

## 2<sup>ND</sup> QUARTER AND HALF YEAR REPORT 2008

### Highlights

- Included 81 of 120 patients in first clinical phase III study with SBG for treatment of diabetic ulcers.
  - Preparing for interim analysis to assess need for sample size adjustment in November
- Significant progress made in the preparations for second phase III study for diabetic ulcers and two phase III studies for oral mucositis.
  - European/East-European multi-centre phase III diabetic ulcers study: Finalised study protocol, identified study centres and investigators and filed for study authorization. Patient enrolment scheduled for fourth quarter.
  - European multi-centre phase III oral mucositis study: Finalised study protocol, identified study centres and investigators and filed for study authorization. Patient enrolment scheduled for fourth quarter.
  - East-European multi-centre phase III oral mucositis study: Study protocol close to final.
- Close to completing maximum tolerated dose study with SBG in neuroblastoma patients (41 of 45 patients) and non-Hodgkin's lymphoma study (11 of 12 patients).
- Positive revenue development in non-pharmaceutical segments in the second quarter.

(NOKm)	Q208	Q2 07	H108	H107	2007
Revenues	22.2	17.5	39.4	36.6	73.2
EBITDA	-13.5	-7.2	-29.1	-14.1	-29.5
Profit before tax	-12.3	-7.6	-26.9	-14.8	-27.8
Net profit	-12.3	-5.3	-26.9	-10.4	-18.7

### EBITDA per segment

(NOKm)	Q208	Q2 07	H108	H107	2007
Non-pharmaceuticals	-0.1	0.9	-3.0	3.1	6.3
R&D	-10.0	-5.6	-21.0	-11.1	-24.5
Unallocated expenses	-3.5	-2.5	-5.1	-6.1	-11.3
Total EBITDA	-13.5	-7.2	-29.1	-14.1	-29.5

### Outlook

- Progress made in the second quarter lends confidence to the revised time schedules for the phase III clinical research programs, assuming no adjustment of sample size. Biotec Pharmacon's objective is to file for marketing authorisations for SBG for treatment of diabetic ulcers and prevention and treatment of oral mucositis by mid 2010.
- Costs related to clinical research are expected to increase significantly in the second half of 2008 due to start-up of three phase III studies. R&D costs are expected to amount to NOK 75-90 million in 2008.
- As a response to ongoing marketing and sales activities Biotec Pharmacon expects continued revenue growth and profit improvement in the non-pharmaceutical business segments in the second half of the year.

## 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
<b>SBG</b> (soluble beta-glucan) which stimulates the immune system in general	<b>Ulcers and wounds</b>	Diabetic Ulcers Oral Mucositis
	<b>Immunotherapy of cancer</b>	Neuroblastoma: 3f8 mAb+SBG Breast Cancer: Herceptin+SBG Non-Hodgkin's lymphoma: Rituxan+SBG

Indication	Preclinical	Phase I	Phase II	Phase III	NDA
<b>Diabetic ulcer</b>	[Progress bar]				
<b>Oral mucositis</b>	[Progress bar]				
<b>Immuno-therapy of Cancer</b>	[Progress bar]				

NDA: New Drug Application

Biotec Pharmacon has initiated clinical phase III programs with SBG for the treatment of diabetic ulcers and oral mucositis. For each indication, the company will perform two phase III studies with SBG in targeted patient populations, with a non-active comparator as a control agent. Based on discussions with EMEA (the European Medicines Agency), positive results from these studies are expected to suffice to apply for marketing authorisations.

To secure high quality study designs, Biotec Pharmacon in the first quarter 2008 decided to adjust the timelines for clinical programs somewhat compared to the initial plans, with the objective now to file for marketing authorisations mid 2010 both for treatment of diabetic ulcers and prevention and treatment of oral mucositis.

