

FIRST QUARTER REPORT 2008

Highlights Q1-08

- Significant broadening of pharmaceutical clinical program;
 - Included more than half of the planned patient population in the first clinical phase III study with SBG for treatment of diabetic ulcers, despite somewhat slower than expected patient enrolment.
 - Patient enrolment in second phase III study for diabetic ulcers set to commence by end Q3-08.
 - Changing first phase III study with SBG for prevention and treatment of oral mucositis from single centre to a multinational multicentre study. Work ongoing for documentation and study protocol for second phase III study in Europe.
 - The phase I/II neuroblastoma extension study has recruited 8 of the 12 planned additional patients to establish the maximum tolerated dose of SBG. Data from the first 30 patients will be presented at the 13th Advances in Neuroblastoma Research Conference in Kyoto in May.
- Positive revenue development in Consumer Health. Revenue decline for Animal Health and Marine Biochemicals, expected to recover during the year.
- Significant increase in pharmaceutical R&D investments and increased marketing and sales efforts in the Norwegian Consumer Health activities.

(NOKm)	Q108	Q1 07	2007	2006	Q4 07
Revenues	17.2	19.1	73.2	73.0	16.5
EBITDA	-15.6	-6.9	-29.5	-36.4	-9.5
Profit before tax	-14.6	-7.2	-27.8	-37.9	-8.1
Net profit	-14.6	-5.1	-18.7	-26.7	-4.6

EBITDA per segment

(NOKm)	Q1 08	Q1 07	2007	2006	Q4 07
Non-pharmaceuticals	-3.0	2.1	6.3	7.7	1.1
R&D	-11.0	-5.5	-24.5	-27.5	-8.2
Unallocated expenses	-1.6	-3.5	-11.3	-16.6	-2.3
Total EBITDA	-15.6	-6.9	-29.5	-36.4	-9.5

Outlook

- The clinical research activity will remain very high with four phase III studies ongoing in parallel.
- The preparations for and the establishment and start-up of the phase III studies have taken somewhat longer time than expected. The company's objective to file for marketing authorisations for SBG for treatment of diabetic ulcers and prevention and treatment of oral mucositis may thus be delayed into mid 2010.
- Biotec Pharmacon expects continued revenue growth in Immunocorp Consumer Health as a result of increased marketing and sales efforts and a broader product range. Order inflow points to revenue growth also in Immunocorp Animal Health and Marine Biochemicals in the coming quarters.

OPERATIONAL REVIEW

Biotec Pharmacon ASA is a bio-pharmaceutical company that develops new pharmaceutical products for treatment of immune related diseases. The company's bioactive compound SBG (soluble beta-1,3/1,6-glucan) binds to certain types of immune cells and initiates mechanisms that strengthens the ability of the immune system to repair skin and mucosal ulcers and attack and destroy cancer cells.

Biotec Pharmacon's clinical development program focuses on SBG in the treatment of chronic ulcers and on immunotherapy of cancer in combination with monoclonal antibodies. The company is in clinical phase III with SBG in two indications; (1) treatment of diabetic ulcers and (2) prevention and treatment of oral mucositis. The immunotherapy of cancer studies are in clinical phase I/II.

Biotec Pharmacon's commercial non-pharmaceutical activities involve manufacturing and sales of products that can strengthen the immune system in humans (Consumer Health Products) and animals (Animal Health Products), in addition to DNA-modifying enzymes of marine origin for use in gene technology research and diagnostics.

Pharmaceutical development program

Technology platform	Disease area	Therapeutic area
SBG (soluble beta-glucan) which stimulates the immune system in general	Ulcers and wounds	Diabetic Ulcers Oral Mucositis
	Immunotherapy of cancer	Neuroblastoma: 3f8 mAb+SBG Breast Cancer: Herceptin+SBG Non-Hodgkin's lymphoma: Rituxan+SBG

Indication	Preclinical	Phase I	Phase II	Phase III	NDA
Diabetic ulcer					
Oral mucositis					
Immuno-therapy of Cancer					

NDA: New Drug Application

Biotec Pharmacon has initiated clinical phase III programs with SBG for the treatment of diabetic ulcers and oral mucositis. Based on discussions with EMEA (the European Medicines Agency), the company will perform two phase III studies with SBG within each of these two indications, in reasonably small patient populations, with a non-active comparator as a control agent.

