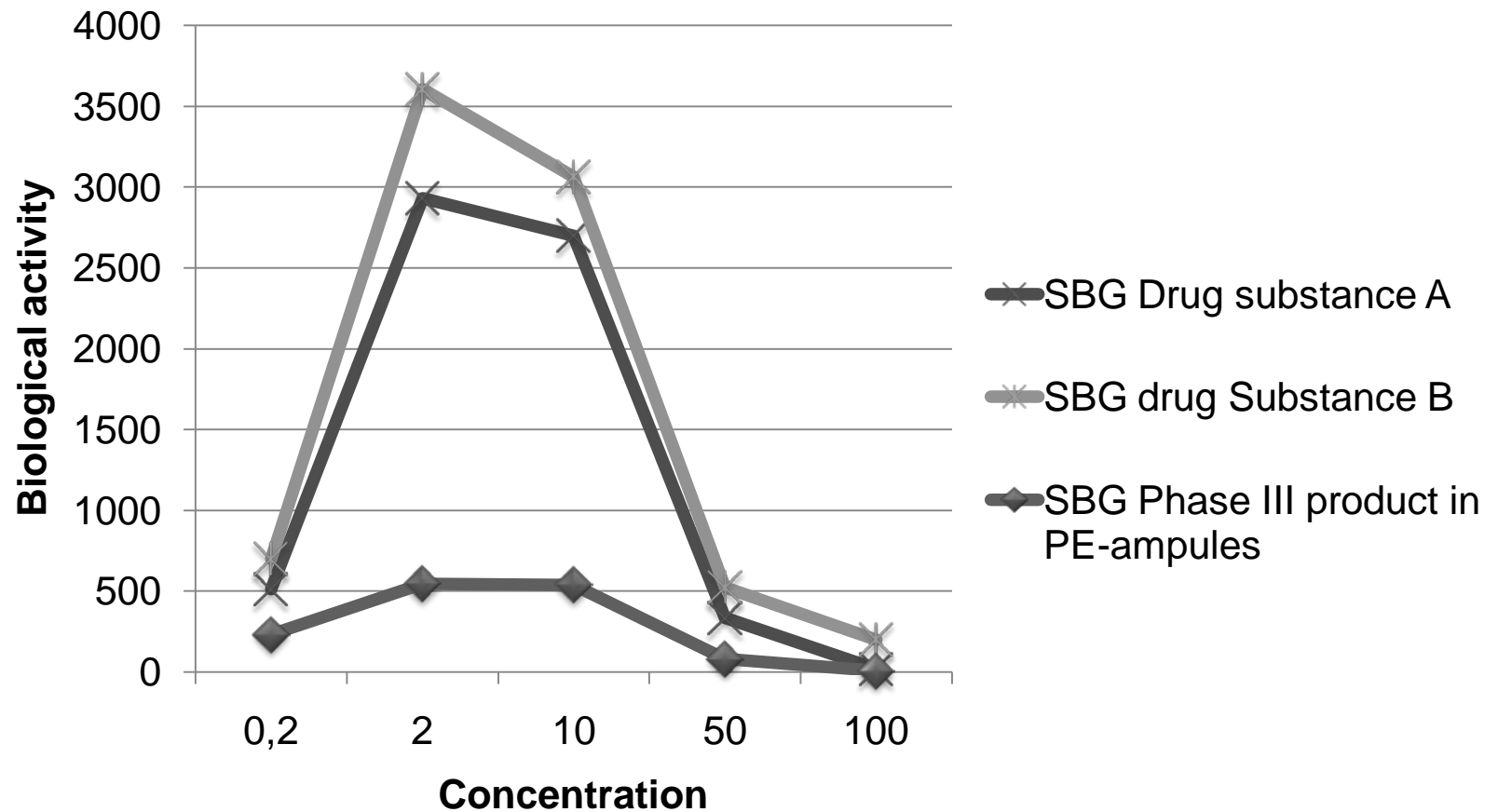
**Active Drug Substance
Phase III batch**



