

THIRD QUARTER REPORT 2005

Highlights

- In September the US Food and Drug Administration approved the application for the first clinical trial with SBG in combination with a monoclonal cancer antibody. Patient enrollment is now ongoing at Memorial Sloan-Kettering Cancer Center in New York.
- Biotec Pharmacon has signed a Letter of Intent with Ullevaal University Hospital covering a clinical trial with SBG in combination with Herceptin (Roche), a monoclonal antibody used in breast cancer treatment.
- Biotec Pharmacon has had good progress in the recruitment of patients for the phase II clinical study for treatment of diabetic ulcers. More than 30% of the patients have been enrolled to date.
- More than 85% of the patients have been enrolled in the clinical phase II trial for the prevention of oral mucositis in cancer patients ongoing at the Royal Marsden & The Institute of Cancer Research in London.
- Good sales performance of non-pharmaceutical products with third quarter revenues of NOK 20.1 million (NOK 13.8 million Q3-2004) and EBITDA of NOK 5.5 million (NOK 0.8 million Q3-2004).
- Net after tax loss of NOK 0.8 million, EPS of –NOK 0.05.
- Listed on the Oslo Stock Exchange on 4 November 2005 after successfully completing a NOK 96 million share issue.

Pharmaceutical development

Immunotherapy of cancer

In September, the US Food and Drug Administration (FDA) granted an investigational new drug (IND) application for the first clinical trial with Biotec Pharmacon's drug candidate SBG used in combination with a monoclonal antibody against cancer. The first patient was enrolled in the study in October at Memorial Sloan-Kettering Cancer

Center in New York. In this phase I/II trial, a total of 15 patients will be treated with SBG taken orally in combination with an injected monoclonal antibody (3F8) among patients suffering from the cancer form *neuroblastoma*. Additional studies at Memorial Sloan-Kettering Cancer Center will be discussed in line with existing agreements.

Treatment of diabetic ulcers

The clinical phase II trial with SBG on patients suffering from diabetic ulcers is progressing as planned at the University Hospital in Archangelsk, Russia. Approximately 30% of the 60 patients in this double-blinded placebo controlled study have been enrolled per date. Biotec Pharmacon is also in discussions with a leading UK hospital with the objective to initiate a second phase II trial on diabetic ulcers.

Prevention of oral mucositis

A phase II study with SBG is ongoing at the Royal Marsden & The Institute of Cancer Research in London. Oral mucositis is a common and very painful complication of radiation and chemotherapy of cancer. The study includes 40 patients receiving radiation and chemotherapy in connection with head and neck cancer. Approximately 85% of the patients have now been enrolled in the study. The European Agency for the Evaluation of Medicinal Products (EMA) has granted Orphan drug designation for SBG used in the prevention of oral mucositis.

Burn wounds

A clinical phase I/II study on patients with burn wounds has been approved at Haukeland Sykehus in Bergen. The study will include 10 patients. No patients have been enrolled per date.

Non-pharmaceuticals

Sales of non-pharmaceutical products were NOK 20.1 million in the 3rd quarter compared to NOK 13.7 million in the 3rd quarter of 2004. Sales of consumer health products amounted to NOK 9.3 million, sales of animal health products amounted to NOK 6.8 million and sales of biochemicals amounted to NOK 3.7 million. EBITDA in the 3rd quarter of 2005 for the non-pharmaceutical business segment was NOK 5.5 million compared to NOK 0.8 million in the 3rd quarter of 2004. Sales revenues and margins are expected to fluctuate from quarter to quarter depending on sales mix, inventory levels at distributors and exchange rates. There has not been any large

single shipment to distributors in the 3rd quarter of 2005.

Pending final decision by the Norwegian Medicines Agency of an application by the company to specify that only highly purified beta-glucans are classified as medicinal products, the launching of consumer products containing NBG via pharmacy distribution in Norway has been temporarily halted. The Norwegian Medicines Agency has recently notified the company that this issue will be finally resolved within the next two months.