## ULCERS AND WOUNDS

### Diabetic ulcers – fact box

<b>Disease description:</b>	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.
<b>Prevalence:</b>	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.
<b>Treatment options:</b>	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.
<b>Biotec Pharmacon's concept:</b>	<b>SBG reactivates immune cells in the skin, and SBG thereby enhances the body's own wound healing capabilities.</b>

### 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. Patient inclusion improved in the second quarter, and two thirds of the planned number of patients has now been included at Nottingham University Hospital and 10 other centres in UK and Ireland. As planned, the company will perform an interim analysis based on these patients to assess the need for sample size adjustment. Results from the interim analysis are expected to be available in November. Please note that no efficacy data will be available

A second European/East-European multi-centre phase III diabetic ulcer study is being carried out in co-operation between the company and a contracted Clinical Research Organisation (CRO). The study protocol was finalised in the second quarter 2008, and study centres and investigators were identified. Filing for study authorization was submitted in three countries, and ethical review committee approval has so far been obtained in two countries. As is the case with the Nottingham-study, this second phase III study is planned to include a population of 120 patients, with an interim analysis, and will involve a total of 17 centres in three countries. Patient enrolment is scheduled to start in the fourth quarter.

## Oral mucositis – fact box

<b>Disease description:</b>	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.
<b>Prevalence:</b>	App. 400,000-600,000 incidents per year in the OECD area.
<b>Treatment options:</b>	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.
<b>Biotec Pharmacon's concept:</b>	<b>SBG stimulates the immune system to prevent development of oral mucositis and support healing by enhancing the body's own wound healing capabilities.</b>

## 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, Eastern-Europe												
Ph. III, Europe												

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 oral mucositis in patients undergoing radiation for head and neck cancer.

Biotec Pharmacon and the contracted CRO finalised the protocol for a European multi-centre phase III study for oral mucositis during the second quarter 2008, and study centres and investigators were identified. Filing for study authorization has been submitted in three countries, and ethical review committee approval has so far been obtained in one country. The study will involve 20 centres in four countries, and patient enrolment is scheduled to start in the fourth quarter.

The company and the CRO in the first quarter decided to extend the originally planned North American oral mucositis study to a multi-centre study in both Europe and North America, in order to secure patient enrolment. The collaboration with the North American centre has been discontinued and the study will now be carried out in eastern-Europe. A new protocol for an East-European study is nearing completion. The study is planned to involve 20 centres in four countries. Patient enrolment is still scheduled to commence in the fourth quarter this year.

Both the studies are designed for 120 patients, and Biotec Pharmacon believes the identified centres and investigators will ensure fast and timely patient inclusion.

# IMMUNOTHERAPY OF CANCER

## Cancer – Fact box

<b>Disease description:</b>	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.
<b>Prevalence:</b>	There are an estimated 5 million new patients diagnosed with cancer annually in the OECD countries.
<b>Treatment options:</b>	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.
<b>Biotec Pharmacon's concept:</b>	<b>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.</b>

## 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 bar				Black bar							
Phase I/II, Ullevål	Grey bar				Black bar				Black bar			
Phase I/II, Rikshospitalet	Grey bar				Black bar				Black bar			

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

Biotec Pharmacon's clinical phase I/II study program is composed of three studies where oral administration of SBG is combined with injected monoclonal antibodies for treatment of cancers. Timetables for the studies are indicated in the figure above.

The furthest advanced of the phase I/II studies is the one at the Memorial Sloan-Kettering Cancer Center (MSKCC), where SBG is being tested in combination with the monoclonal antibody 3F8 in patients with neuroblastoma. The accumulated number of patients was 41 of a total 45 patients at the end of the second quarter, and Maximum Tolerated Dose (MTD) is expected to be set at 200 mg/kg/day.

As previously communicated in interim reports, the MSKCC phase I/II study has demonstrated that orally administered SBG is very well tolerated. Objective response has been seen in approximately 40-45 percent of patients having received SBG in doses up to 200 mg/kg/day. Given the progressed stage of disease development and the limitations of alternative treatment regimes, the results are considered promising.

Patient inclusion has remained slow in the third phase I/II cancer study with SBG and Herceptin against breast cancer. 6 out of 12 patients are included at Ullevål.