**Inactive Drug Product
Phase III batch**

Re-analysis of study medication

Biological activity in Drug Substance vs Drug Product



Sub-analysis of clinical data*

Batch performance comparison

Product (DP)		Comparator product		p-value
	% healed		% healed	
SBG Nottingham 1 st batch (N=46)	21.7%	Placebo (N=34)	32.4%	0.29
SBG Nottingham 2 nd batch (N=21)	52.4%	Placebo (N=21)	33.3%	0.22
SBG Nottingham 1st batch (N=46)	21.7%	SBG Nottingham 2nd batch (N=21)	52.4%	0.013

*Ad-hoc, non pre-specified analysis

Re-analysis of study medication

Possible “root causes” and conclusions

Possible “root causes”:

- Study design flaws
- Technical study flaws
- Product flaws
 - SBG
 - Placebo

Conclusions:

- Systemic failure – no flaws found in manufacturing process or in study design and/or study conduct
- Early evidence of unexpected interaction between product container and SBG, rendering SBG inactive over time – to be confirmed
- Plan to initiate accelerated stability studies with SBG in a number of different product containers - as part of follow-up program

“Root cause” findings

3rd party assessment

“ ... It is highly likely that a ”root cause” for the current form of SBG failing has been identified ...

... Based on considerable experience the suspected inactivation of SBG in polyethylene ampoules would not have been normally expected as an issue during the selection of ampoules as the primary container for SBG” ...

Ashley Hankinson,
Global Compliance International

Re-analysis of study medication

Relevant questions & answers

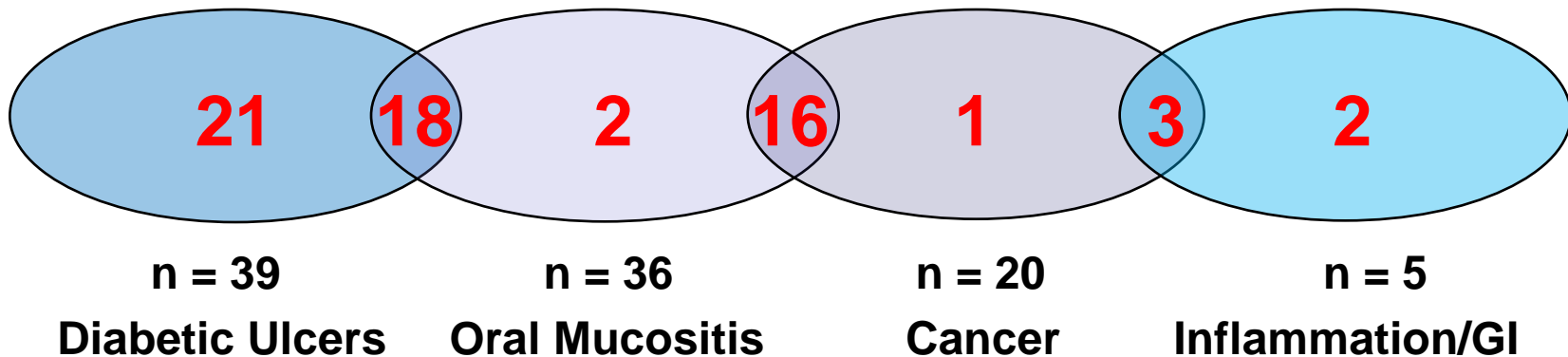
- Is SBG a dead asset? → **No**
 - Do we know why SBG failed? → **Yes** - confirmation needed
 - Can we fix it and make sure that SBG will not fail again? → Action being taken
-
- **Strategic issues to consider for further development of SBG:**
 - Which indications and/or formulations to prioritize?
 - Level of internal vs. external development
 - Level of partner and/or industrial investor involvement?

Partners and industrial investors still interested in SBG?