The company commenced on the first of two studies with SBG for treatment of diabetic ulcers in 2007 and has worked with an optimistic objective to file for marketing authorisation for SBG both for treatment of diabetic ulcers and for prevention and treatment of oral mucositis in Europe by the end of 2009.

However, the initiation of the second diabetic ulcer study and the two studies for oral mucositis have taken longer than expected, due to dialogue with investigators to secure high quality design. Patient enrolment is now likely to commence by the end of the third quarter.

The company's objective to file for marketing authorisations for SBG for treatment of diabetic ulcers and prevention and treatment of oral mucositis is likely to be delayed into mid 2010.

ULCERS AND WOUNDS

Diabetic ulcers – fact box

Disease description:	Diabetic patients are prone to develop foot and leg ulcers, most likely due to impaired immune functions. The ulcers frequently develop into a chronic condition with high risk of infection. Foot and leg ulcers are a frequent cause of amputation in patients with diabetes.
Prevalence:	On an annual basis, an estimated 3.5 million of a total 70 million diabetes patients in the OECD-area develop foot and leg ulcers.
Treatment options:	No established standard treatments today beyond general wound care. Some products available in certain markets at drug cost of up to USD 1,200 per treatment.
Biotec Pharmacon's concept:	SBG reactivates immune cells in the skin, and SBG thereby enhances the body's own wound healing capabilities.

Indicative timetable of clinical trials – diabetic ulcers

Clinical phase	2008				2009				2010			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Phase III, Nottingham, UK	Grey bar				Black bar							
Phase III, second trial					Grey bar				Black bar			

Grey area represents period of patient inclusion, black area represents study completion and reporting.

The figure above indicates the timetable for the clinical trials with SBG for treatment of diabetic ulcers.

As mentioned above, EMEA supports a position where Biotec Pharmacon may apply for marketing authorisation based on two positive, confirmatory phase III studies.

The first phase III study with SBG for treatment of diabetic ulcers involves 120 patients, of which more than half have now been included at Nottingham University Hospital and 7 other centres in UK and Ireland. The patient inclusion rate has remained somewhat lower than expected. This will slightly delay the planned interim analysis after 80 patients, which was scheduled for the third quarter. The planned interim analysis will only serve as an opportunity to adjust the study sample size, and no efficacy data will be available at that point in time.

In the fourth quarter 2007, Biotec Pharmacon contracted a Clinical Research Organisation (CRO) to perform the second phase III study, and the two parties have been working to finalise the documentation and study protocol during the first quarter 2008.

As is the case for the Nottingham study, the second phase III study will comprise a population of 120 patients, and will involve 10 centres in both Western and Eastern Europe. The work to set up the study has taken longer than expected and patient enrolment is now likely to commence by the end of the third quarter.

Oral mucositis – fact box

Disease description:	Oral mucositis is a common and potentially serious side effect of radiotherapy (often given in combination with chemotherapy), in particular for head and neck cancers and leukaemia, but also in other malignancies. Oral mucositis develops as a result of damage to both epithelial cells and immune cells inflicted by the therapies.
Prevalence:	App. 400,000-600,000 incidents per year in the OECD area.
Treatment options:	No established standard treatment. Some products available for a limited indication in certain markets at drug cost of up to USD 8,000 per treatment.
Biotec Pharmacon's concept:	SBG stimulates the immune system to prevent development of oral mucositis and support healing by enhancing the body's own wound healing capabilities.

