SECOND QUARTER REPORT 2007

Highlights Q2-07

- Announced and initiated clinical phase III with SBG for treatment of diabetic ulcers
- Announced start of clinical phase III with SBG for prevention and treatment of oral mucositis
- Successful completion of share issue and sale of treasury shares generated net proceeds of NOK 116.3 million for financing of phase III studies
- Obtained positive safety results from clinical phase I/II cancer trial at Memorial Sloan-Kettering Cancer Centre in New York, and preliminary evaluation of SBG as an adjuvant to the monoclonal antibody 3F8 is considered promising

Key financial figures

(NOKm)	Q2 07	Q2 06	H1 07	H1 06	2006
Revenues	17.5	18.2	36.6	36.6	73.0
EBITDA	-7.2	-2.5	-14.1	-7.7	-36.4
Profit before tax	-7.5	-2.8	-14.8	-8.4	-37.9
Net profit	-5.3	-2.1	-10.4	-6.2	-26.7

EBITDA per segment

(NOKm)	Q2 07	Q2 06	H1 07	H1 06	2006
Non-pharmaceuticals	0.9	3.8	3.1	6.9	7.7
R&D	-5.6	-6.0	-11.1	-11.9	-27.5
Unallocated expenses	-2.5	-0.3	-6.1	-2.7	-16.6
Total EBITDA	-7.2	-2.5	-14.1	-7.7	-36.4

Outlook

- The first phase III study with SBG for treatment of diabetic ulcers is on schedule with accelerating inclusion of patients at several specialized wound-centres in the UK and Ireland. The planning has started also for the second phase III study for diabetic ulcers
- The planning for phase III clinical trials with SBG for prevention and treatment of oral mucositis is well in progress. The first trial will be carried out at a recognised institution with a large patient population in North America
- Within the non-pharmaceutical business, the company's new Cod-UNG enzyme is under evaluation by international distributors and diagnostic companies
- Promising data obtained with MacroGard against sealice in salmon provide for good growth prospects within the animal health area

OPERATIONAL REVIEW

Biotec Pharmacon ASA is a bio-pharmaceutical company that develops new pharmaceutical products for treatment of immune related diseases.

Based on in-house research and production competence, the company has developed a bioactive compound (SBG, soluble beta-1,3/1,6-glucan) that binds to certain types of immune cells and initiates mechanisms that strengthens the ability of the immune system to attack and destroy cancer cells, repair skin wounds and fight infections.

Biotec Pharmacon's clinical development program focuses on the use of SBG in the treatment of chronic wounds (clinical phase III in diabetic ulcers and oral mucositis), and in immunotherapy of cancer in combination with monoclonal antibodies (clinical phase I/II).

In addition to the company's pharmaceutical development activity, the group is also involved in manufacturing and sales of health products that can strengthen the immune system of animals and humans, and DNA/RNA-modifying enzymes for use in gene technology research and diagnostics.

Pharmaceutical development program

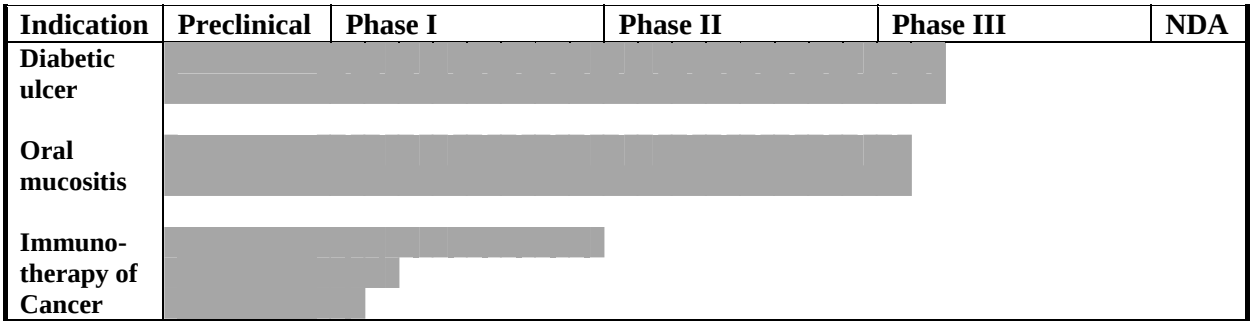
Technology platform	Disease area	Therapeutic area
SBG (soluble beta-glucan) which stimulates the immune system in general	**Ulcers and wounds**	Diabetic Ulcers Oral Mucositis
	Immunotherapy of cancer	Neuroblastoma: 3f8 mAb+SBG Breast Cancer: Herceptin+SBG Non-Hodgkins lymphoma: Rituxan+SBG

The current pharmaceutical development programs are focused on the disease- and therapeutic areas as indicated above.

