

## 4<sup>th</sup> QUARTER and full year 2011 Interim REPORT

### ENZYMES – ArcticZymes

- Revenue declined from NOK 10,4M to NOK 2.6M in the quarter due to low SAP sales to Affymetrix, whereas revenue from other products more than doubled.
- After termination of exclusivity towards Affymetrix in Q3-11, new SAP supply agreements have been signed with international leaders in diagnostics, broadening the revenue base with effect from 2012
- More than doubled the number of customers and opened US office

### BETA-GLUCANS

- Produced first commercial scale batch of Woulgan<sup>®</sup> Biogel in final container (pilot batch)
- Product certification moves forward, with Presafe contracted as Notified Body
- New patents have been issued for beta-glucans in Cancer Adjuvant Therapy

NOK million	Q4-11	Q4-10	YTD-2011	YTD-2010
<i>Enzymes</i>	2.6	10.4	15.2	21.6
<i>Beta-Glucans</i>	1.1	0.2	7.8	4.3
Sales revenues	3.7	10.6	23.0	25.9
<i>Enzymes</i>	-1.1	5.1	-2.1	6.1
<i>Beta-Glucans</i>	-5.5	-6.4	-17.0	-32.4
EBITDA	-6.6	-1.3	-19.1	-26.3
Profit before tax	-6.6	-2.0	-20.1	-28.5

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

### FINANCIAL DEVELOPMENT AND POSITION

- Cash balance of NOK 36 million per 31 December, 2011
- Cash outflow from operating activities was cut to NOK 10 million in 2011, reflecting careful spending across the Group

### OUTLOOK

#### Enzymes:

- SAP sales set to increase in 2012, as deliveries under supply agreements with new key customers kick in and deliveries to Affymetrix are being resumed
- Other products are expected to continue showing strong sales growth

#### Beta-Glucans:

- Design dossier for Woulgan<sup>®</sup> Biogel as a class III medical device planned to be filed in Q2
- Partnering process expected to be concluded in time for preparation of commercial launch
- Continued growth expected in product sales for dietary supplement and cosmetics

## Enzymes - ArcticZymes

Revenue for Q4-2011 was NOK 2.6 million, down 72% from Q4- 2010. The decline is fully explained by the lack of SAP sales to Affymetrix in Q4-2011 and extraordinarily high sales to the same customer in Q4-2010.

Affymetrix bought the entire stock of native SAP (nSAP) in December 2010, generating extraordinary revenues of more than NOK 6.2 million in Q4-2010. However, in Q4-2011 the situation was the opposite with SAP sales of only NOK 0.3 million due to inventory build down.

Revenue from ArcticZymes' other enzymes more than doubled in Q4 2011 but from a modest level.

Having concluded a new and non-exclusive agreement with Affymetrix in September, the company completed negotiations with other potential SAP customers to broaden the revenue base. The first order was received during Q4-2011, and the new agreements have confirmed the value of amending the contract. Some new contracts being negotiated involve comprehensive supplier evaluation programs which will delay the sale to these customers until concluded.

Cod UNG continued its strong development also in the fourth quarter. Key patents that prevented many customers from using UNG are now expiring, which is a contributing factor for the sales growth. Many OEM customers are implementing the UNG principle in their carry-over prevention strategies for research and diagnostic kits. Documentation that our Cod UNG probably is the best functional enzyme for post-PCR applications is increasingly becoming recognized in the market, which gives rise to further increased customer interest.

ArcticZymes continues its international expansion and the number of customers more than doubled during 2011. Geographically, ArcticZymes saw the first sales in Africa and the Middle-East in Q4-2011. Our focus on Asia gradually increased during the year, and sales is expected to grow rapidly although from a small base. The recently opened US office is quickly gaining momentum, and will improve support and logistics for our US customers. The opening of a warehouse at Gardermoen and the soon to be opened warehouse at the US office will substantially shorten delivery times and reduce freight cost.