Indicative timetable of clinical trials – oral mucositis

Clinical phase	2008				2009				2010				
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	
Ph. III, Europe/North America				Grey bar				Black bar					
Ph. III, Europe		Grey bar				Black bar							

Grey area represents period of patient inclusion, black area represents study completion and reporting.

The figure above indicates the timetable for the clinical trials with SBG for prevention and treatment of oral mucositis.

As for diabetic ulcers, the EMEA supports a position where Biotec Pharmacon may apply for marketing authorisation based on two positive, confirmatory phase III studies. Biotec Pharmacon has also obtained 'orphan drug' designation in Europe for SBG for treatment of oral mucositis in patients with head and neck cancer undergoing radiation.

The first oral mucositis study was originally designed as a single centre study in Canada, but the company and the CRO currently work to extend the program to a multi-centre study to secure patient enrolment. The study population is still expected to be approximately 120 patients. Due to the change in study design and additional work related to protocol development, patient enrolment is now scheduled to commence in the fourth quarter.

Biotec Pharmacon and the CRO are in the final stages of the documentation and study protocol process for the other phase III study. Patient enrolment is expected to start at minimum 15 centres in three European countries by the end of the third quarter this year.

IMMUNOTHERAPY OF CANCER

Cancer – Fact box

Disease description:	Cancer develops when cells of the body grow in an uncontrolled way, infiltrating surrounding tissues and spreading to other organs. If not eliminated by the immune system, they may subsequently develop into a malignant cancer.
Prevalence:	There are an estimated 5 million new patients diagnosed with cancer annually in the OECD countries.
Treatment options:	Most patients undergo conventional cancer treatment, which includes surgery, chemotherapy and radiotherapy. Development of monoclonal cancer antibodies (prefabricated antibodies against cancer cells) for several different cancer types has made immunotherapy of cancer one of the fastest growing segments of the pharmaceutical industry. Typical treatment costs could be in the range of USD 20-45,000 per patient.
Biotech Pharmacon’s concept:	Injected monoclonal antibodies tag cancer cells by binding to surface markers on the malignant cells. Tagged cancer cells are perceived as alien by the immune system. SBG renders the immune system more effective in establishing an adequate immune response and in killing of tagged cancer cells.

Indicative timetable of clinical trials – immunotherapy of cancer

Clinical phase	2007				2008				2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Phase I/II, Sloan Kettering	Grey				Black							
Phase I/II, Ullevaal	Grey				Black				Black			
Phase I/II, Rikshospitalet	Grey				Black				Black			

Grey area represents period of patient inclusion, black area represents study completion and reporting.

Biotech Pharmacon has three studies in progress where oral administration of SBG is combined with injected monoclonal antibodies. All three studies are open-label design, and timetables for the studies are indicated in the figure above.

In January, the company received the clinical report from the phase I/II cancer study for the first 22 of 24 patients at Memorial Sloan-Kettering Cancer Center in New York (MSKCC). SBG was studied as an adjuvant to the injected monoclonal antibody 3F8 for the treatment of neuroblastoma in children, and showed that orally administered SBG was very well tolerated. Objective therapeutic response was initially reported in approximately 40 percent - or in 9 of 22 patients.

The study showed that the good safety profile of SBG was maintained even at very high dosage levels of up to 140 milligrams per kilo per day. Seeking to establish a maximum tolerated dose (MTD) ahead of a possible phase II study, it was decided to recruit and additional 12 patients, of which 8 has been recruited to date. These patients will receive up to 200 milligrams of SBG per kilo per day.

At the 13th Advances in Neuroblastoma Research congress in Kyoto on 21 - 24 May, the investigator will present results from the first 30 patients in the study, which show objective response in 14 out of 30 patients having received up to 140 milligram SBG per kilo per day. Given the progressed stage of disease development and the limitations of alternative treatment regimes, the results are considered promising.