All product groups have shown good sales performance. In particular, sales of MacroGard for the animal health markets have improved from last year due to good demand from the aquaculture as well as the animal farm sector. The subsidiary Immunocorp AS is now intensifying marketing activities with a view to positioning MacroGard Feed Ingredient as an alternative to feed antibiotics that will be prohibited within the EU from next year.

Financials

Third quarter

Group operating revenue in the third quarter of 2005 amounted to NOK 20.4 million compared to NOK 14.5 million in the same period last year. Group operating profit was –NOK 1.5 million compared to –NOK 6 million in the 3rd quarter of 2004. Research and pharmaceutical development expenses were NOK 6.8 million and NOK 6.5 million in the 3rd quarter of 2005 and 2004 respectively. Net loss was NOK 0.8 million compared to a net loss of NOK 4.4 million in the third quarter of 2004.

January – September

For the nine months ending 30 September 2005, group operating revenues were NOK 55.7 million compared to NOK 57 million the same period in 2004. Revenues in 2004 include a single shipment to a distributor of NOK 8.8 million. Operating profit was –NOK 9.9 million compared to –NOK 5.2 million in 2004. Research and pharmaceutical development expenses amounted to NOK 20.7 million compared to NOK 16.8 million in the same period in 2004. Net loss was NOK 7.2

million compared to a net loss of NOK 3.7 million in the first nine months of 2004.

Balance sheet and shareholder matters

Cash equivalents per 30 September 2005 were NOK 6.1 million, a reduction of NOK 6.1 million from the previous quarter. During the 3rd quarter, Biotec Pharmacon purchased 400.000 own shares for a purchase price of NOK 3.05 million in accordance with an option agreement from 2001. Total equity amounted to NOK 42.2 million or 83% of total assets per 30 September 2005.

In October Biotec Pharmacon issued 3,922,000 new shares at NOK 24.50 per share. Net proceeds from the share issue amounted to NOK 92.2 million. The total number of shares after the share issue is 21.489.010 with a par value of NOK 1 per share.

The shares of Biotec Pharmacon were listed on the Oslo Stock Exchange on 4 November 2005. The 20 largest shareholders per 14 November 2005 are as follows:

| | |
|--------------------------------|--------|
| Piro AS | 17.84% |
| Four Seasons Private Equity AS | 10.25% |
| Odin Norge | 9.01% |
| Ludwig Mack AS | 8.92% |
| Gunnar Rørstad | 4.56% |
| Nordea Bank Denmark AS | 3.79% |
| Jan Raa | 3.25% |
| Annexstad Hartvig Wennberg AS | 3.04% |
| Knut Eirik Andersen | 2.37% |
| Biotec Pharmacon ASA | 2.01% |
| Anchor Secondary 2 Holding AS | 1.97% |
| Richard Waggoner | 1.86% |
| B Skaugen AS | 1.86% |
| MP Pensjon | 1.63% |
| Norgesinvestor Proto AS | 1.52% |
| VPF Avanse Norden | 1.09% |
| Arne Handeland | 0.94% |
| Baumann Invest AS | 0.91% |
| Hilde Raa | 0.86% |
| Staff-Gruppen AS | 0.79% |

Future developments

A main priority for Biotec Pharmacon is to prove therapeutic benefit of SBG in the chosen indications within the cancer and wound areas.

Within the cancer area, the company will initiate additional clinical trials. The company has recently signed a Letter of Intent with Ullevaal University Hospital in Oslo covering a clinical trial with SBG in combination with Herceptin (Roche) used against breast cancer. Furthermore, as part of the existing agreement, additional studies will be considered at Memorial Sloan-Kettering Cancer Center in New York. Biotec Pharmacon is also evaluating European sites for clinical trials with SBG in combination with monoclonal antibodies. In the oral mucositis trial in the UK 15% of the patients remains to be recruited, indicating that the study should be completed during the first half of 2006.

Within the wound area, the good progress with patient recruitment in the ongoing phase II study is expected to continue. A second phase II study is likely to be initiated in the first half of 2006.

