FIRST QUARTER REPORT 2007

Highlights

- Clinical phase II (b) trial with SBG for treatment of diabetic ulcers (Nottingham City Hospital) has been initiated.
- Ongoing consultations with EMEA regarding clinical path forward (diabetic ulcers and oral mucositis) near completion.
- Initiated discussions with FDA regarding orphan drug status and clinical path forward (oral mucositis).
- 22 out of 24 patients have been enrolled in the clinical phase I/II trial (Memorial Sloan-Kettering Cancer Center, New York) with SBG in combination with a monoclonal cancer antibody. Safety results expected late in the second quarter 2007.
- Patient enrolment initiated in the clinical phase I/II trial (Ullevaal University Hospital) with SBG in combination with Herceptin, a monoclonal antibody against breast cancer.
- Key figures first quarter 2007:
    - *Non-pharmaceuticals: Sales income of NOK 19.1 million (NOK 18.4 million Q1-06) and operating profit (EBITDA) of NOK 2.1 million (operating profit of NOK 3.1 million in Q1-06).*
    - *R&D: Gross R&D expenses of NOK 7.1 million (NOK 7.5 million in Q1-2006).*
    - *Non-allocated items: Net expenses of NOK 3.5 million relating to US patents dispute (NOK 2.4 million in Q1-2006).*
    - *After tax loss of NOK 5.1 million (NOK 4.1 million in Q1-06).*

Pharmaceutical development

Treatment of diabetic ulcers

The phase II (b) clinical trial with SBG for the treatment of diabetic foot and leg ulcers has been initiated. Patients will be enrolled at 8 specialized wound care centers in the UK with Nottingham City Hospital as the main center. The trial will include 120 patients to be treated over a period of 8 weeks.

Biotec Pharmacon has initiated communication with the European Medicines Agency (EMEA) to optimize the development route towards regulatory submission/marketing approval. Advice from EMEA is expected late 2nd quarter 2007.

Immunotherapy of cancer

22 out of 24 patients have been enrolled in the clinical trial at Memorial Sloan-Kettering Cancer Center. In this trial SBG is tested in combination with an injected monoclonal antibody (3F8) in children suffering from an advanced form of *neuroblastoma.* Patients have been treated at escalating dose levels (10, 20, 40, 80, 100 and 120 mg/kg). Completion of patient enrolment is on schedule for end of second quarter 2007.

Enrolment has been initiated in the phase I/II clinical trial with SBG in combination with Herceptin (monoclonal antibody against breast cancer). Twelve patients will be included in the trial which is ongoing in Norway with Ullevaal University Hospital as the main center.

The protocol for the phase I/II study in patients with Non-Hodgkin's lymphoma (NHL) awaits final approval by the Norwegian Medicines Agency. The study will take place at Rikshospitalet - Radiumhospitalet in Oslo, Norway.

Oral mucositis

Biotec Pharmacon is preparing the second phase II clinical trial with SBG for prevention and treatment of oral mucositis in patients with head and neck cancer. A study site with a large patient population has been identified. The study size is expected to be in the range of 80 to 100 patients. The protocol for the trial is under development in cooperation with the lead investigator.

Biotec Pharmacon has initiated communication with the European Medicines Agency (EMEA) to optimize the development route towards regulatory submission/marketing approval for SBG as an orphan drug. Advice from EMEA is expected late 2nd quarter 2007. Similar discussions have been initiated with FDA where meetings are scheduled at the end of the 2nd quarter 2007.

Non-pharmaceuticals

Non-pharmaceutical product sales were slightly higher compared to the first quarter last year, mainly due to higher sales of MacroGard Feed Ingredient and biochemicals. Sales of consumer health products in the US were slightly lower due to phasing of promotional activities, whereas sales through Norwegian pharmacies were higher.

