

THIRD QUARTER REPORT 2007

Highlights Q3-07

- Enrolment of patients (22 out of 120) in clinical phase III study with SBG for treatment of diabetic ulcers on plan
- Treatment of all 6 patients in extended phase I/II study at Memorial Sloan-Kettering completed without any reported safety issues
- Strategic review of consumer health business completed; reinforcement of marketing and sales activities going forward
- Sales revenues and operating expenses as planned

Key financial figures

(NOKm)	Q3 07	Q3 06	9M 07	9M 06	2006
Revenues	20.2	17.0	56.8	53.5	73.0
EBITDA	-6.0	-12.1	-20.1	-19.8	-36.4
Profit before tax	-4.9	-12.5	-19.7	-20.9	-37.9
Net profit	-3.7	-8.4	-14.1	-14.5	-26.7

EBITDA per segment

(NOKm)	Q3 07	Q3 06	9M 07	9M 06	2006
Non-pharmaceuticals	2.1	-0.6	5.2	6.3	7.7
R&D	-5.2	-5.9	-16.3	-17.8	-27.5
Unallocated expenses	-2.9	-5.6	-9.0	-8.3	-16.6
Total EBITDA	-6.0	-12.1	-20.1	-19.8	-36.4

Outlook Q4 2007

- Final results from the phase I/II immunotherapy of cancer trial at Memorial Sloan-Kettering Cancer Center
- Initiation of 3 to 4 additional study centres in the phase III study with SBG for treatment of diabetic ulcers; securing on time study completion
- Selection of CRO for the remaining phase III programs expected shortly, followed by intensified study preparations in line with previously communicated timelines
- Supply contracts for Cod UNG with leading international diagnostic and life science companies
- Reinforced marketing and sales activities in the Consumer Health area

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.

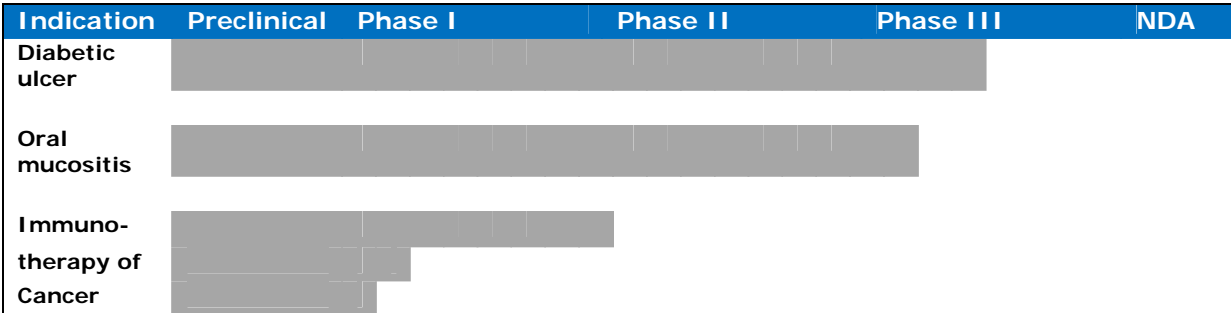
Biotec Pharmacon’s clinical development program focuses on the use of SBG in the treatment of chronic ulcers and on immunotherapy of cancer in combination with monoclonal antibodies. The company is in clinical phase III with SBG in two indications; (1) treatment of diabetic ulcers and (2) prevention 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-glycan) 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-Hodgkins lymphoma: Rituxan+SBG

The current status of the clinical development programs is indicated with grey bars in the figure below, with more detailed information to be found in the discussion under each of the disease areas.



NDA: New Drug Application

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

The first phase III study with SBG for treatment of diabetic ulcers is well underway, whereas the remaining three studies are in the planning phase. The company has decided to engage one or more Clinical Research Organizations (CROs) to be responsible for running the second diabetic ulcers study and both phase III studies for oral mucositis. During the third quarter the company has evaluated several CROs, and a selection of CRO is expected shortly.

To supervise the development of the clinical programs, Biotec Pharmacon has also in the third quarter strengthened internal resources through the hiring of Britt Olaussen as Director of Clinical Development. Ms. Olaussen comes from the position as Director of Global Clinical Affairs in GE Healthcare. She also has regulatory experience from the Norwegian Regulatory Agency, and holds a Master of Science in Pharmacology from the University of Oslo.