In line with the up-scaling of the clinical development programs, Biotec Pharmacon expects higher research and development expenses in the coming interim periods. In the non-pharmaceutical area, Biotec Pharmacon will increase marketing activities for animal health products in advance of the prohibition of feed antibiotics in the EU.

14 November 2005

The Board of Directors
of Biotec Pharmacon ASA

Biotec Pharmacon ASA Group - Third quarter accounts 2005

INCOME STATEMENT

Amounts in NOK 1.000

| | 3Q 2005 | 3Q 2004 | January-Sept. 2005 | January-Sept. 2004 | Year 2004 |
|--|---------------|---------------|-----------------------|-----------------------|---------------|
| Operating revenue | 20 437 | 14 455 | 55 749 | 57 007 | 73 988 |
| Changes in inventories of work in progress | -156 | 191 | -722 | -1 384 | -1 048 |
| Raw material and consumables used | 4 036 | 2 511 | 11 517 | 11 569 | 13 155 |
| Employee benefits expense | 8 197 | 7 388 | 23 022 | 22 160 | 29 985 |
| Depreciation and amortisation expense | 959 | 1 621 | 4 173 | 4 729 | 6 429 |
| Other expenses | 8 877 | 8 838 | 27 666 | 25 169 | 34 580 |
| Total operating expenses | 21 912 | 20 550 | 65 657 | 62 242 | 83 102 |
| Operating profit | -1 475 | -6 095 | -9 907 | -5 235 | -9 114 |
| Net financial items | 76 | 89 | 183 | 382 | 196 |
| Profit before tax | -1 400 | -6 005 | -9 725 | -4 853 | -8 918 |
| Tax | -566 | -1 565 | -2 502 | -1 178 | -2 562 |
| Profit after tax for the period | -834 | -4 440 | -7 223 | -3 675 | -6 357 |
| Basic EPS (profit for the period) | -0.05 | -0.25 | -0.41 | -0.21 | -0.36 |
| Diluted EPS (profit for the period) | -0.05 | -0.25 | -0.41 | -0.21 | -0.36 |

BALANCE SHEET

Amounts in NOK 1.000

| | 30/09/2005 | 30/09/2004 | 31/12/2004 |
|-------------------------------------|---------------|---------------|---------------|
| Non-current assets | | | |
| Machinery and equipment | 15 257 | 17 968 | 17 377 |
| Intangible assets | 10 170 | 8 474 | 9 082 |
| Loan to employees and pension funds | 562 | 383 | 374 |
| Total non-current assets | 25 989 | 26 825 | 26 833 |
| Current assets | | | |
| Inventories | 4 533 | 4 039 | 4 025 |
| Trade receivables | 5 170 | 6 166 | 4 993 |
| Other receivables | 8 776 | 4 462 | 4 656 |
| Cash and cash equivalents | 6 123 | 21 630 | 20 141 |
| Total current assets | 24 602 | 36 296 | 33 815 |
| Total assets | 50 590 | 63 122 | 60 648 |
| Equity | | | |
| Share capital | 17 135 | 17 531 | 17 535 |
| Retained earnings | 25 039 | 38 168 | 33 718 |
| Total equity | 42 174 | 55 699 | 51 253 |
| Current liabilities | | | |
| Trade and other payables | 4 528 | 3 710 | 4 789 |
| Other short-term liabilities | 3 888 | 3 712 | 4 606 |
| Total current liabilities | 8 416 | 7 423 | 9 395 |
| Total equity and liabilities | 50 590 | 63 122 | 60 648 |