Sales revenues were NOK 19.1 million in the 1st quarter (NOK 18.4 million in Q1-06). Sales of consumer health products amounted to NOK 8.7 million (NOK 10.3 million in Q1-06), sales of animal health products amounted to NOK 7.4 million (NOK 5.7 million in Q1-06) and sales of biochemicals amounted to NOK 2.9 million (NOK 2.2 million in Q1-06).

EBITDA in the 1st quarter of 2007 for the non-pharmaceutical business segment was a profit of NOK 2.1 million (NOK 3.1 million in Q1-06). Gross margin was 75.8% in the 1st quarter 2007 (83% in Q1-06). The reduction in gross margin is mainly due to product mix.
The consumer health products activity will be organized as a separate legal entity named Immunocorp Consumer Health AS (ICH). Arvid Lindberg has been recruited as managing director for ICH. Lindberg has experience from consumer marketing companies such as Procter & Gamble and L'Oreal in addition to Nycomed Pharma.

The animal health business will be organised as a separate legal entity under the name of Immunocorp Animal Health AS (IAH). Rolf Nordmo, who previously was managing director for Immunocorp AS, will continue as managing director for IAH.

Biotec Pharmacon is in the launch phase with its new recombinant enzyme Cod Uracil-DNA-glycosylase (Cod UNG). The company is in discussions with international diagnostic companies that evaluate the use of Cod UNG in diagnostic kits.

Financials

Group operating loss was NOK 7.8 million compared to a loss of NOK 6.1 million in the 1st quarter of 2006. Net loss was NOK 5.1 million compared to a net loss of NOK 4.1 million in the first quarter of 2006.

Research and pharmaceutical development expenses were NOK 7.1 million and NOK 7.5 million in the 1st quarter of 2007 and 2006 respectively. Expenses incurred in connection with the Biothera-case amounted to NOK 3.5 million in the first quarter (NOK 2.4 million in Q1-2006). Depositions are now in final stage.

Balance sheet and shareholder matters

Cash equivalents per 31 March 2007 were NOK 55.9 million. Net negative cash flow in the 1st quarter was NOK 8.1 million. Total equity was NOK 100.8 million or 86.4% of total assets per 31 March 2007.

The total number of outstanding shares in Biotec Pharmacon is 21,489,010 with a par value of NOK 1 per share. Biotec Pharmacon owns 698,318 own shares. The total number of options granted per 31 March 2007 is 420,000.

Future developments

The phase II (b) clinical trial with SBG for treatment of diabetic ulcers has recently started. It is expected that patient inclusion will take 12-18 months. During the second quarter Biotec Pharmacon expects to receive advice from EMEA regarding the optimal clinical development route for the diabetic ulcer indication.

A second phase II clinical trial is being planned for the oral mucositis indication. The protocol for the trial is under development in cooperation with the lead investigator. Also for this indication, Biotec Pharmacon is in discussions with EMEA regarding the optimal developing route for SBG as an orphan drug used for the prevention and treatment of oral mucositis in head and neck cancer patients treated with radiation with or without concomitant chemotherapy. Advice from EMEA is expected by the end of the second quarter. Similar discussions have been initiated with FDA, and meetings are scheduled at the end of the second quarter 2007.

Patient inclusion at Memorial Sloan-Kettering Cancer Center for the immunotherapy of cancer trial is near completion. The main objective of the trial is to assess the safety profile of combining SBG with a monoclonal antibody. Such results are expected at the end of the second quarter.

8 May 2007

The Board of Directors
of Biotec Pharmacon ASA

Biotec Pharmacon ASA Group - First quarter accounts 2007

INCOME STATMENT

Amounts in NOK 1.000

	1Q 2007	1Q 2006	Year 2006
Sales revenues	19 089	18 393	72 973
Cost of goods sold	-4 629	-3 230	-15 208
Personell expenses	-10 153	-9 329	-44 416
Depreciation and amortisation expense	-931	-890	-3 740
Other income	1 226	1 165	8 344
Other expenses	-12 398	-12 238	-58 099
Operating profit	-7 794	-6 130	-40 146
Financial income, net	574	551	2 210
Profit before tax	-7 220	-5 579	-37 936
Tax	-2 130	-1 501	-11 283
Profit after tax for the period	-5 090	-4 078	-26 654
Basic EPS (profit for the period)	-0,24	-0,19	-1,28
Diluted EPS (profit for the period)	-0,24	-0,19	-1,27