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	2007				2008				2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Phase III, Nottingham, UK												
Phase III, second trial												

The figure above indicates the timetable for the clinical trials with SBG for treatment of diabetic ulcers. The black area corresponds to expected trial completion and reporting of results.

22 patients have been included in the first of the two phase III studies. Patient enrolment is ongoing at the main centre at Nottingham City Hospital and five other centres, and patient inclusion is expected to accelerate in the coming months as five more centres are starting inclusion.

A total of 120 patients will be enrolled in the study with a blinded interim analysis to be performed after 80 patients. The progress is on plan, and completion of the study is expected by the end of the second quarter 2008 with results available by the end of the year. The company has continued the detailed planning of the second phase III study, which will be of comparable design and size as the Nottingham study. As described above, a Clinical Research Organization (CRO) will be engaged to take responsibility for the practical implementation of the second phase III study.

Biotec Pharmacon maintains an aggressive objective to file for marketing authorisation in Europe before the end of 2009.

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 today beyond supportive care. 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	2007				2008				2009			
	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4	Q1	Q2	Q3	Q4
Phase III, North America												
Phase III, Europe												

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

As for diabetic ulcers, EMEA has supported 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. In the US, the company has initiated an IND (Investigational New Drug) process with the Federal Drug Administration, although a finalization is not expected this year.

During the third quarter, Biotec Pharmacon has continued the detailed planning of the first phase III study together with a centre in North America. The study is expected to commence early 2008, and preparations are ongoing for a similar type study in Europe.

As described above, Biotec Pharmacon will engage one or two CROs to be responsible for running the phase III oral mucositis program.

Biotec Pharmacon maintains an optimistic objective to file for marketing authorisation in Europe before the end of 2009.

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 tumor.
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.
Biotec 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												
Phase I/II, Ullevaal												
Phase I/II, Rikshospitalet												

Biotec Pharmacon has three studies in progress where oral administration of SBG is combined with injected monoclonal antibodies. Timetables for the three studies are indicated in the figure above.

The most progressed study is the phase I/II clinical trial at Memorial Sloan-Kettering Cancer Center in New York, where the company in the second quarter received positive safety data suggesting that SBG is well tolerated in combination with the injected monoclonal antibody 3F8 for the treatment of neuroblastoma in children. This is a relatively rare, but serious childhood cancer with high mortality rates. Objective response of the treatment was reported in 8 out of 20 patients, and preliminary data suggests an improved effect from the combination of orally administered SBG and the injected monoclonal antibody. The company will await final results from the study in the fourth quarter before deciding on how to proceed with this indication. As previously communicated, the study was extended in the third quarter with an additional dose level of 140 mg/kg/day in six patients. All 6 patients completed the study without any reported safety issues. Investigators at Memorial Sloan-Kettering Cancer Center have requested to extend the study with an additional three dose levels in order to identify a maximum tolerated dose level. This will not impact the reporting of final main study results.

In a separate phase I/II clinical trial, SBG is being tested in combination with the monoclonal antibody Herceptin against breast cancer. As previously communicated, patient inclusion has been slow although 4 out of 12 patients have been included to date. The company has worked with the investigators, identified the reasons, and taken measures to accelerate the inclusion rate going forward.

Preparations have also been ongoing for the third of the company’s phase I/II studies, in which SBG will be tested in combination with Rituxan for the treatment of non-Hodgkin’s lymphoma in 12 patients. The first patient is expected to be included soon.

Non-pharmaceuticals

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

Consumer Health	Comprise a product portfolio consisting of the dietary supplement Immutol® and the skin lotion Immuderm®. 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 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.

The Animal Health business performed well in the third quarter. The aquaculture sector has struggled with high morbidity, particularly related to PD (pancreas disease). Based on this, demand for MacroGard was strong in recovery feeds. The industry is likely to continue to experience problems related to diseases such as PD, IPN, ISA and sealice, and MacroGard is well positioned in this market.

Within the Consumer Health segment, the company has carried out an extensive strategic review during the third quarter, and decided to reinforce marketing and sales activities going forward. Focus will initially be on the Norwegian market. However, the company believes its beta-glucan based consumer health products also have significant sales potential internationally, and will consider a geographic expansion into selected European markets.

Within the Marine Biochemicals segment, the company is in discussions with several leading international diagnostic and life science companies with regards to long-term supply contracts for its recently launched Cod UNG enzyme for diagnostic kits. Biotec Pharmacon is currently evaluating the best path forward for the commercialization of Cod UNG.