The current status of the clinical programs is indicated with the grey areas in the below figure. More detailed information about timetables can be found later in the report.

Discussions with EMEA (European Medicines Agency) during the first half of 2007 turned out positive, as the agency in June supported a position where (i) Biotec Pharmacon may apply for marketing authorisations for SBG in diabetic ulcers and oral mucositis based on two positive, confirmatory phase III studies, (ii) the phase III program could be done with placebo as the comparative agent, and (iii) that the already initiated study in Nottingham qualifies as one of two required phase III studies for diabetic ulcers. This may entail a speedier and less costly clinical trial program than expected for these two indications. The different clinical trials are described in more detail below.

Biotec Pharmacon has chosen to fund and initiate the phase III programs for diabetic ulcers and oral mucositis on its own. Potential partnerships will be pursued continuously throughout the phase III programs.



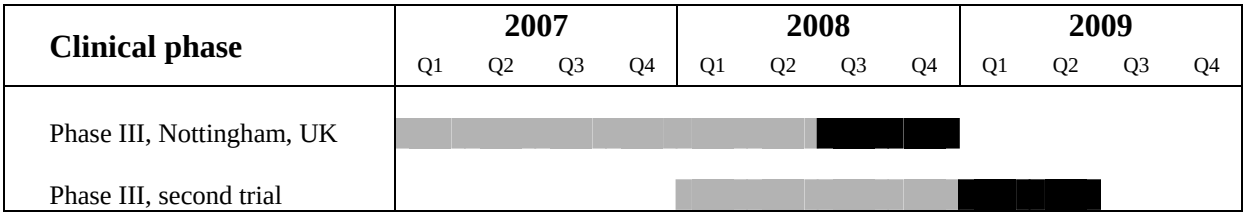
NDA: New Drug Application

ULCERS AND WOUNDS

Diabetic ulcers – fact box

Disease description:	Diabetic patients are prone to develop ulcers and wounds, most likely due to impaired immune functions. The patients often develop chronic and growing ulcers with high risk of infection. This is 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 ulcers.
Treatment options:	No established standard drug 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 thereby enhances the body's own wound healing capabilities.**

Indicative timetable of clinical trials – diabetic ulcers



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

The phase III study ongoing at Nottingham City Hospital as the main centre is progressing according to schedule. Four centres in UK are now actively enrolling patients, and another six centres will start enrolment in the coming weeks. Two additional sites are considering participating in the study, bringing the total number of centres in UK/Ireland to 12. A total of 120 patients will be included in the trial, with study completion expected by the end of the second quarter 2008 and results available by the end of the year.

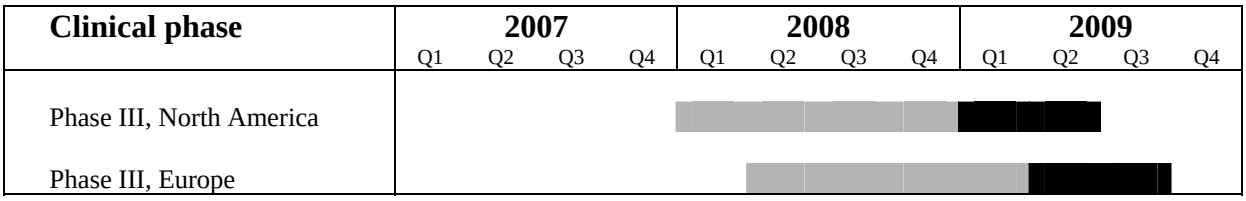
As mentioned above, EMEA has supported a position where Biotec Pharmacon may apply for marketing authorisation for SBG for the treatment of diabetic ulcers based on two positive, confirmatory phase III studies.