### FINANCIAL REVIEW, ENZYMES

<i>NOK million</i>	Q4-11	Q4-10	YTD-2011	YTD-2010
Sales Revenue	2.6	10.4	15.2	21.6
Other income	1.6	-0.8	1.2	0.0
Operating expenses (net)	-5.3	-4.4	-18.5	-15.5
<b>EBITDA</b>	<b>-1.1</b>	<b>5.1</b>	<b>-2.1</b>	<b>6.1</b>
Depreciation	-0.1	-0.2	-0.7	-0.5
EBIT	-1.2	4.9	-2.8	5.6

*All corporate costs have been allocated*

ArcticZymes achieved revenue of NOK 2.6 million in the fourth quarter 2011, down from peak sales of NOK 10.4 million in the fourth quarter 2010. For the full year 2011, revenue amounted to NOK 15.2 million, which was a decline of 30% from 2010. As explained above the revenue decline is due to lower SAP sales, which are expected to rebound in 2012. All other products showed strong growth in 2011 and are expected to continue to develop positively going forward.

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 full year 2011 amounted to NOK 0.6 million, accounted for as other income. For the fourth quarter isolated, the company recognized a currency gain of NOK 0.1 million.

## Beta-Glucans

The company's activities in the beta-Glucan area focus on wound healing, and the company is preparing for launch of an advanced class III wound healing device for topical (on the skin) wound healing called Woulgan<sup>®</sup> Biogel. The market outlook for such a product is very favorable, as the product addresses a continuously growing market in search for new and more effective products.

To ensure a successful commercial launch and strong distributor support for subsequent product sales, an optimal combination is required in terms of product design, documentation, regulatory classification giving strong label claims, and solid partnership/distributors.

Because of the development history for SBG, the substance has been documented far beyond normal standards for a medical device. The earlier phase II study on the SBG substance in patients with diabetic ulcers was a double blinded study against methylcellulose as an active "placebo". The study showed a statistically significant increase in healing rate after 8 weeks of treatment, which holds compelling evidence on the effect of SBG. The new Woulgan<sup>®</sup> Biogel uses the same soluble beta glucan (SBG) substance, but in a stable formulation, and the efficacy link is documented in preclinical studies in diabetic mice.

The company has for quite some time assessed the best possible regulatory classification for the Woulgan<sup>®</sup> Biogel for Europe. The regulatory positioning is strongly linked to the claims that can be made about the use and efficacy of a product, which in turn influence reimbursement, uniqueness, competitiveness, and pricing potential.

During the process we have learned that the potential partners, representing the far largest opportunity, prefer the more demanding classifications as long as the product has a documented effect. The Woulgan<sup>®</sup> Biogel product has a combination of a physical gel structure and an active substance which makes it unique among the advanced wound healing products on the market. To capitalize on this potential, the company will apply for a product registration in Europe under class 3 rule 13, which is the most advanced classification for such a medical device.

In this class the product is a combination product with a primary physical function and an ancillary (secondary) medicinal function. The time line for the product registration is a bit more demanding than for alternative non-medicinal classes, but an application is planned to be submitted to the Competent Authorities in Q2-2012, with an expected approval by the end of H1-2013.

No additional clinical trial will be needed for the registration, although it is acknowledged that the regulatory authorities may require a post launch trial to document the effect of the product in the market.

The product development process proceeds according to plan and the first large scale batch in final containers (pilot batch) has been successfully produced at Sanochemia AG in Austria. The first validation batch will follow in March.

The company participated at the Norwegian Wound Healing Society (NIFS) annual meeting in Haugesund in early February. The Woulgan<sup>®</sup> Biogel was presented, and the Company also conducted a small product survey among the participants. They were asked about the product, the tube size, layout, readability of package insert, etc., offering valuable feedback for the further product development.

The company currently spends very limited resources on other application areas, except to secure a strong patent portfolio that will enable a later commercial exploitation. The company therefore welcomes new patent issues by the Japanese and Indian Patent Offices which protect intellectual property within the field of Cancer Adjuvant Therapy. The patents cover pharmaceutical combinations for the treatment of a large variety of cancer types, comprising a complement-activating antibody and a  $\beta$ -glucan defined by its structure and/or its origin.