Potential partners and investment groups

Maintained and continuing discussions

- Dialogue with > 150 companies
- Strong interest expressed by > 60 companies
- Confidentiality agreements (CDAs) with approx. 30 companies*



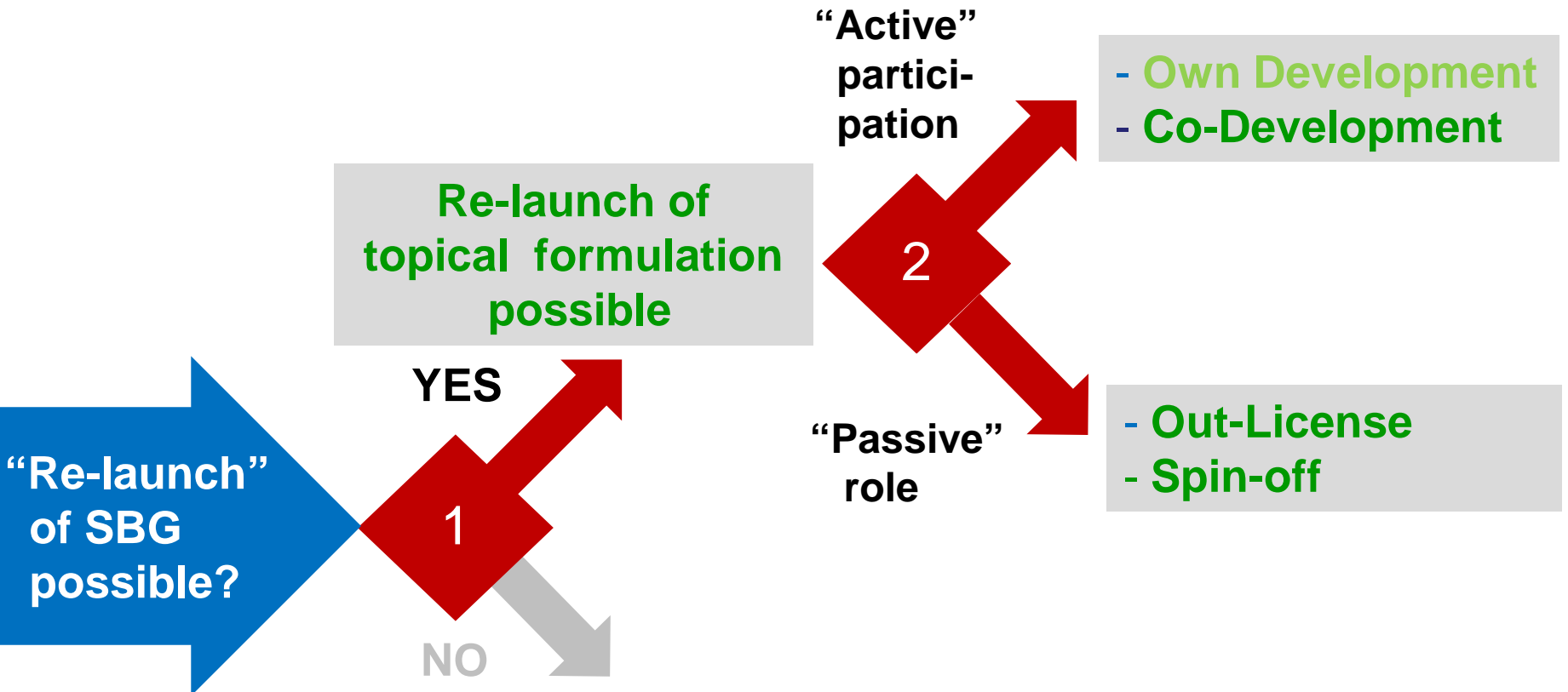
- Maintaining contact and continuing discussions with interested partners and industrial investment groups on alternative models for future collaboration on SBG

Signed 7 CDAs after Phase III failure

* Majority prior to phase III data

Strategic alternatives

Excample of “decision tree” for SBG in diabetic ulcer



Strategic alternatives

Examples of SBG deal opportunities

- **Innate immunity deal**
SBG in all indications and formulations
- **Topical formulation deal**
SBG in Diabetic Ulcers (and other topical indications)
- **Systemic formulation deal**
SBG in Oral Mucositis & Cancer
- **New systemic formulation deal**
SBG in Inflammatory Bowel Disease and/or Allergy/Asthma
- **Territorial deals:**
USA, Europe, Japan, RoW