Planning of the second phase III study has already started, based on a similar design and an equally sized patient population as the ongoing study in Nottingham. Biotec Pharmacon maintains an optimistic objective to file for marketing authorisation in Europe during 2009.

Oral mucositis – fact box

Disease description:	Oral mucositis is a common and potentially serious side effect of radiotherapy and 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 in certain markets at drug cost of up to USD 8,000 per patient.
Biotec Pharmacon's concept:	**SBG stimulates the immune system to prevent development of oral mucositis.**

Indicative timetable of clinical trials – oral mucositis



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

EMEA has supported a position where Biotec Pharmacon may apply for marketing authorisation for SBG for this indication based on two positive, confirmatory phase III studies.

In addition, Biotec Pharmacon has obtained 'orphan drug' designation in Europe for SBG for treatment of oral mucositis in patients with head and neck cancer undergoing radiation.

The company has planned initiation of one phase III study with 80 – 100 patients. The trial will be executed at a North American centre with access to a large patient population. The trial is expected to start at the end of this year or early 2008. Preparation for a similar sized study in Europe will be initiated later this year. Biotec Pharmacon maintains an optimistic objective to file for marketing authorisation in Europe during 2009.

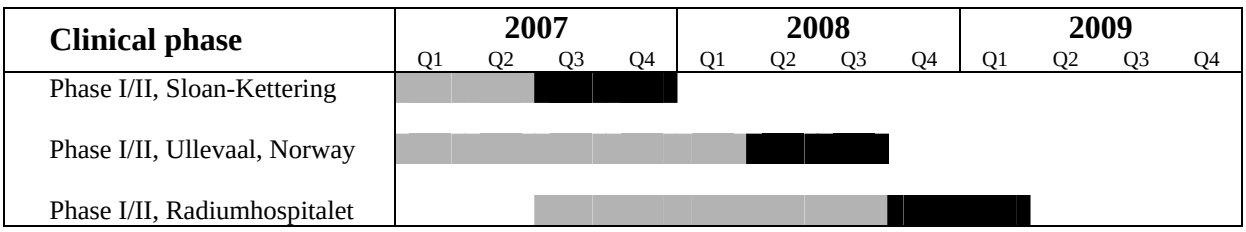
An IND (Investigational New Drug) process has been initiated with the FDA (Federal Drug Administration) in the US.

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. Immune reactions are normally not able to eliminate established cancers.
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 or products of active immunization 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 response and in killing of tagged cancer cells**.

Indicative timetable of clinical trials – immunotherapy of cancer



Biotec Pharmacon has completed one study and has two 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 recently received positive data suggesting that SBG is well tolerated in combination with the injected monoclonal antibody 3F8.

Patients have been treated at escalating dose levels of 10, 20, 40, 80, 100 and 120 mg/kg. Due to one single incident, it has been decided to extend the study with one additional dose level, i.e. 140 mg/kg/day in 6 patients. The purpose of the extension is to evaluate whether such dose level is near the maximum tolerated dose (MTD) level for SBG in combination with this particular monoclonal antibody.

The Sloan-Kettering study included 24 patients prior to the extension, all of which are children suffering from an advanced form of metastatic neuroblastoma. This is a relatively rare, but serious cancer, with high mortality.

Although it is premature to draw conclusions with regards to the therapeutic effect, the preliminary data suggests an improved effect from the combination of orally administered SBG with the injected 3F8 mAb.

The decision on how to proceed with this indication is pending until the final report from the phase I/II study at Memorial Sloan-Kettering Cancer Center has been completed.

In a separate phase I/II clinical trial, SBG is being used in combination with the monoclonal antibody Herceptin against breast cancer. This is a multi-center study with Ullevaal University Hospital as the main centre. Patient inclusion has so far been slow due to lack of relevant patients. The company is currently evaluating alternatives for accelerating inclusion rates.