CHANGES IN EQUITY

| <i>Amounts in NOK 1.000</i> | 3Q 2005 | 3Q 2004 | January-Sept. 2005 | January-Sept. 2004 | Year 2004 |
|--------------------------------|------------|------------|-----------------------|-----------------------|--------------|
| As of beginning of period | 46 076 | 59 295 | 51 253 | 58 367 | 58 367 |
| Net profit for the period | -834 | -4 440 | -7 223 | -3 675 | -6 357 |
| Pension Funds, 1. January 2005 | 0 | 0 | 512 | 0 | 0 |
| Purchase own shares | -3 048 | 0 | -3 048 | 0 | 0 |
| Translation differences | -21 | 844 | 680 | 1 007 | -758 |
| As of end of period | 42 174 | 55 699 | 42 174 | 55 699 | 51 253 |

SUMMARY CASH FLOW ANALYSIS

| <i>Amounts in NOK 1.000</i> | 3Q 2005 | 3Q 2004 | January-Sept. 2005 | January-Sept. 2004 | Year 2004 |
|--|----------------|----------------|-----------------------|-----------------------|----------------|
| Cash flow from operating activities | (2 796) | (3 348) | (10 720) | (3 735) | (3 046) |
| Cash flow from investing activities | (296) | (484) | (930) | (585) | (1 141) |
| Cash flow from financing activities | (3 048) | - | (3 048) | (16) | 48 |
| Cash flow in the reporting period | (6 140) | (3 832) | (14 698) | (4 336) | (4 139) |
| Currency conversion difference | (21) | 844 | 680 | 1 007 | (679) |
| Cash and cash equivalents at the beginning of period | 12 284 | 24 618 | 20 141 | 24 959 | 24 959 |
| Cash and cash equivalents at end of period | 6 123 | 21 630 | 6 123 | 21 630 | 20 141 |

Notes to the interim accounts for Q3 2005

Note 1 - Presentation of the Group

The Group comprises the parent company Biotec Pharmacon ASA and the wholly owned subsidiaries, Immunocorp AS and Immunocorp US. The former subsidiary Biotec AH&N AS has been merged with Immunocorp AS during Q3-2005.

Note 2 - Accounting principles

The interim report for Q3 2005 is prepared in accordance with IAS 34. The company has applied IFRS 1 for the transition from NGAAP to IFRS. The accounting principles are in accordance with the principles used for the 2004 annual report except for the changes detailed in "Note 4 - Reconciliation between NGAAP and IFRS for 2004".

Note 3 - Analysis of operating revenue and -expenses

Amounts in NOK 1.000

| | 3Q 2005 | 3Q 2004 | Jan. - Sept. 2005 | Jan. - Sept. 2004 | Year 2004 |
|--|------------|------------|----------------------|----------------------|--------------|
| Operating revenue: | | | | | |
| Non-pharmaceuticals | 20 062 | 13 752 | 53 310 | 55 052 | 70 209 |
| Research & pharmaceutical development | 374 | 703 | 2 440 | 1 956 | 3 779 |
| Group operating revenue | 20 437 | 14 455 | 55 749 | 57 007 | 73 988 |
| Operating expenses: | | | | | |
| Non-pharmaceuticals | 14 555 | 12 974 | 42 061 | 42 368 | 55 455 |
| Research & pharmaceutical development | 6 398 | 5 954 | 19 422 | 15 146 | 21 218 |
| Group operating expenses before depreciation | 20 953 | 18 929 | 61 483 | 57 513 | 76 672 |
| Operating profit (EBITDA): | | | | | |
| Non-pharmaceuticals | 5 507 | 778 | 11 249 | 12 684 | 14 755 |
| Research & pharmaceutical development | -6 023 | -5 252 | -16 983 | -13 190 | -17 439 |
| Group operating profit before depreciation | -516 | -4 474 | -5 734 | -506 | -2 685 |
| Depreciation: | | | | | |
| Non-pharmaceuticals | 526 | 1 060 | 2 876 | 3 121 | 4 243 |
| Research & pharmaceutical development | 433 | 561 | 1 298 | 1 608 | 2 186 |
| Group depreciation | 959 | 1 621 | 4 173 | 4 729 | 6 429 |
| Operating profit (EBIT): | | | | | |
| Non-pharmaceuticals | 4 981 | -282 | 8 373 | 9 563 | 10 511 |
| Research & pharmaceutical development | -6 457 | -5 813 | -18 280 | -14 798 | -19 625 |
| Group operating profit | -1 475 | -6 095 | -9 907 | -5 235 | -9 114 |

The reduction in non-pharmaceuticals operating revenue in 2005 was mainly due a large single shipment of products to a distributor in the first half of 2004.

