FIRST QUARTER REPORT 2006

Highlights

- The inclusion of patients for the phase II trial (Archangelsk and St. Petersburg, Russia) for treatment of diabetic ulcers has been almost completed.
- The clinical phase I/II trial (Memorial Sloan-Kettering Cancer Center, New York) with SBG in combination with a monoclonal cancer antibody is commencing through the third dose level, with no dose limiting toxicities related to SBG.
- Agreement with first pharmacy chain in Norway (Alliance apotek); launch of consumer health products containing NBG® in Norway beginning in May.
- Supply agreement for MacroGard® as replacement for feed antibiotics to major EU calf producer.
- Exercised option to buy-back own shares at very favourable terms.
- Key figures first quarter 2006:
  - Non-pharmaceuticals: Sales income of NOK 18.4 million (NOK 16.2 million Q1-05) and operating profit (EBITDA) of NOK 3.1 million (NOK 2.7 million in Q1-05).
  - R&D: Gross R&D expenses of NOK 7.5 million (NOK 7.3 million in Q1-2005).
  - After tax loss of NOK 4.1 million (NOK 3.4 million in Q1-05).

Pharmaceutical development

Treatment of diabetic ulcers

The clinical phase II trial with SBG ongoing at hospitals in Archangelsk and St. Petersburg, Russia, is slightly ahead of schedule, with 58 of 60 patients now included. In this double-blinded trial, the objective is to measure the effect of SBG in patients with diabetic foot ulcers. Biotec Pharmacon expects that treatment will be completed during the next three to four months, and that results from the trial will be received within three months thereafter. The company is pleased with the fact that patient enrolment is coming to an end and that the results from the study are likely to be presented during the fourth quarter.

A second phase II double-blinded trial on patients with diabetic foot ulcers is being planned at Nottingham City Hospital. This trial involves 104 patients and will be performed at several sites in the UK. The trial is expected to commence as soon as the UK health authorities have approved the protocol for the study.

Immunotherapy of cancer

Seven patients have now been included in the phase I/II clinical trial ongoing at Memorial Sloan-Kettering Cancer Center in New York. In this trial, oral administration of SBG from Biotec Pharmacon is tested in combination with an injected monoclonal antibody (3F8) in patients suffering from the cancer form *neuroblastoma.* Three patients were registered and treated at the first dose level (10 mg/kg), and three patients were registered and treated

at the second dose level (20 mg/kg), whereas one patient has commenced treatment at the third dose level (40 mg/kg). No dose limiting toxicities relating to SBG have been observed.

Protocols for the phase I/II clinical trials with SBG in combination with Herceptin (monoclonal antibody against breast cancer) and Rituxan (monoclonal antibody against non-Hodgkin's lymphoma) have been prepared. Applications to initiate the trials will be forwarded to the Norwegian Medicines Agency and ethical committees by the end of the 2nd (Herceptin trial) and 3rd (Rituxan trial) quarter. Patient inclusion is expected to commence towards the end of 2006 at Ullevaal University Hospital and Rikshospitalet-Radiumhospitalet and possibly two other centers in Norway. It is expected that 12-18 patients will be recruited to each trial.

Biotec Pharmacon has entered into a cooperation agreement with Charité Universitätsmedizin Berlin (Charité). Charité is one of the largest and most recognized hospitals in Germany. Through the agreement with Charité, Biotec Pharmacon plans to conduct pre-clinical and clinical trials in connection with it's immunotherapy of cancer program, including combination therapy with SBG and monoclonal cancer antibodies as well as therapeutic vaccines.

Oral mucositis results being analyzed

The blinded results from the study titled "An exploratory, randomized, parallel group study, comparing the protective effect of SBG and placebo in oral mucositis in head and neck cancer patients receiving radiation therapy" are now being subjected to analysis, and a report from the study is expected within a month.

Virtually every patient undergoing radiation treatment for cancer in the head and neck suffers from mucositis, a painful condition affecting the patient's ability to maintain nutrition. The European Medicines Agency (EMEA) has already granted Orphan drug designation for SBG used in the prevention of oral mucositis. According to a statement made by EMEA (May 12, 2005), there is currently no effective therapy to treat this complicated condition.