Biotec Pharmacon is also in the process of starting inclusion of patients in a phase I/II study with SBG in combination with Rituxan against Non-Hodgkins lymphoma. The study will be initiated at Rikshospitalet Radiumhospitalet in Oslo in the third quarter 2007. All necessary approvals have been obtained, and the study was ready for patient inclusion by the end of July.

Biotec Pharmacon has received a grant from Troms Fylkeskommune of NOK 2 million in support of the above mentioned immunotherapy of cancer trials in Norway.

Non-pharmaceuticals

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

Fact Box

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 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 chemotherapeutics in aquaculture and animal husbandry.
Marine Biochemicals	Product portfolio based on DNA/RNA-modifying enzymes. Current products include SAP (Shrimp Alkaline Phosphatase and Cod UNG (cod uracil-DNA-glycosylase). The enzymes have the advantage compared to enzymes from other sources since they can be inactivated by moderate heat treatment rather than eliminated by a separate process.

The most important event in the second quarter in the Non-Pharmaceutical business segment was the launch of the new Cod Uracil-DNA-glycosylase (Cod-UNG). The company is in discussions with international distributors and diagnostics companies for evaluation of Cod UNG in diagnostic kits.

The company has recently obtained good test results with MacroGard to reduce sealice in salmon, a significant problem facing salmon farmers. These results, combined with continuous problems with other diseases harming the aquaculture sector, are expected to increase interest for MacroGard®.

With regards to Consumer Health, the sales volume in North America has been somewhat lower compared to last year's period, mainly due to phasing of marketing activities. As the Norwegian market is still in an introductory phase, the volumes are negligible, but a satisfying interest from the market has been registered.

FINANCIAL REVIEW

Income Statement

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

Second quarter

Sales revenues reached NOK 17.5 million in the second quarter 2007 compared with NOK 18.2 million in the second quarter 2006. Sales of consumer health products amounted to NOK 8.2 million (8.1 million), sales of animal health products NOK 6.0 million (6.9 million) and sales of marine biochemicals NOK 3.2 million (2.9 million).

EBITDA in the non-pharmaceutical business was NOK 0.9 million (3.8 million), compared with NOK 2.1 million in the previous quarter. In addition to somewhat lower sales and gross margin (76.1% compared to 81% in Q2-06), the lower EBITDA was mainly caused by higher operating expenses in the Norwegian part of the consumer health business, which is in a market launch phase.

The EBITDA-loss for the research and pharmaceutical development segment was NOK 5.6 million (6.0 million). Unallocated operational costs were NOK 2.5 million (0.3 million). Unallocated costs in 2007 relate to the US patent dispute which remains unresolved. In the second quarter of 2006 legal expenses related to the patent dispute amounted to NOK 2.4 million, and other unallocated income amounted to NOK 2.1 million.

The overall EBITDA-loss was NOK 7.2 million (2.5 million) in the second quarter, compared with an EBITDA-loss of NOK 6.9 million in the first quarter 2007. The EBIT-loss was NOK 8.1 million (3.4 million) in the second quarter and the loss before tax NOK 7.5 million (2.8 million). Net loss was NOK 5.3 million in the second quarter (2.1 million), which compares with a loss of NOK 5.1 million in the first quarter 2007.

January - June

Sales revenues were NOK 36.6 million in the first half 2007, which was the same as in the first half of 2006.

Sales of consumer health products amounted to NOK 17.0 million (18.5 million), sales of animal health products NOK 13.3 million (12.6 million) and sales of marine biochemicals NOK 6.1 million (5.1 million).

EBITDA in the non-pharmaceutical business was NOK 3.1 million (6.9 million). Gross margin was 75.9 percent (82.0 percent).

The EBITDA-loss for the research and pharmaceutical development segment was NOK 11.1 million (11.9 million). Unallocated operational expenses were NOK 6.1 million (2.7 million including other income of 2.1 million). The overall EBITDA-loss was NOK 14.1 million (7.7 million).

The EBIT-loss was NOK 15.9 million (9.5 million) and the loss before tax NOK 14.8 million (8.4 million). Net loss was NOK 10.4 million (6.2 million).

Balance Sheet, Cash Flow and Shareholder Matters

Biotec Pharmacon in the second quarter carried out a successful and oversubscribed issue of 2,148,900 shares, and also sold 698,218 own shares in the transaction.