Non-pharmaceutical business

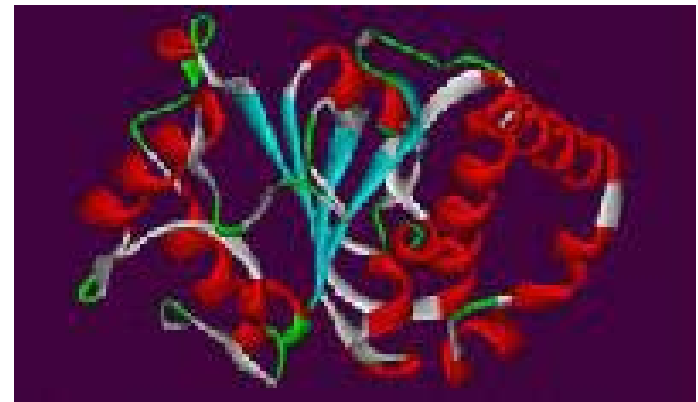
Biotec Marine Biochemicals

Immunocorp Consumer Health

Biotec Marine Biochemicals

Enzymes for R&D and diagnostics markets

- Strong revenue growth - exceeded the 2009 revenue target
- Strong growth for both SAP and Cod-UNG
- New product pipe line
- High margin business
- Longer-term target to double revenue over the next three years
- Strengthening staff – increased to 8 employees

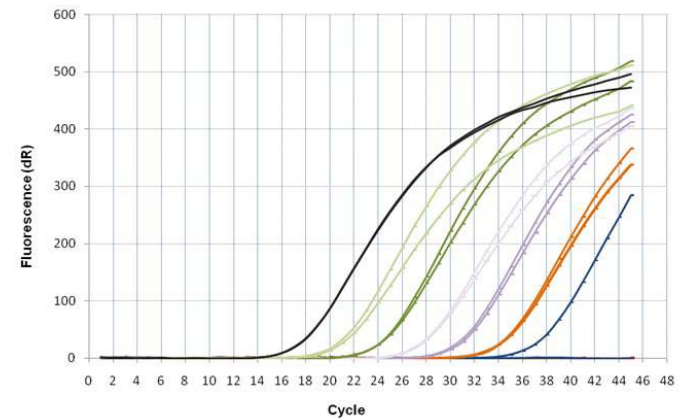


Molecular structure of cod Uracil-DNA N-glycosylase
(Leiros, et al. 2003)

Biotec Marine Biochemicals

Market development

- **Market growth:**
 - >10% CAGR
- **Increased customer focus:**
 - New customer focused organization in place
 - Customer input into product development
- **New applications/use:**
 - New PCR kits from major research & diagnostic kit companies w/BMB enzymes
 - BMB enzymes entering the High Throughput Sequencing market
- **New customers:**
 - Opening new accounts – more focused marketing and sales activities



Typical presentation of qPCR data (own data)

Biotech Marine Biochemicals

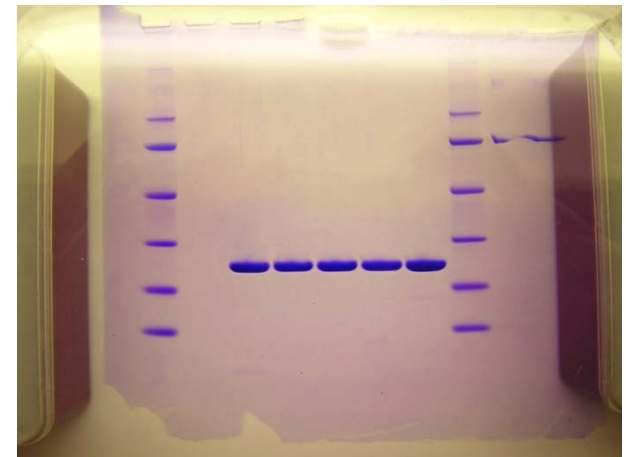
R&D and product development

- **New enzyme products:**
 - HL-dsDNase and SAN in extensive trials - very well received by key opinion leaders
 - New products in pipeline