The number of new patients annually with head and neck cancer in the EU and USA are estimated at 140.000. The Company intends to find a partner for the oral mucositis project for further clinical development, and to focus its attention on the commercially more important wound healing and immunotherapy of cancer projects. Early discussions with possible partners for the oral mucositis project will commence pending the conclusions of the first exploratory study.

Non-pharmaceuticals

Sales of non-pharmaceutical products were NOK 18.4 million in the 1st quarter (NOK 16.2 million in Q1-05). Sales of consumer health products amounted to NOK 10.3 million (NOK 7.8 million in Q1-05), sales of animal health products amounted to NOK 5.7 million (NOK 6.1 million in Q1-05) and sales of biochemicals amounted to NOK 2.2 million (NOK 2 million in Q1-05).

EBITDA in the 1st quarter of 2006 for the non-pharmaceutical business segment was NOK 3.1 million (NOK 2.7 million in Q1-05) excluding litigation expenses referred to below.

Following the resolution by the Norwegian Medicines Agency to allow sales of non-pharmaceutical grade beta-glucans as dietary supplements, Biotec Pharmacon's subsidiary Immunocorp AS has entered into a distribution agreement for Immutol® and Immuderm® in Norway with Alliance apotek. The products will be launched in the beginning of May 2006 in all of Alliance's 122 pharmacies in Norway.

Within the animal health product area, Immunocorp AS has entered into the first agreement for the supply of MacroGard® as a replacement for the use of feed antibiotics within the EU market. The agreement covers the supply of MacroGard® with estimated annual sales of NOK 4 million to a leading integrated calf producer in the EU. The agreement came as a result of extensive animal studies performed by the customer in order to seek alternatives to feed antibiotics to prevent disease. Feed antibiotics were prohibited

within the EU with effect from January 1st, 2006.

Biotec Pharmacon has in the 1st quarter of 2006 incurred patent litigation expenses of NOK 2.4 million. The major portion of this relates to legal expenses in connection with a patent infringement case. The company Biothera claims that Biotec Pharmacon's non-pharmaceutical consumer health product Immutol® infringes Biothera's patents in the US market. Biotec Pharmacon has rejected all such claims, and has initiated a thorough process in preparation for a trial in cooperation with renowned legal advisors in the United States. Preliminary information from the discovery phase supports that Biotec Pharmacon has a strong case, and the Board of Directors has therefore decided to proceed with the case in order to protect the company's commercial interests in this area. For the purpose of financial segment reporting, litigation expenses in the 1st quarter accounts have been shown as non-allocated expenses in order to provide for comparison of operating results and margins with previous quarters.

Financials

Sales revenue in the first quarter of 2006 amounted to NOK 18.4 million compared to NOK 16.2 million in the same period last year. Group operating loss was NOK 6.1 million compared to NOK 4.8 million loss in the 1st quarter of 2005. Research and pharmaceutical development expenses were NOK 7.5 million and NOK 7.3 million in the 1st quarter of 2006 and 2005 respectively. Net loss was NOK 4.1 million compared to a net loss of NOK 3.4 million in the first quarter of 2005.

Balance sheet and shareholder matters

Cash equivalents per 31 December 2005 were NOK 84.5 million. The negative cash flow in the 1st quarter was 10.4 million. Total equity amounted to NOK 123.5 million or 92.8% of total assets per 31 March 2006.

Subsequent to the end of the interim period, Biotec Pharmacon has purchased 400,000 own shares for a purchase price of NOK 7.619 per share in accordance with an option agreement entered into in 2001. After this share purchase, the company owns 832,000 own shares. The total number of outstanding shares in Biotec Pharmacon is 21.489.010 with a par value of NOK 1 per share.

During the first quarter Biotec Pharmacon issued 240.000 new share options to employees and 62.500 options were cancelled. The total number of options granted to employees per 31 March 2006 was 320.000.