Biotec Pharmacon has developed this concept together with Memorial Sloan-Kettering Cancer Center (MSKCC). The two parties are joint owners of this technology, and Biotec Pharmacon has an exclusive license on MSKCC's rights to these patents.

The two new patents add to an already extensive portfolio of patents, and Biotec Pharmacon has established a strong proprietary position in this field. Patents for this area are now approved in USA,

Canada, Japan, India, Australia and Mexico, and several other international patent applications are pending in major jurisdictions.

## FINANCIAL REVIEW, BETA-GLUCANS

<i>NOK million</i>	Q4-11	Q4-10	YTD-2011	YTD-2010
Sales Revenue	1.1	0.2	7.8	4.3
Other income	-0.6	1.4	1.6	3.8
Operating expenses (net)	-6.0	-8.1	-26.5	-40.5
<b>EBITDA</b>	<b>-5.5</b>	<b>-6.5</b>	<b>-17.0</b>	<b>-32.4</b>
Depreciation	-0.3	-0.6	-1.3	-2.5
EBIT	-5.8	-7.1	-18.3	-34.9

*All corporate costs have been allocated*

Revenue in the Beta-Glucan segment increased to NOK 1.1 million in the fourth quarter 2011, of which NOK 0.9 million came from sale of Beta-Glucan products. This compares with revenue of NOK 0.2 million in the fourth quarter 2010. Full year revenue amounted to NOK 7.8 million, of which NOK 7.0 million was from sale of Beta-Glucan products. Revenue in 2010 was NOK 4.3 million. The success in this area is a good reference for the quality of the company's products.

## Biotec Pharmacon – Group Figures

Overall EBITDA was NOK -6.6 million in the fourth quarter 2011, compared to NOK -1.3 million in the fourth quarter 2010. EBITDA for the full year 2011 was NOK -19.1 million, compared to NOK -26.3 million in 2010.

EBIT was NOK -7.0 million in the fourth quarter 2011 (-2.2) and NOK -21.2 million for the full year 2011 (-29.3). Net financial income was NOK 0.4 million in the fourth quarter (0.2), and NOK 1.1 million for the full year 2011 (0.7).

The profit before tax was thus NOK -6.6 million in the fourth quarter 2011, compared to NOK -2.0 million in the same period last year. For the full year 2011 the profit before tax amounted to NOK -20.1 million, which was an improvement of NOK 8.4 million from NOK -28.5 million in 2010.

The improved result compared to the previous full year mainly reflects 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. In parallel, the enzyme business has increased its activities during 2011, mainly by investing in R&D, application development and international marketing and sales, which has increased cost.

The group had 33 employees at the end of 2011, compared to 29 at the end of 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 31 December 2011. The total number of options outstanding was 1,154,500 at the end of the fourth quarter, of which 109,250 at NOK 20.14 expire 30 September, 2012. Biotec Pharmacon holds no own shares.

Total equity was NOK 45.8 million at 31 December, 2011, compared to NOK 36.4 at the end of 2010. This reflects that the share issue in December 2010 was registered as equity in January 2011, the above mentioned share issues in February and April, and the operational loss over the year. The equity ratio was 81.4 percent at the end of 2011.

Net cash flow from operating activities was a negative NOK -2.5 million in the fourth quarter 2011 and a negative NOK -10.4 million for the full year 2011. This compares to a positive NOK 0.4 million in the fourth quarter 2010, and a negative NOK -25.0 million for 2010.

The company had a cash balance of NOK 36 million at the end of 2011.

## **Risk Factors**

The main risk regarding the development in key financials relates to ArcticZymes' sales. The company sees a positive impact from retaining commercial rights to its main product SAP, and is now actively working to enter into new agreements to broaden the revenue base. However, exactly how fast and how strong this sales growth will emerge is difficult to predict even though prospects are good. Within the beta-glucan segment, there is risk related to ongoing product development and the partnering process, 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. All employees were also given the possibility to buy shares with a tax free discount of NOK 1,500 each in October 2011 and 66% accepted the offer. There have been no other transactions with related parties during the year of 2011 beyond standard operations as reported in the Annual Report for 2010.