In a separate phase I/II clinical trial at Riskhospitalet, SBG is being tested in combination with the monoclonal antibody Rituxan for the treatment of non-Hodgkin's lymphoma. Enrolment is now close to completed (11 of 12 patients), and Biotec Pharmacon expects safety results from this study during the second half of the year.

## NON-PHARMACEUTICALS

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

<b>Consumer Health</b>	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.
<b>Animal Health</b>	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.
<b>Marine Biochemicals</b>	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.

Immunocorp Consumer Health has significantly increased marketing and sales efforts in the home market in the first half of 2008, through a re-launch and significant extension of distribution for the nbg®24:7 dietary supplement and skin lotions. In Norway the products are now being distributed in more than 900 pharmacies, health supplement stores and perfumeries, with class-A listing ensuring on-shelf positioning in all new chains and perfumeries. A broad marketing campaign launched in February focused on the immune-stimulating dietary supplement. Since May the focus has been turned to the skin lotions, including the launch of a new skin lotion.

The reception of the nbg®24:7 products have been warm both among distributors and end-users, and the brand awareness increased from a marginal 1 percent at the beginning of the year to 13 percent early in the second quarter. The company believes a brand awareness target of 20 percent is within reach by the end of 2008, given the plans for a revamping of the dietary supplements marketing during the second half of the year. 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, the Consumer Health business demonstrated healthy growth, particularly on skin care. Sales increased by 27 percent in local currency in the first half 2008, although the increase in NOK was reduced to 6 percent due to a weaker USD.

Overall, Consumer Health revenue increased by 16 percent compared to the second quarter 2007, and by 17 percent in the first half 2008.

As expected, sales revenue in Immunocorp Animal Health improved from a weak first quarter 2008, but also compared to the second quarter 2007. MacroGard benefited from seasonally stronger demand from the aquaculture industry, and a reversal of inventory adjustments at the pre-mixer/distributor level which lowered demand in the first quarter. Serious health problems like ILA and pancreatic disease remain a concern for fish farmers in Chile, Norway and other countries, pointing to a generally strong market outlook going forward. Demand in the livestock market also improved in the second quarter. Overall, Animal Health revenue increased by 48 percent compared to the second quarter 2007, and by 8 percent in the first half 2008 compared to the first half 2007.

Marine Biochemicals sales also picked up sharply from low levels in the first quarter, when the company did not deliver any shrimp alkaline phosphatase (SAP) enzymes due to de-stocking at resellers. SAP sales were back at normal levels, and deliveries of the new Cod-UNG enzymes to Invitrogen continued at the same pace as in the first quarter. Overall, Marine Biochemicals revenue increased by 11 percent compared to the second quarter 2007, but declined by 25 percent in the first half 2008 from the first half 2007, due to the aforementioned de-stocking at resellers in first quarter.

## FINANCIAL REVIEW

Biotech 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 corresponding periods last year.

### Income Statement for the second quarter and first half year 2008

Revenue amounted to NOK 22.2 million in the second quarter 2008, which was an increase of 27 percent from the second quarter 2007 (17.5), and up 29 percent from the first quarter (17.2). Revenue for the first half of the year was NOK 39.4 million, which was an increase of 8 percent from the first half 2007 (36.6).

Consumer Health products accounted for NOK 9.7 million of revenue in the second quarter (8.4), Animal Health for NOK 8.6 million (5.8) and sales of Marine Biochemicals for NOK 3.5 million (2.1). In the first half 2008, Consumer Health revenue amounted to NOK 20.3 million (17.3), Animal Health for NOK 14.1 million (13.1) and Marine Biochemicals for NOK 4.6 million (6.1). Other income amounted to NOK 0.3 million (0.1), all of which incurred in the second quarter.