The 20 largest shareholders per 9 May 2006 are as follows (excluding own shares):

Paro AS	17.84%
Four Seasons Private Equity AS	10.25%
Ludwig Mack AS	8.92%
Odin Norge	8.77%
Nordea Bank Denmark AS	3.78%
Gunnar Rørstad	3.75%
Hartvig Wennberg AS	3.41%
Jan Raa	2.83%
Knut Eirik Andersen	2.12%
NorgesInvestor Proto AS	2.06%
B Skaugen AS	1.86%
MP Pensjon	1.63%
Anchor Secondary 2 Holding AS	1.26%
VPF Avanse Norden	1.09%
Arne Handeland	0.94%
Hilde Raa	0.85%
Telespar A/L	0.73%
DnB NOR Norden (III)	0.73%
Holberg Norden Verdi	0.72%
Selvaag Invest AS	0.70%

Organization

CEO Gunnar Rørstad has informed the Board of Directors that he will resign later this year after heading Biotec Pharmacon for the past 12 years. The Board of Directors has initiated the process of finding a new CEO.

Future developments

It is expected that treatment of patients in the phase II diabetic ulcers trial in Russia will be completed within the next 3-4 months, somewhat ahead of schedule. Trial results are expected to be made available before year-end.

With the current rate of inclusion of patients at Memorial Sloan-Kettering Cancer Center, it is expected that the ongoing immunotherapy of cancer trial will continue for another 8-10 months. The preparation for the two clinical trials in Norway covering SBG in combination with Herceptin and Rituxan continues, with a schedule to start inclusion of patients towards the end of 2006. Biotec Pharmacon is furthermore discussing additional trials with SBG on cancer patients at Charité in Berlin.

Within the non-pharmaceutical area, Biotec Pharmacon is increasing it's marketing efforts within all product groups. The company is actively marketing MacroGard® as a replacement for feed antibiotics which was prohibited for use within the EU earlier this year. The first supply agreement entered into in the first quarter was an important reference for other feed and livestock producers. The company is therefore enhancing its efforts towards other prospective accounts for this application of MacroGard® both in the EU and USA.

Consumer products containing Norwegian Beta Glucan (NBG®) will be launched in the Alliance apotek chain of pharmacies in Norway in the second quarter. It is the objective of the company to enter into agreements also with the other two chains of pharmacies in Norway during 2006, as well as establish direct consumer sales through the web. Strategies for launching the same products within the EU are being developed.

Within the biochemicals area, Biotec Pharmacon is continuing commercial development of it's new marine enzyme products cod uracil-DNA-glycosylase (UNG) and shrimp DNase. The company's objective is to establish regular sales of also these products in 2006 and to market them through global distributors in the diagnostics field.

09 May 2006

The Board of Directors
of Biotec Pharmacon ASA

Biotec Pharmacon ASA Group - First quarter accounts 2006

INCOME STATMENT

Amounts in NOK 1.000

	1Q 2006	1Q 2005	Year 2005
Sales revenues	18 393	16 154	70 041
Cost of goods sold	-3 230	-3 792	-14 581
Personell expenses	-9 329	-7 958	-32 780
Depreciation and amortisation expenses	-890	-1 604	-4 992
Other income	1 165	1 122	5 061
Other expenses	-12 238	-8 679	-38 754
Operating profit	-6 130	-4 755	-16 004
Financial income, net	551	147	559
Profit before tax	-5 579	-4 608	-15 445
Tax	-1 501	-1 196	-3 635
Profit after tax for the period	-4 078	-3 412	-11 810
Basic EPS (profit for the period)	-0,19	-0,19	-0,65
Diluted EPS (profit for the period)	-0,19	-0,19	-0,65