FINANCIAL REVIEW

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

Income Statement for the third quarter 2007

Sales revenues reached NOK 20.2 million in the third quarter 2007, up 19% vs. third quarter 2006 (17.0 million), driven by an increase in sales of Animal Health products to NOK 9.1 million (3.7 million). Sales of Consumer Health products amounted to NOK 8.5 million (9.2 million), and sales Marine Biochemicals NOK 2.3 million (3.9 million).

Gross margin was 79.6 percent (76.4), and EBITDA NOK 2.1 million (-0.6 million) in the non-pharmaceutical business. This compares with EBITDA of NOK 0.9 million in the previous quarter, an improvement mainly due to higher sales revenues.

Net research and pharmaceutical development expenses were NOK 5.2 million (5.9 million). Unallocated operational costs amounted to NOK 2.9 million (5.6 million), which relate to an ongoing US patent dispute.

EBIT was negative with NOK 6.8 million (13.0 million) in the third quarter, and the result before tax was negative with NOK 4.9 million (12.5 million). Net result was NOK -3.7 million in the third quarter (-8.4 million), which was an improvement of NOK 1.6 million from the previous quarter.

January – September 2007

Sales revenues were NOK 56.7 million for the first nine months of 2007, up 6% vs. same period last year (53.5 million). Sales of Animal Health products increased to NOK 22.4 million (16.3 million), whereas Consumer Health revenues were NOK 25.4 million (27.6 million). Marine Biochemicals revenues were NOK 8.4 million (8.9 million).

Gross margin was 77.0 percent (80.4), and EBITDA for the non-pharmaceutical business amounted to NOK 5.2 million for the first nine months (6.3 million)

Net research and pharmaceutical development expenses were NOK 16.3 million (17.8 million). Net unallocated operational expenses were NOK 9.0 million (8.3 million).

EBIT was negative with NOK 22.8 million (22.5 million), and the result before tax was negative with NOK 19.6 million (20.9 million). Net result was NOK -14.1 million (-14.5 million).

Balance Sheet, Cash Flow and Shareholder Matters

Following a shares issue earlier in the year, the company has established a cash position which is considered to be sufficient to complete the ongoing phase III studies for diabetic ulcers and oral mucositis through to filing of market authorisation applications in Europe.

Net cash flow was NOK -2.8 million in the third quarter (-16.1 million), and cash and cash equivalents amounted to NOK 160.6 million per 30 September 2007 (61.5 million).

Total equity was NOK 210.1 million, corresponding to 93.8 percent of total assets of NOK 223.9 million per 30 September 2007 (121.5 million). The total number of outstanding shares was 23,637,910 at the end of the quarter, each with a par value of NOK 1. The total number of options granted was 707,500. Biotec Pharmacon holds no own shares.

Oslo, 30 October 2007

The Board of Directors of Biotec Pharmacon ASA

Biotec Pharmacon ASA Group - Third quarter accounts 2007

INCOME STATEMENT

Amounts in NOK 1.000

	3Q 2007	3Q 2006	Jan. - Sept 2007	Jan. - Sept. 2006	Year 2006
Sales revenues	20 188	16 951	56 745	53 544	72 973
Cost of goods sold	-4 231	-4 000	-13 146	-10 692	-15 208
Personell expenses	-10 742	-10 301	-28 899	-26 797	-44 416
Depreciation and amortisation expenses	-824	-899	-2 681	-2 677	-3 740
Other income	237	2 532	3 049	6 432	8 344
Other expenses	-11 459	-17 267	-37 820	-42 279	-58 099
Operating profit	-6 831	-12 985	-22 752	-22 469	-40 146
Financial income, net	1 935	521	3 091	1 612	2 210
Profit before tax	-4 896	-12 464	-19 661	-20 857	-37 936
Tax	-1 212	-4 090	-5 565	-6 313	-11 283
Profit after tax for the period	-3 683	-8 373	-14 096	-14 544	-26 654
Basic EPS (profit for the period)	-0,17	-0,41	-0,65	-0,70	-1,28
Diluted EPS (profit for the period)	-0,16	-0,40	-0,63	-0,69	-1,27