Gross margin in the non-pharmaceutical business was 70 percent in the second quarter (75), and 73 percent for the first half 2008 (76), with the decline primarily explained by a combination of changes in the product mix and slightly lower margins for Consumer Health products. Other net operating expenses in the non-pharmaceutical business amounted to NOK 15.4 million (12.2) in the second quarter, excluding depreciation and amortisation of NOK 0.5 million (0.6). In the first half of the year, net operating costs were NOK 31.5 million (24.5), excluding depreciation and amortisation of NOK 1.1 million (1.2). The cost increases primarily reflect increased distribution and marketing costs related to the re-launch of the nbg<sup>®</sup>24:7 product family in the home market.

EBITDA in the non-pharmaceutical business was NOK -0.1 million in the second quarter (0.9), which was an improvement from NOK -3.0 million in the first quarter 2008. In the first half 2008, the non-pharmaceutical business thus reported an EBITDA loss of NOK 3.0 million, compared to a positive EBITDA of NOK 3.1 million in the first half 2007.

In the pharmaceutical business, the increased R&D activities generated an EBITDA of NOK -10.0 million (-5.6), compared to NOK -11.0 million in the previous quarter. The EBITDA for the first half 2008 was thus NOK -21.0 million, compared to NOK -11.1 million in the first half 2007. The higher cost level reflects the strengthening of the organisation and significantly higher clinical activity, with ongoing patient inclusion in the first phase III study with SBG in diabetic ulcers, and documentation and study protocol processes for the second phase III diabetic ulcer study and the two phase III studies for oral mucositis.

Unallocated operational costs amounted to NOK 3.5 million for the second quarter (2.5), and NOK 5.1 million for the first half 2008 (6.1). The cost increase in the second quarter reflects filing of summary motions and preparations for trial with regards to an unresolved patent dispute with Biothera. The trial was originally scheduled to start on August 1, but has since been postponed. Ruling on summary judgement motions are expected during the third quarter.

Overall EBITDA was NOK -13.5 million in the second quarter (-7.2) and NOK -29.1 million in the first half 2008 (-14.1). The EBIT was NOK -14.3 million in the second quarter (-8.1), and the EBIT in the first half 2008 NOK -30.8 million (-15.9). Loss before tax was NOK 12.3 million in the second quarter (7.5) and NOK 26.9 million in the first half 2008 (14.8). After-tax losses were equal to the pre-tax results in the first half of 2008. Last year the company recognized tax benefits of its losses, and reported losses after tax of NOK 5.3 million for the second quarter and NOK 10.4 million for the first half year.

### Balance Sheet, Cash Flow and Shareholder Matters

Total equity was NOK 177.9 million at 30 June, 2008 (213.3), compared to NOK 204.0 million at 31 December, 2007. The equity ratio of 90 percent (93) was virtually unchanged from the end of 2007.

The total number of outstanding shares was 23,637,910 at 30 June, 2007, unchanged from the end of 2007. The total number of options granted was 1,131,000 following an increase of options granted in the second quarter of 423,500. Biotec Pharmacon holds no own shares.

Net cash flow was NOK -13.1 million in the second quarter and NOK -22.3 million in the first half year. The cash flow is in line with the company's expectations.

Cash and cash equivalents amounted to NOK 129.2 million per 30 June, 2008 (163.4), down from NOK 151.7 million at the end of 2007.

### **Risk factors in the second half of 2008**

The main operational and financial risks in the second half of 2008 relate to the progress in the clinical study program in general and particularly for the four ongoing phase III studies.

81 patients have been included in the first study with SBG for treatment of diabetic ulcers. The company plans for an interim analysis with results available in November. Please note that no efficacy data will be available, and that the results will only be used to assess the need for sample size adjustment, i.e. sample size may need to be increased beyond the planned 120 patients.

Patient inclusion is expected to commence in all the three other phase III studies during the second half of the year. No guarantees can be given for a rapid and smooth study authorization approval process. The same applies to planned patient recruitment rates, although Biotec Pharmacon and its CRO-partner have decided to involve a relatively large number of study centres in order to reduce the risks related to potential low performing individual investigators or centres.