Note 4 - Reconciliation between NGAAP and IFRS for 2004

Biotec Pharmacon has evaluated the consequences of implementing the IFRS and has identified certain areas where the IFRS influences the company's accounts. The IFRS may, however, be subject to subsequent amendments and the information presented below may require updating between now and disclosure of the Annual Report 2005.

According to the IFRS, companies shall present an analysis of expenses using a classification based on either the nature of expenses or their function within the entity. Biotec Pharmacon will continue to classify the expenses by the nature of expenses.

There are no differences in cash flow between IFRS and NGAAP.

The differences between NGAAP and IFRS are:

Pension costs

The company has utilised a defined benefit based pension arrangement until 31.12.2004. Cumulative actuarial gains and losses existing on the date of transition to IFRS have been netted against equity in the opening balance sheet as of 1 January 2004. From the date of 1 January 2005 the company has entered into a defined contribution plan. The plan assets as of the date 1 January 2005 are measured at fair value. This has caused an increase in the value of plan assets in the balance sheet as of 1 January 2005 of NOK 711.000 with an equivalent increase in equity less deferred tax.

Machinery and equipment

A breakdown of the value of the company's premises carried out by the management has caused changes in the depreciation period from 5 years to 10 years. The value of machinery and equipment in the opening balance sheet at 1 January 2004 has been recalculated so that the change in depreciation period is reflected with effect from the acquisition date of the machinery and equipment. This has caused an increase in the value of machinery and equipment in the opening balance sheet of NOK 2.097.000 with an equivalent increase in equity less deferred tax. The effect of lower depreciation caused by the change in depreciation period is NOK 194.000 in Q3 2004, NOK 582.000 as of September 2004 and NOK 776.000 for 2004 as a whole.

Effect of implementing IFRS 2004:

(Amounts in NOK 1.000)

| | Equity Year 2004 | Equity Q3 2004 | Equity As of Sept. 2004 |
|---------------------------------------|---------------------|-------------------|----------------------------|
| NGAAP at the beginning of period | 56 753 | 57 401 | 56 753 |
| Machinery and equipment | 2 097 | 2 679 | 2 097 |
| Pension liabilities | 146 | 146 | 146 |
| Deferred tax related to the changes | -628 | -930 | -628 |
| IFRS at the beginning of period | <u>58 367</u> | <u>59 296</u> | <u>58 367</u> |
| Net profit for the period NGAAP | -6 811 | -4 580 | -4 094 |
| Pension costs | -146 | 0 | 0 |
| Depreciation | 776 | 194 | 582 |
| Tax on ordinary result due to changes | -177 | -54 | -163 |
| Net profit for the period IFRS | <u>-6 357</u> | <u>-4 440</u> | <u>-3 675</u> |
| Translation differences | -758 | 844 | 1 007 |
| IFRS at the end of period | <u>51 253</u> | <u>55 699</u> | <u>55 699</u> |

Note 5 - Related party transactions

The parent company is leasing premises for its headquarter from L. Mack AS which is a shareholder. The lease period is fixed for another 24 months with a first right to renegotiate the contract. The contract is based on ordinary business terms.

Note 6 Investment grants

The company has in 2000, 2001, 2002, and 2004 been allocated investment grants from Innovation Norway of NOK 1.240.400, NOK 459.600, NOK 2.300.000 and NOK 178.300 respectively. The grants are booked as a reduction in the procurement cost of the assets in question. If operating assets that are acquired with grants are disposed of within 5 years after receiving the grant, the grant can be revoked in part or in full. Investment grants are in principle tax free, but a contingent tax liability rests for 5 years after receipt of the grant.

14 November 2005
Biotec Pharmacon ASA