BALANCE SHEET

Amounts in NOK 1.000

	30.09.2007	30.09.2006	31.12.2006
Non-current assets			
Machinery and equipment	12 596	14 802	15 064
Intangible assets	32 604	20 496	25 497
Loan to employees and pension funds	591	512	558
Total non-current assets	45 791	35 809	41 119
Current assets			
Inventories	5 441	6 135	5 509
Trade receivables and other receivables	12 129	18 021	13 150
Cash and cash equivalents	160 576	61 510	63 969
Total current assets	178 146	85 666	82 628
Total assets	223 937	121 476	123 746
Equity			
Share capital	23 638	20 657	20 791
Other equity	186 441	90 091	84 921
Total equity	210 079	110 748	105 711
Current liabilities			
Trade-, short term-, and other payables	13 858	10 728	18 035
Total current liabilities	13 858	10 728	18 035
Total equity and liabilities	223 937	121 476	123 746

CHANGES IN EQUITY

Amounts in NOK 1.000

	3Q 2007	3Q 2006	Jan. - Sept. 2007	Jan. - Sept. 2006	Year 2006
As of beginning of period	213 284	118 409	105 711	127 758	127 758
Net profit for the period	-3 683	-8 373	-14 096	-14 544	-26 654
Purchase own shares	0	0	0	-3 048	-3 048
Share issue, net	0	0	87 675	0	0
Tax benefit related to share issue	0	0	1 744	0	0
Sale own shares	0	0	28 526	0	7 093
Employee share options	666	360	1 417	693	1 179
Translation differences	-187	352	-898	-112	-618
As of end of period	210 079	110 748	210 079	110 748	105 711

SUMMARY CASH FLOW ANALYSIS

<i>Amounts in NOK 1.000</i>	3Q 2007	3Q 2006	Jan. - Sept. 2007	Jan. - Sept. 2006	Year 2006
Cash flow from operating activities	-2 625	-15 551	-18 439	-29 125	-32 190
Cash flow from investing activities	151	-899	-98	-1 090	-2 153
Cash flow from financing activities	0	0	116 201	-3 048	4 045
Cash flow in the reporting period	-2 474	-16 451	97 664	-33 262	-30 297
Currency conversion difference	-347	352	-1 058	-112	-618
Cash and cash equivalents at the beginning of period	163 397	77 609	63 969	94 884	94 884
Cash and cash equivalents at end of period	160 576	61 510	160 576	61 510	63 969

Notes to the interim accounts for Q3 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 30 September 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

	3Q 2007	3Q 2006	Jan. - Sept. 2007	Jan. - Sept. 2006	Year 2006
<i>Sales revenue:</i>					
Non-pharmaceuticals	20 188	16 951	56 745	53 544	72 973
Research & pharmaceutical development	0	0	0	0	0
Group operating revenue	20 188	16 951	56 745	53 544	72 973
<i>Operating expenses:</i>					
Non-pharmaceuticals	-16 605	-17 382	-49 984	-46 835	-65 633
Research & pharmaceutical development	-6 933	-8 624	-20 931	-22 601	-33 426
Non-allocated items	-2 893	-5 562	-8 951	-10 332	-18 664
Group operating expenses before depreciation	-26 432	-31 568	-79 865	-79 768	-117 722
<i>Other income:</i>					
Non-pharmaceuticals	-1 482	-154	-1 565	-415	345
Research & pharmaceutical development	1 719	2 686	4 614	4 766	5 918
Non-allocated items	0	0	0	2 082	2 082
Group other income	237	2 532	3 049	6 432	8 344
<i>Operating profit (EBITDA):</i>					
Non-pharmaceuticals	2 101	-585	5 196	6 293	7 685
Research & pharmaceutical development	-5 214	-5 938	-16 316	-17 835	-27 508
Non-allocated	-2 893	-5 562	-8 951	-8 251	-16 582
Group operating profit before depreciation	-6 007	-12 085	-20 071	-19 792	-36 405
<i>Depreciation:</i>					
Non-pharmaceuticals	-495	-549	-1 694	-1 636	-2 331
Research & pharmaceutical development	-329	-350	-987	-1 041	-1 410
Group depreciation	-824	-899	-2 681	-2 677	-3 740
<i>Operating profit (EBIT):</i>					
Non-pharmaceuticals	1 605	-1 134	3 502	4 658	5 354
Research & pharmaceutical development	-5 543	-6 288	-17 303	-18 876	-28 918
Non-allocated	-2 893	-5 562	-8 951	-8 251	-16 582
Group operating profit	-6 831	-12 985	-22 752	-22 469	-40 146

30 October 2007
Biotec Pharmacon ASA