Biotec Pharmacon expects R&D costs related to the pharmaceutical activities of NOK 75-90 million in 2008, although the exact amount spent in the year will depend on the progress in each of the clinical studies. Regardless of the exact timing of expenditures, the company expects that an overall cost frame for external costs related to existing phase III studies of up to NOK 90 million will be sufficient to complete the studies through to application for marketing authorisation in Europe.

In the non-pharmaceutical businesses, the main risk in the second half of the year relates to product demand. Biotec Pharmacon expects continued revenue growth for Immunocorp Consumer Health, which is expected to mitigate the adverse financial effects of higher costs generated by widened distribution and increased market and sales efforts. The company expects continued revenue growth for Immunocorp Animal Health based on persistent serious health problems in the aqua- and livestock businesses, with risk related to the company's ability to respond to product demand. The growth of the Marine Biochemicals business is to a large extent dependent on the performance of direct distributors and diagnostic companies benefiting from the company's enzymes in their commercial kits, with risk related to successful testing and contracting with these partners.

The company has an unresolved patent dispute with the US-company Biothera. In relation with this, the company expects a ruling on filed summary judgement motions during the third quarter, which might be decisive with respect to the process moving forward. While there is small chance that a trial might start before the end of the year, a final result is in any case not expected in 2008.

Biotec Pharmacon does not see any major changes to the overall risk situation compared to the risk descriptions given in the Annual Report for 2007.

### **Transactions with closely related parties**

Biotec Pharmacon has not carried out any transactions with closely related parties that have impacted the company's financial position or results for the first half of 2008.

### **Responsibility Statement**

We confirm, to the best of our knowledge, that the condensed set of financial statements for the period 1 January to 30 June 2008 has been prepared in accordance with IAS 34 – Interim Financial Reporting, and gives a true and fair view of the Group's assets, liabilities, financial position and profit or loss as a whole. We also confirm, to the best of our knowledge, that the interim management report

includes as fair review of important events that have occurred during the first six months of the financial year and their impact on the condensed set of financial statements, a description of the principal risks and uncertainties for the remaining six months of the financial year, and major related parties transactions.

Oslo, 11 August 2008

The Board of Directors and the CEO of Biotec Pharmacon ASA

## Biotec Pharmacon ASA Group

Condensed and unaudited accounts for the 2nd quarter and 1st half year 2008

### INCOME STATEMENT

Amounts in NOK 1.000

	2Q 2008	2Q 2007	Jan. - June 2008	Jan. - June 2007
Sales revenues	22,165	17,468	39,374	36,558
Cost of goods sold	-6,829	-4,287	-10,777	-8,915
Personell expenses	-9,583	-8,005	-19,442	-18,157
Depreciation and amortisation expenses	-858	-926	-1,719	-1,857
Other income	1,042	1,585	2,186	2,812
Other expenses	-20,264	-13,963	-40,409	-26,361
Operating profit	-14,327	-8,127	-30,788	-15,921
Financial income, net	2,017	582	3,875	1,156
Profit before tax	-12,310	-7,545	-26,913	-14,765
Tax	0	-2,223	0	-4,352
Profit after tax for the period	-12,310	-5,322	-26,913	-10,413
Basic EPS (profit for the period)	-0.52	-0.25	-1.14	-0.50
Diluted EPS (profit for the period)	-0.50	-0.25	-1.10	-0.49

### BALANCE SHEET

Amounts in NOK 1.000

	30/06/2008	30/06/2007	31/12/2007
<b>Non-current assets</b>			
Machinery and equipment	11,533	13,447	11,768
Intangible assets	36,090	31,499	36,163
Financial assets available for sale	657	0	1,150
Other financial assets	619	567	625
<b>Total non-current assets</b>	48,899	45,513	49,707
<b>Current assets</b>			
Inventories	5,354	4,690	6,286
Trade receivables and other receivables	14,840	14,766	11,846
Cash and cash equivalents	129,204	163,397	151,700
<b>Total current assets</b>	149,397	182,853	169,831
<b>Total assets</b>	198,297	228,366	219,538
<b>Equity</b>			
Share capital	23,638	23,638	23,638
Other equity	154,281	189,646	180,403
<b>Total equity</b>	177,919	213,284	204,041
<b>Current liabilities</b>			
Trade-, short term-, and other payables	20,378	15,083	15,497
<b>Total current liabilities</b>	20,378	15,083	15,497
<b>Total equity and liabilities</b>	198,297	228,366	219,538