- **R&D:**
 - Bio-prospecting activities in Tromsø (Sfi-MABCENT)
 - Increasing customer needs input into R&D process
 - In house molecular engineering expertise
 - Specialty; cold adapted/heat labile enzymes

- **QA/QC:**
 - Upgraded and intensified

- **Manufacturing:**
 - Upgraded and intensified



Proteins in SDS-PAGE gel (own data)

Immunocorp Consumer Health

Non-core business - divested at the end of Q4

- Good strategic match with the buyer Sana Pharma AS
- 5-year supply agreement
- Sales price NOK 31.5 million
- Cash effect of ~NOK 20 million in 2009, with the remainder due in Q1 2010
- Strengthening the focus and financial platform for the BP core businesses - allowing ICH to pursue growth opportunities



Financials

Financial Highlights

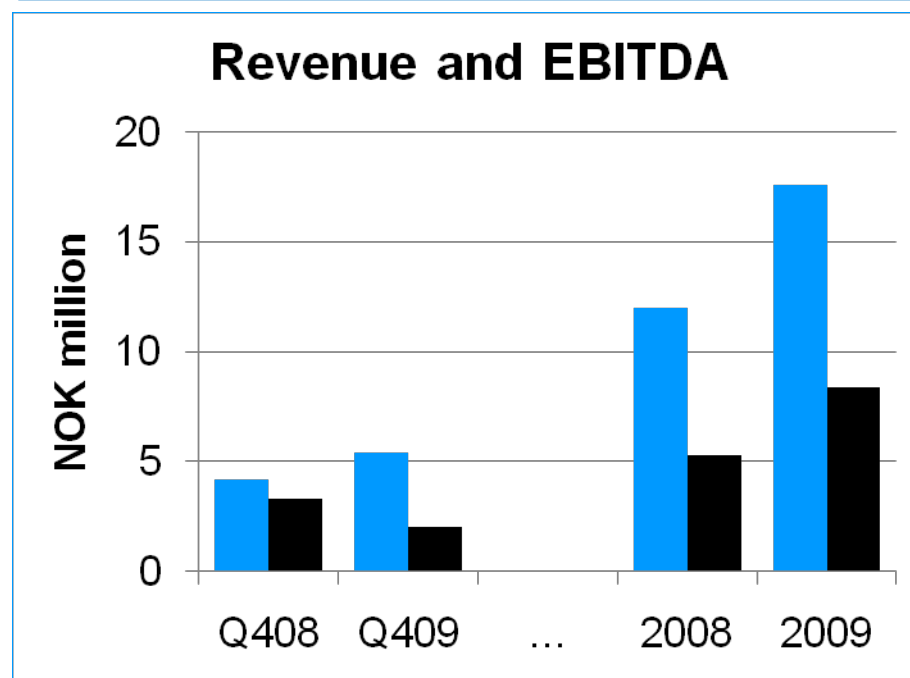
(NOKm)	Q409	Q408	2009	2008
Marine Biochemicals	5.4	4.3	17.6	12.0
Pharmaceutical development	1.6	2.5	6.5	8.8
Revenues	7.0	6.7	24.1	20.8
Marine Biochemicals	2.0	3.3	8.4	5.3
Pharmaceutical development	-19.9	-36.7	-71.1	-68.9
Corporate and unallocated	-3.4	-1.4	-19.4	-11.4
EBITDA	-21.3	-34.8	-82.1	-75.1
Profit before tax	-21.6	-32.7	-81.2	-69.2
Net profit, continued business	-52.4	-32.7	-111.9	-65.1
Net profit consumer health, discontinued	15.3	-4.6	8.1	-13.8
Net profit animal health, discontinued	-	-0.6	-	26.6
Net profit	-37.1	-37.9	-103.9	-52.2

Split into new segments and restated for the divestments of Animal Health in 2008 and Consumer Health in 2009

Marine Biochemicals

- 2009 revenue at NOK 17.6 million, well above the 15 MNOK target
- Q4'09 revenue increase of 28% and 47% for the full year 2009
- Strong full year growth for both SAP (+34%) and Cod-UNG (+107 %)
- Strong positive contribution; EBITDA-margin of 36% in Q4'09 and 47% for the full year
- Remains committed to longer-term target to double revenue over the next three years