## Financial statement 4th quarter 2011

### INCOME STATEMENT

(Amounts in NOK 1,000 - except EPS)	Q4		Jan. - Dec.	
	2011	2010	2011	2010
<b>Sales revenues</b>	<b>3 731</b>	<b>10 565</b>	<b>23 032</b>	<b>25 909</b>
Cost of goods sold	-790	-830	-1 878	-1 690
Personell expenses	-5 235	-6 713	-22 983	-26 853
Depreciation and amortisation expenses	-405	-861	-2 079	-2 944
Other income	955	644	2 809	3 732
Other expenses	-5 270	-4 981	-20 096	-27 436
	0	0		
<b>Operating profit</b>	<b>-7 014</b>	<b>-2 176</b>	<b>-21 195</b>	<b>-29 282</b>
Financial income, net	400	196	1 092	741
Profit before tax	-6 614	-1 980	-20 103	-28 541
Tax	0	0	0	0
<b>Profit after tax for the period</b>	<b>-6 614</b>	<b>-1 980</b>	<b>-20 103</b>	<b>-28 541</b>
Basic EPS (profit for the period)	-0,23	-0,08	-0,71	-1,21
Diluted EPS (profit for the period)	-0,23	-0,08	-0,71	-1,21

### EXTENDED INCOME STATEMENT

(Amounts in NOK 1,000)	Q4		Jan. - Dec.	
	2011	2010	2011	2010
Profit after tax for the period	-6 614	-1 980	-20 103	-28 541
Extended profit	0	0	0	0
<b>Net profit for the period</b>	<b>-6 614</b>	<b>-1 980</b>	<b>-20 103</b>	<b>-28 541</b>

### BALANCE SHEET

(Amounts in NOK 1,000)	2011-12-31	2010-12-31
<b>Non-current assets</b>		
Machinery and equipment	6 464	6 299
Intangible assets	5 327	2 917
Financial assets available for sale	99	99
Other financial assets	273	1 174
<b>Total non-current assets</b>	<b>12 163</b>	<b>10 489</b>
<b>Current assets</b>		
Inventories	2 802	3 220
Trade receivables and other receivables	5 403	11 907
Cash and cash equivalents	36 075	43 361
<b>Total current assets</b>	<b>44 280</b>	<b>58 488</b>
<b>Total assets</b>	<b>56 443</b>	<b>68 977</b>
<b>Equity</b>		
Share capital	28 553	23 638
Share premium capital	23 292	0
Other equity and minority interests	-6 013	12 749
<b>Total equity</b>	<b>45 832</b>	<b>36 387</b>
<b>Current liabilities</b>		
Trade-, short term-, and other payables	10 611	32 590
<b>Total current liabilities</b>	<b>10 611</b>	<b>32 590</b>
<b>Total equity and liabilities</b>	<b>56 443</b>	<b>68 977</b>

## CHANGES IN EQUITY

<i>(Amounts in NOK 1000)</i>	Share capital	Share premium reserve	Own shares	Minority interests	Other reserves	Total equity
<b>Balance at 2009-12-31</b>	<b>23 638</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>37 516</b>	<b>61 154</b>
Total comprehensive income/-loss for the period	0	0	0	0	-1 978	-28 539
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	2 001	2 001
Total transactions with shareholders	0	0	0	1 796	1 976	3 772
<b>Balance at 2010-12-31</b>	<b>23 638</b>	<b>0</b>	<b>0</b>	<b>1 796</b>	<b>10 953</b>	<b>36 387</b>
Total comprehensive income/-loss for the period	0	0	0	0	-20 103	-20 103
Transactions with shareholders:						
Private placements - new equity	4 915	23 292	0	0	0	28 207
Employee stock option provision	0	0	0	0	1 370	1 370
Purchase of own shares	0	0	-152	0	0	-152
Sale of own shares	0	0	122	0	0	122
Total transactions with shareholders	4 915	23 292	-30	0	1 370	29 548
<b>Balance at 2011-12-31</b>	<b>28 553</b>	<b>23 292</b>	<b>-30</b>	<b>1 796</b>	<b>-7 780</b>	<b>45 832</b>