In a separate phase I/II clinical trial, SBG is being tested in combination with the monoclonal antibody Herceptin against breast cancer at Ullevaal. Patient inclusion has been slow throughout the program, although 5 of a total 12 patients have now been included. In a third phase I/II study at Rikshospitalet, SBG will be tested in combination with Rituxan for the treatment of non-Hodgkin’s lymphoma in 12 patients, whereof 7 patients have been included to date.

NON-PHARMACEUTICALS

The Non-Pharmaceutical business segment consists of three product areas; Consumer Health, Animal Health and Marine Biochemicals.

Consumer Health	Comprises a product portfolio consisting of the nbg® 24:7 dietary supplement and skin lotion. Both products are based on NBG (Norwegian Beta Glucan), which has a positive effect on the immune system. The products are so far sold in the North American and the Norwegian markets.
Animal Health	Centred on immune stimulating products with MacroGard® as the leading brand. MacroGard® represents an environmentally sound alternative to preventive use of antibiotics and chemicals in aquaculture and animal husbandry.
Marine Biochemicals	Product portfolio based on DNA/RNA-modifying enzymes. Current products include SAP (Shrimp Alkaline Phosphatase, Cod UNG (cod uracil-DNA-glycosylase) and DNase. The enzymes have advantages compared to enzymes from other sources since they can be inactivated by moderate heat treatment rather than eliminated by a separate process.

Immuocorp Consumer Health has significantly increased marketing and sales efforts. Leading health supplement chains like Life and Sunkost have been added to the distribution network, extending the product availability of the nbg® 24:7 dietary supplement and skin lotion to more than 800 pharmacies and health supplement stores. The nbg® 24:7 product family has obtained class-A listing in all new chains, ensuring on-shelf positioning, and the company expects to continue extending the distribution network going forward.

A broad marketing campaign covering TV-commercials, printed ads and internet media was launched in February, and has triggered positive responses from both end-users and potential new distributors. Brand awareness in the public has increased from 1 percent to 13 percent. Consumer Health first quarter 2008 revenue in Norway was more than doubled compared to first quarter 2007. The main focus has so far been on nbg® 24:7 dietary supplement. Entering the summer season, the company broadens the product portfolio with the launch of a new skin lotion already in May. This is some three months earlier than originally scheduled.

Provided that the increased efforts in Norway continue to be rewarded, the company plans to broaden the distribution to other Scandinavian markets and selected European markets. In the US market, Consumer Health sales increased in local currency in the first quarter, although the effect in NOK was almost neutralised by the weakening of USD versus NOK. Overall, Consumer Health revenue increased by 19 percent compared to the first quarter 2007.

Sales revenues in Immunocorp Animal Health increased from the previous quarter, but declined compared to the first quarter of 2007. Sales of MacroGard will normally fluctuate from quarter to quarter due to inventory adjustments by distributors. Going forward, Norwegian fish farmers are particularly concerned about pancreatic disease, and the order inflow for MacroGard® points to increased revenue in the second quarter. The company has also shipped its first trial deliveries to the Chilean aquaculture industry, and retains its estimate of an annual revenue potential of up to USD 5 million for MacroGard® in Chile in a 3-5 year perspective. Demand in the livestock market is also expected to improve in the second quarter.

The Marine Biochemicals division did not ship any shrimp alkaline phosphatase (SAP) enzymes in the first quarter, due to de-stocking at resellers and accrual of demand at some customers. This is expected to be compensated by higher shipments in the coming quarters. All revenue recognized in the first quarter thus reflects deliveries of the new Cod-UNG enzyme, which is included in new PCR-kits recently launched by the diagnostic- and life sciences company Invitrogen with which Biotec Pharmacon entered into a non-exclusive supply agreement in December last year. The company is in advanced talks with other major players in the diagnostics market, one of them currently testing Cod-UNG in clinical trials.

FINANCIAL REVIEW

Biotec Pharmacon's pharmaceutical product portfolio is still in research and/or development stages, and sales revenue is currently being derived solely from the non-pharmaceutical activities. Figures in brackets refer to same period last year.