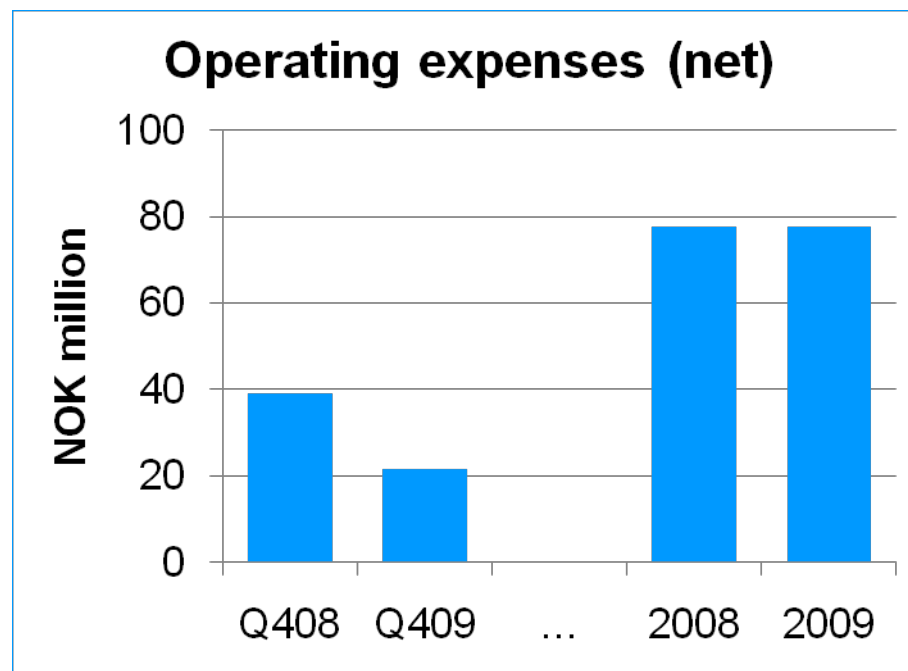
NOKm	Q4 09	Q4 08	2009	2008
Revenue	5.4	4.2	17.6	12.0
Other operating expenses (net)	-3.4	-0.9	-9.2	-6.7
EBITDA	2.0	3.3	8.4	5.3
Depreciation	0	0	0	0
EBIT	1.9	3.3	8.3	5.3



Pharmaceutical Development

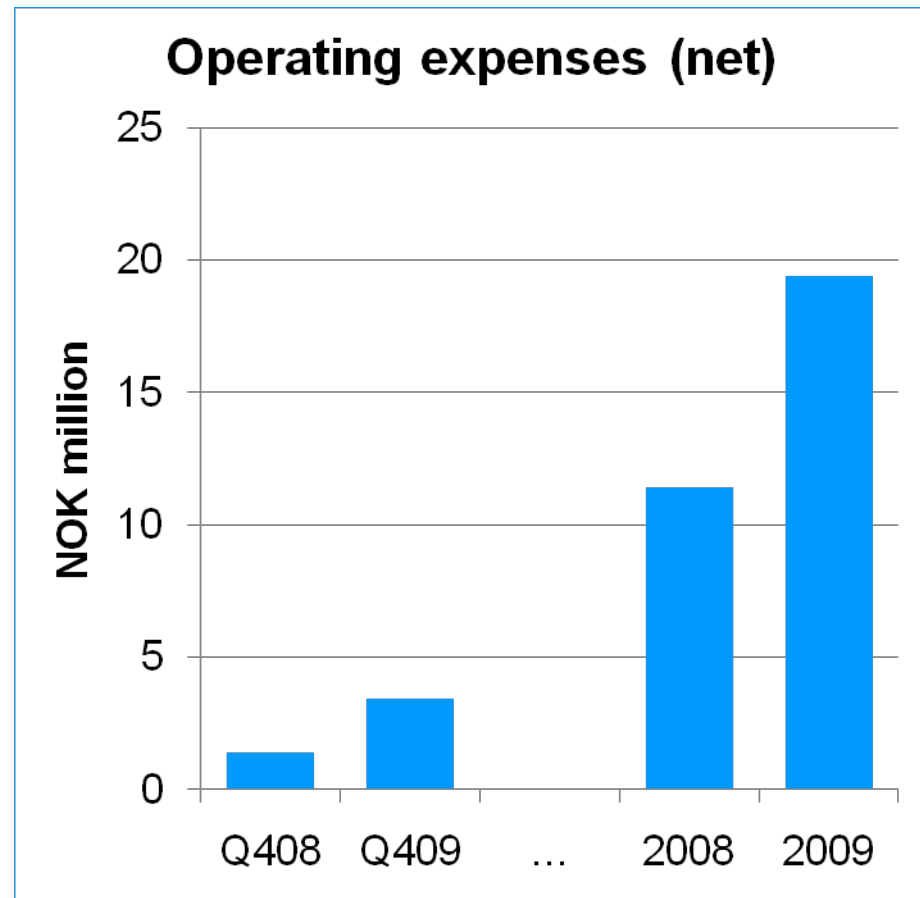
- Overall costs in line with full-year guiding
 - Not fully comparable after restating and new segment reporting structure
- Clinical development costs amounted to NOK 35.2 million in 2009 (NOK 34.6)
 - Significantly lower in 2010, although with some costs related to phase III wrap-up in Q1'10
- Lower in-house costs
 - From 35 to 14 employees in the parent company