BALANCE SHEET

Amounts in NOK 1.000

	31/03/2006	31/03/2005	31/12/2005
Non-current assets			
Machinery and equipment	14 987	16 411	15 827
Intangible assets	15 147	9 474	13 675
Loan to employees and pension funds	570	828	554
Total non-current assets	30 704	26 713	30 056
Current assets			
Inventories	4 686	4 036	4 750
Trade receivables and other receivables	13 235	11 112	10 904
Cash and cash equivalents	84 462	16 126	94 884
Total current assets	102 384	31 274	110 537
Total assets	133 088	57 987	140 593
Equity			
Share capital	21 057	17 535	21 057
Other equity	102 421	31 058	106 701
Total equity	123 478	48 593	127 758
Current liabilities			
Trade-, short term-, and other payables	9 610	9 394	12 835
Total current liabilities	9 610	9 394	12 835
Total equity and liabilities	133 088	57 987	140 593

CHANGES IN EQUITY

Amounts in NOK 1.000	1Q 2006	1Q 2005	Year 2005
As of beginning of period	127 758	51 253	51 253
Net profit for the period	-4 078	-3 412	-11 810
Pension Funds, 1. January 2005	0	512	512
Purchase own shares	0	0	-3 048
Public Share Issue, net	0	0	87 742
Tax benefit related to share issue	0	0	2 337
Employee share options	44	0	87
Translation differences	-246	240	684
As of end of period	123 479	48 593	127 758

SUMMARY CASH FLOW ANALYSIS

Amounts in NOK 1.000	1Q 2006	1Q 2005	Year 2005
Cash flow from operating activities	-10 110	-3 875	-8 468
Cash flow from investing activities	-66	-381	-2 037
Cash flow from financing activities	0	0	84 694
Cash flow in the reporting period	**-10 176**	**-4 256**	**74 189**
Currency conversion difference	-246	241	554
Cash and cash equivalents at the beginning of period	94 884	20 141	20 141
Cash and cash equivalents at end of period	**84 462**	**16 126**	**94 884**

Notes to the interim accounts for Q1 2006

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 three-month period ended 31 March 2006. 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 2005 (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 except for interest income which in the Interim Financial Statements is shown as financial income whereas interest income was shown as other income in 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 - Analysis of revenues and operating expenses, segment information

Amounts in NOK 1.000

	1Q 2006	1Q 2005	Year 2005
Sales revenues:			
Non-pharmaceuticals	18 393	16 154	70 041
Research & pharmaceutical development	0	0	0
Group sales revenues	18 393	16 154	70 041
Operating expenses:			
Non-pharmaceuticals	-15 282	-13 546	-55 971
Research & pharmaceutical development	-7 122	-6 882	-27 646
Non-allocated expenses	-2 393	0	-2 497
Group operating expenses (excl. depreciation)	-24 797	-20 427	-86 114
Other income:			
Non-pharmaceuticals	-45	82	555
Research & pharmaceutical development	1 210	1 041	4 506
Group other income	1 165	1 122	5 061
Operating profit (EBITDA):			
Non-pharmaceuticals	3 065	2 690	14 625
Research & pharmaceutical development	-5 912	-5 841	-23 140
Non-allocated	-2 393	0	-2 497
Group operating profit (EBITDA)	-5 240	-3 151	-11 012
Depreciation:			
Non-pharmaceuticals	-544	-1 172	-3 560
Research & pharmaceutical development	-346	-432	-1 432
Group depreciation	-890	-1 604	-4 992
Operating profit (EBIT):			
Non-pharmaceuticals	2 521	1 518	11 066
Research & pharmaceutical development	-6 258	-6 273	-24 572
Non-allocated	-2 393	0	-2 497
Group operating profit	-6 130	-4 755	-16 004

Note 3 - Own shares options granted

Biotec Pharmacon ASA owned 432.000 own shares per 31 March 2006. Subsequent to the end of the interim period, Biotec Pharmacon acquired additional 400.000 own shares pursuant to an option agreement dated 7 March 2001. The purchase price was NOK 7.619 per share. The company now holds 832.000 own shares.

On 28 March 2006 Biotec Pharmacon issued 240.000 new share options to employees. The options can be exercised between 30 September 2008 and 30 September 2009. Each option gives the holder the right to purchase shares in Biotec Pharmacon for NOK 36.30 per share on certain conditions.

The total number of options granted per 31 March 2006 was 320.000.

9 May 2006
Biotec Pharmacon ASA