Income Statement for the first quarter 2008

Revenue amounted to NOK 17.2 million in the first quarter 2008, which was a decline of 10 percent from the first quarter 2007 (19.1 million). However, revenue increased by 4 percent from the fourth quarter 2007.

Consumer Health products accounted for NOK 10.6 million (8.9 million), Animal Health for NOK 5.5 million (7.2 million), and sales of Marine Biochemicals for NOK 1.1 million (3.0 million).

Gross margin in the non-pharmaceutical business was 78.4 percent (75.8 percent). However, operating expenses in the non-pharmaceutical business increased to NOK 20.1 million excluding depreciation and amortisation (16.9 million), primarily due to the significant increase in costs related to the marketing campaign for the nbg[®]24:7 product family. The EBITDA-loss was thus NOK -3.0 million in the non-pharmaceutical business in the first quarter 2008 (+2.1 million).

In the pharmaceutical business, the EBITDA-loss related to research and development increased to NOK 11.0 million (5.5 million). The higher cost level reflects the progress in the first phase III study with SBG in diabetic ulcers and the company's and its CRO-partner's work with documentation and study protocols for a second phase III diabetic ulcer study and two phase III studies for oral mucositis.

Unallocated operational costs amounted to NOK 1.6 million (3.5 million), which reflects lower costs associated with an unresolved patent dispute. All discovery has now concluded, and the parties recently filed motions, scheduled to be argued early June. If not fully resolved on the basis of motions, the case is scheduled for trial early August 2008.

Overall, the EBITDA-loss was NOK 15.6 million (6.9 million) in the first quarter, and the EBIT-loss NOK 16.5 million (7.8 million). Loss before tax was NOK 14.6 million (7.2 million). Biotec Pharmacon has decided not to recognize the potential tax benefit of losses carried forward in 2008. Net loss after tax was thus also NOK 14.6 million (5.1 million).

Balance Sheet, Cash Flow and Shareholder Matters

Total equity was NOK 188.9 million at the end of the first quarter (100.8 million), corresponding to 90.1 percent (86.4 percent) of total assets of NOK 208.5 million (116.7 million). Total equity and the equity ratio declined from NOK 204.0 million and 92.9 percent, respectively, at the end of 2007.

The total number of outstanding shares was 23,637,910 at the end of the first quarter, each with a par value of NOK 1, which was unchanged from the end of 2007. The total number of options granted was 707,500. Biotec Pharmacon holds no own shares.

Net cash flow was NOK -9.2 million in the first quarter (8.1 million). The negative cash flow is in line with expectations. Cash and cash equivalents amounted to NOK 142.4 million at the end of the first quarter (55.9 million), down from NOK 151.7 million per 31 December 2007.

Oslo, 15 May 2008

The Board of Directors of Biotec Pharmacon ASA

Biotec Pharmacon ASA Group - First quarter accounts 2008

INCOME STATEMENT

Amounts in NOK 1.000

	<u>1Q</u> <u>2008</u>	<u>1Q</u> <u>2007</u>	<u>Year</u> <u>2007</u>
Sales revenues	17,209	19,089	73,217
Cost of goods sold	-3,949	-4,629	-16,201
Personell expenses	-9,858	-10,153	-39,566
Depreciation and amortisation expenses	-862	-931	-3,565
Other income	1,144	1,226	5,582
Other expenses	-20,145	-12,398	-52,555
Operating profit	-16,461	-7,794	-33,088
Finanical income, net	1,858	574	5,282
Profit before tax	-14,604	-7,220	-27,806
Tax	0	-2,130	-9,141
Profit after tax for the period	-14,604	-5,090	-18,665
Basic EPS (profit for the period)	-0.62	-0.24	-0.84
Diluted EPS (profit for the period)	-0.60	-0.24	-0.82