BALANCE SHEET

Amounts in NOK 1.000

	31.03.2007	31.03.2006	31.12.2006
Non-current assets			
Machinery and equipment	14 347	14 987	15 064
Intangible assets	27 589	15 147	25 497
Loan to employees and pension funds	549	570	558
Total non-current assets	42 485	30 704	41 119
Current assets			
Inventories	5 415	4 686	5 509
Trade receivables and other receivables	12 908	13 235	13 150
Cash and cash equivalents	55 869	84 462	63 969
Total current assets	74 192	102 384	82 628
Total assets	116 676	133 088	123 746
Equity			
Share capital	20 791	21 057	20 791
Other equity	79 993	102 421	84 921
Total equity	100 784	123 478	105 711
Current liabilities			
Trade-, short term-, and other payables	15 892	9 610	18 035
Total current liabilities	15 892	9 610	18 035
Total equity and liabilities	116 676	133 088	123 746

CHANGES IN EQUITY

Amounts in NOK 1.000	1Q 2007	1Q 2006	Year 2006
As of beginning of period	105 711	127 758	127 758
Net profit for the period	-5 090	-4 078	-26 654
Purchase own shares	0	0	-3 048
Sale own shares			7 093
Employee share options	361	44	1 179
Translation differences	-197	-246	-617
As of end of period	100 784	123 479	105 711

SUMMARY CASH FLOW ANALYSIS

Amounts in NOK 1.000	1Q 2007	1Q 2006	Year 2006
Cash flow from operating activities	-7 699	-10 110	-32 190
Cash flow from investing activities	-205	-66	-2 153
Cash flow from financing activities	0	0	4 045
Cash flow in the reporting period	**-7 903**	**-10 176**	**-30 297**
Currency conversion difference	-197	-246	-618
Cash and cash equivalents at the beginning of period	63 969	94 884	94 884
Cash and cash equivalents at end of period	**55 869**	**84 462**	**63 969**

Notes to the interim accounts for Q1 2007

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 2007. 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 2006 (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 - Analysis of operating revenue and -expenses, segment information

Amounts in NOK 1.000

	1Q 2007	1Q 2006	Year 2006
Sales revenue:			
Non-pharmaceuticals	19 089	18 393	72 973
Research & pharmaceutical development	0	0	0
Group operating revenue	19 089	18 393	72 973
Operating expenses:			
Non-pharmaceuticals	-16 903	-15 282	-65 633
Research & pharmaceutical development	-6 757	-7 122	-33 426
Non-allocated expenses	-3 519	-2 393	-18 664
Group operating expenses before depreciation	-27 179	-24 797	-117 722
Other income:			
Non-pharmaceuticals	-39	-45	345
Research & pharmaceutical development	1 265	1 210	5 918
Non-allocated items	0		2 082
Group other income	1 226	1 165	8 344
Operating profit (EBITDA):			
Non-pharmaceuticals	2 147	3 065	7 685
Research & pharmaceutical development	-5 492	-5 912	-27 508
Non-allocated	-3 519	-2 393	-16 582
Group operating profit before depreciation	-6 864	-5 240	-36 405
Depreciation:			
Non-pharmaceuticals	-601	-544	-2 331
Research & pharmaceutical development	-329	-346	-1 410
Group depreciation	-931	-890	-3 740
Operating profit (EBIT):			
Non-pharmaceuticals	1 546	2 521	5 354
Research & pharmaceutical development	-5 822	-6 258	-28 918
Non-allocated	-3 519	-2 393	-16 582
Group operating profit	-7 794	-6 130	-40 146

8 May 2007
Biotec Pharmacon ASA