## CHANGES IN EQUITY

<i>Amounts in NOK 1,000</i>	2Q 2008	2Q 2007	Jan. - June 2008	Jan. - June 2007	Year 2007
As of beginning of period	188,980	100,784	204,041	105,711	105,711
Net profit for the period	-12,310	-5,322	-26,913	-10,413	-18,665
Adjustment financial assets available for sale	0		-493	0	0
Purchase own shares	0	0	0	0	-184
Sale own shares		28,526	0	28,526	28,670
Public Share Issue, net		87,675	0	87,675	87,675
Tax benefit related to share issue		1,744	0	1,744	1,324
Employee share options	535	390	1,125	751	1,433
Translation differences	714	-514	159	-711	-1,922
As of end of period	177,919	213,284	177,919	213,284	204,041

## SUMMARY CASH FLOW ANALYSIS

<i>Amounts in NOK 1,000</i>	2Q 2008	2Q 2007	Jan. - June 2008	Jan. - June 2007	Year 2007
Cash flow from operating activities	-12,071	-8,115	-20,823	-15,813	-25,986
Cash flow from investing activities	-1,077	-44	-1,478	-249	-1,339
Cash flow from financing activities	0	116,201	0	116,201	116,161
<b>Cash flow in the reporting period</b>	<b>-13,149</b>	<b>108,042</b>	<b>-22,302</b>	<b>100,139</b>	<b>88,836</b>
Currency conversion difference	-4	-514	-194	-711	-1,105
Cash and cash equivalents at the beginning of period	142,357	55,869	151,700	63,969	63,969
<b>Cash and cash equivalents at end of period</b>	<b>129,204</b>	<b>163,397</b>	<b>129,204</b>	<b>163,397</b>	<b>151,700</b>

**Notes to the interim accounts for Q2 2008 and H1 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 30 June 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

	2Q 2008	2Q 2007	Jan. - June 2008	Jan. - June 2007
<i>Sales revenue:</i>				
Non-pharmaceuticals	22,165	17,468	39,374	36,558
Research & pharmaceutical development	0	0	0	0
Group operating revenue	22,165	17,468	39,374	36,558
<i>Operating expenses:</i>				
Non-pharmaceuticals	-22,212	-16,475	-42,321	-33,378
Research & pharmaceutical development	-11,002	-7,240	-23,205	-13,997
Non-allocated expenses	-3,473	-2,539	-5,113	-6,058
Group operating expenses before depreciation	-36,686	-26,255	-70,639	-53,433
<i>Other income:</i>				
Non-pharmaceuticals	-8	-45	-64	-83
Research & pharmaceutical development	1,050	1,630	2,250	2,895
Non-allocated items	0	0	0	0
Group other income	1,042	1,585	2,186	2,812
<i>Operating profit (EBITDA):</i>				
Non-pharmaceuticals	-54	949	-3,011	3,096
Research & pharmaceutical development	-9,952	-5,610	-20,955	-11,102
Non-allocated	-3,473	-2,539	-5,113	-6,058
Group operating profit before depreciation	-13,479	-7,201	-29,079	-14,064
<i>Depreciation:</i>				
Non-pharmaceuticals	-522	-597	-1,059	-1,198
Research & pharmaceutical development	-325	-329	-651	-658
Group depreciation	-847	-926	-1,709	-1,857
<i>Operating profit (EBIT):</i>				
Non-pharmaceuticals	-577	351	-4,069	1,897
Research & pharmaceutical development	-10,277	-5,939	-21,605	-11,761
Non-allocated	-3,473	-2,539	-5,113	-6,058
Group operating profit	-14,327	-8,127	-30,788	-15,921