BALANCE SHEET

Amounts in NOK 1.000

	<u>31/03/2008</u>	<u>31/03/2007</u>	<u>31/12/2007</u>
Non-current assets			
Machinery and equipment	11,316	14,347	11,768
Intangible assets	36,093	27,589	36,163
Financial assets available for sale	657	0	1,150
Other financial assets	616	549	625
Total non-current assets	<u>48,682</u>	<u>42,485</u>	<u>49,707</u>
Current assets			
Inventories	5,787	5,415	6,286
Trade receivables and other receivables	11,627	12,908	11,846
Cash and cash equivalents	142,357	55,869	151,700
Total current assets	<u>159,770</u>	<u>74,192</u>	<u>169,831</u>
Total assets	<u>208,453</u>	<u>116,676</u>	<u>219,538</u>
Equity			
Share capital	23,638	20,791	23,638
Other equity	165,342	79,993	180,403
Total equity	<u>188,980</u>	<u>100,784</u>	<u>204,041</u>
Current liabilities			
Trade-, short term-, and other payables	19,473	15,892	15,497
Total current liabilities	<u>19,473</u>	<u>15,892</u>	<u>15,497</u>
Total equity and liabilities	<u>208,453</u>	<u>116,676</u>	<u>219,538</u>

CHANGES IN EQUITY

<i>Amounts in NOK 1.000</i>	1Q 2008	1Q 2007	Year 2007
As of beginning of period	204,041	105,711	105,711
Net profit for the period	-14,604	-5,090	-18,665
Adjustment financial assets available for sale	-493		0
Purchase own shares	0	0	-184
Sale own shares			28,670
Public Share Issue, net			87,675
Tax benefit related to share issue			1,324
Employee share options	592	361	1,433
Translation differences	-557	-197	-1,922
As of end of period	188,980	100,784	204,041

SUMMARY CASH FLOW ANALYSIS

<i>Amounts in NOK 1.000</i>	1Q 2008	1Q 2007	Year 2007
Cash flow from operating activities	-8,752	-7,699	-25,986
Cash flow from investing activities	-401	-205	-1,339
Cash flow from financing activities	0	0	116,161
Cash flow in the reporting period	-9,153	-7,903	88,836
Currency conversion difference	-190	-197	-1,105
Cash and cash equivalents at the beginning of period	151,700	63,969	63,969
Cash and cash equivalents at end of period	142,357	55,869	151,700

Notes to the interim accounts for Q1 2008

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 2008. 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 2007 (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 2008	1Q 2007	Year 2007
<i>Sales revenue:</i>			
Non-pharmaceuticals	17,209	19,089	73,217
Research & pharmaceutical development	0	0	0
Group operating revenue	17,209	19,089	73,217
<i>Operating expenses:</i>			
Non-pharmaceuticals	-20,109	-16,903	-66,678
Research & pharmaceutical development	-12,203	-6,757	-30,344
Non-allocated expenses	-1,640	-3,519	-11,300
Group operating expenses before depreciation	-33,952	-27,179	-108,321
<i>Other income:</i>			
Non-pharmaceuticals	-56	-39	-268
Research & pharmaceutical development	1,200	1,265	5,850
Non-allocated items	0	0	0
Group other income	1,144	1,226	5,582
<i>Operating profit (EBITDA):</i>			
Non-pharmaceuticals	-2,957	2,147	6,271
Research & pharmaceutical development	-11,003	-5,492	-24,494
Non-allocated	-1,640	-3,519	-11,300
Group operating profit before depreciation	-15,600	-6,864	-29,523
<i>Depreciation:</i>			
Non-pharmaceuticals	-536	-601	-2,222
Research & pharmaceutical development	-326	-329	-1,343
Group depreciation	-862	-931	-3,565
<i>Operating profit (EBIT):</i>			
Non-pharmaceuticals	-3,493	1,546	4,049
Research & pharmaceutical development	-11,328	-5,822	-25,837
Non-allocated	-1,640	-3,519	-11,300
Group operating profit	-16,461	-7,794	-33,088