## CASH FLOW ANALYSIS

<i>(Amounts in NOK 1,000)</i>	Q4		Jan. - Dec.	
	2011	2010	2011	2010
Cash flow from operating activities:				
Profit after tax	-6 071	-1 855	-19 560	-28 541
Adjustment:	0			
Amortization	943	763	2 617	2 944
Depreciation stocks for sale	155	1 064	155	1 064
Employee stock options	385	443	1 370	2 001
Unrealized disagio (agio)	0	208	0	208
Profit by sale of fixed assets	0	0	0	-83
Changes in working capital	0			
Inventory	109	305	419	393
Account receivables and other receivables	1 264	-4 702	6 504	15 585
Payables and other current liabilities	711	4 190	-1 901	-18 536
<b>Net cash flow from operating activities</b>	<b>-2 504</b>	<b>416</b>	<b>-10 396</b>	<b>-24 965</b>
Cash flow from investing activities:				
Purchase of fixed and intangible assets	-3 424	-250	-5 069	-1 790
Sale of fixed assets	0	0	0	280
Cash and cash equivalents merged company	0	135	0	135
Change in long term receivables	89	20	82	0
<b>Net cash flow from investing activities</b>	<b>-3 335</b>	<b>-95</b>	<b>-4 987</b>	<b>-1 375</b>
Cash flow from financing activities:				
Cashflow from Private placement	0	20 079	8 127	20 079
Purchase of own shares	-152	-125	-152	-125
Sale of own shares	122	100	122	100
<b>Net cash flow from financing activities</b>	<b>-30</b>	<b>20 054</b>	<b>8 097</b>	<b>20 054</b>
Changes in cash and cash equivalents	-5 869	20 375	-7 286	-6 286
Cash and cash equivalents at the beginning of period	41 944	22 986	43 361	49 647
<b>Cash and cash equivalents at end of period</b>	<b>36 075</b>	<b>43 361</b>	<b>36 075</b>	<b>43 361</b>

## Notes to the interim accounts for 4th 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 December 31 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 December 31 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 expenses in Biotec BetaGlucans AS are allocated to the Beta-Glucans segment, and income and expenses in ArcticZymes AS are allocated to the Enzymes segment. Income and expenses 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)	Q4		Jan. - Dec.	
	2011	2010	2011	2010
<i>Sales revenue:</i>				
Beta-Glucans	1 091	191	7 847	4 317
Enzymes	2 640	10 375	15 185	21 592
<b>Group operating revenue</b>	<b>3 731</b>	<b>10 566</b>	<b>23 032</b>	<b>25 909</b>
<i>Other income:</i>				
Beta-Glucans	-606	1 383	1 599	3 755
Enzymes	1 561	-787	1 210	-22
<b>Group other income</b>	<b>955</b>	<b>596</b>	<b>2 809</b>	<b>3 733</b>
<i>Operating expenses:</i>				
Beta-Glucans	-5 981	-8 078	-26 484	-40 493
Enzymes	-5 312	-4 449	-18 471	-15 489
<b>Group operating expenses before depreciation</b>	<b>-11 293</b>	<b>-12 527</b>	<b>-44 955</b>	<b>-55 982</b>
<i>Operating profit (EBITDA):</i>				
Beta-Glucans	-5 496	-6 455	-17 038	-32 420
Enzymes	-1 111	5 139	-2 076	6 081
<b>Group operating profit - EBITDA</b>	<b>-6 607</b>	<b>-1 316</b>	<b>-19 114</b>	<b>-26 339</b>
<i>Depreciation:</i>				
Beta-Glucans	-290	-650	-1 330	-2 503
Enzymes	-116	-210	-750	-440
<b>Group depreciation</b>	<b>-406</b>	<b>-860</b>	<b>-2 080</b>	<b>-2 943</b>
<i>Operating profit (EBIT):</i>				
Beta-Glucans	-5 786	-7 105	-18 368	-34 923
Enzymes	-1 228	4 929	-2 827	5 641
<b>Group operating profit - EBIT</b>	<b>-7 014</b>	<b>-2 176</b>	<b>-21 195</b>	<b>-29 282</b>

February 20, 2012  
Biotec Pharmacon ASA