NOKm	Q4 09	Q4 08	2009	2008
Revenue	1.6	2.5	6.5	8.8
Other operating expenses (net)	-21.5	-39.2	-77.6	-77.8
EBITDA	-19.9	-36.7	-71.1	-68.9
Depreciation	-0.7	-0.9	-2.7	-3.0
EBIT	-20.6	-37.6	-73.8	-72.0



Corporate and unallocated

- **Corporate costs:**
 - Overhead in parent company
- **Unallocated costs:**
 - Mainly costs related to patent case which was settled in Q3'09



Cash Flow

NOK ('000)	Q4 09	Q4 08	2009	2008
Cash Flow from operating activities	-28 4622	-28 256	-84 704	-65 657
Cash Flow from investing activities	10 077	210	13 292	36 491
Cash Flow from financing activities	-53	-	-53	-45
Cash flow in the period	-18 439	-28 046	-71 466	-29 211

Consolidated Balance Sheet

Condensed figures

(NOK '000)	31.12.09	31.12.08
Non-current assets	11 448	47 818
Cash and cash eq.	49 647	124 589
Other current assets	31 270	15 359
Total current assets	80 917	139 938
Assets	92 365	187 766
Equity	60 198	159 273
Liabilities	32 167	28 493
Equity & Liabilities	92 365	187 766
Equity Ratio	65%	85%

- Non-current assets reduced by NOK 30.7 million due to valuation allowance of deferred tax after failed phase III studies
- Equity reduction to NOK 60.2 million (65%) reflects losses in the period
- Cash position of NOK 50 million, including approximately NOK 20 million from divestment of Immunocorp Consumer Health
 - Payment of remaining sales price of NOK 31.5 million due in Q1 2010

Summary (I)

Priority action plan for Pharma Development

- Confirm “root cause” behind disappointing phase III results
- Address reasons and make sure that SBG will not fail again
- Re-establish the pharmaceutical strategy platform
- Sufficient funding for planned activities – no need for further asset sales
 - High cash burn in Q1’10 due to wrap up clinical studies
 - Significantly lower cost base from Q2’10
- Decide on level of partner and/or industrial investor involvement and collaboration alternatives and ensure funding for future R&D activities
 - Full-year cash burn depending on program/project activity, strategic choices and partnering activity

Summary (II)

Growing the Marine Biochemicals business

- Continuing expansion in the molecular biology and diagnostics markets
 - **Grow:**
 - Existing products
 - Existing customers
 - **Expand:**
 - Customer base
 - Use in new applications
 - Product portfolio with new products
- Profitable doubling of revenue expected over the next 3 years (mainly from existing products)