The generated net proceeds of NOK 116.3 million will primarily be used to fund the planned phase III programs for diabetic ulcers and oral mucositis.

Including the shares issue, net cash flow was NOK 107.5 million in the second quarter, and cash and cash equivalents amounted to NOK 163.4 million per 30 June 2007 (77.6 million). Total equity was NOK 213.3 million, corresponding to 93.4 percent of the total assets of NOK 228.4 million per 30 June 2007.

Following the shares issue, the total number of outstanding shares was 23,637,910 at the end of the quarter, each with a par value of NOK 1.

Biotec Pharmacon holds no own shares. The total number of options granted was 707,500 per 30 June, 2007.

Oslo, 8 August 2007

The Board of Directors of Biotec Pharmacon

Biotec Pharmacon ASA Group - Second quarter accounts 2007

INCOME STATMENT

Amounts in NOK 1.000	2Q 2007	2Q 2006	Jan. - June 2007	Jan. -June 2006	Year 2006
Sales revenues	17 468	18 199	36 558	36 592	72 973
Cost of goods sold	-4 287	-3 461	-8 915	-6 691	-15 208
Personell expenses	-8 005	-7 168	-18 157	-16 497	-44 416
Depreciation and amortisation expenses	-926	-888	-1 857	-1 778	-3 740
Other income	1 585	2 736	2 812	3 901	8 344
Other expenses	-13 963	-12 774	-26 361	-25 012	-58 099
Operating profit	-8 127	-3 355	-15 921	-9 484	-40 146
Financial income, net	582	540	1 156	1 091	2 210
Profit before tax	-7 545	-2 814	-14 765	-8 393	-37 936
Tax	-2 223	-722	-4 352	-2 223	-11 283
Profit after tax for the period	-5 322	-2 093	-10 413	-6 170	-26 654
Basic EPS (profit for the period)	-0,25	-0,10	-0,50	-0,30	-1,28
Diluted EPS (profit for the period)	-0,25	-0,10	-0,49	-0,30	-1,27

BALANCE SHEET

Amounts in NOK 1.000	30.06.2007	30.06.2006	31.12.2006
Non-current assets			
Machinery and equipment	13 447	14 274	15 064
Intangible assets	31 499	15 814	25 497
Loan to employees and pension funds	567	521	558
Total non-current assets	45 513	30 608	41 119
Current assets			
Inventories	4 690	5 938	5 509
Trade receivables and other receivables	14 766	14 448	13 150
Cash and cash equivalents	163 397	77 609	63 969
Total current assets	182 853	97 995	82 628
Total assets	228 366	128 603	123 746
Equity			
Share capital	23 638	20 657	20 791
Other equity	189 646	97 752	84 921
Total equity	213 284	118 409	105 711
Current liabilities			
Trade-, short term-, and other payables	15 083	10 194	18 035
Total current liabilities	15 083	10 194	18 035
Total equity and liabilities	228 366	128 603	123 746

CHANGES IN EQUITY

Amounts in NOK 1.000	2Q 2007	2Q 2006	Jan. - June 2007	Jan. - June 2006	Year 2006
As of beginning of period	100 784	123 479	105 711	127 758	127 758
Net profit for the period	-5 322	-2 093	-10 413	-6 170	-26 654
Purchase own shares	0	-3 048	0	-3 048	-3 048
Share issue, net	87 675	0	87 675	0	0
Tax benefit related to share issue	1 744	0	1 744	0	0
Sale own shares	28 526		28 526		7 093
Employee share options	390	288	751	333	1 179
Translation differences	-514	-218	-711	-464	-618
As of end of period	213 284	118 409	213 284	118 409	105 711

SUMMARY CASH FLOW ANALYSIS

Amounts in NOK 1.000	2Q 2007	2Q 2006	Jan - June 2007	Jan. - June 2006	Year 2006
Cash flow from operating activities	-8 115	-3 463	-15 813	-13 573	-32 190
Cash flow from investing activities	-44	-124	-249	-190	-2 153
Cash flow from financing activities	116 201	-3 048	116 201	-3 048	4 045
Cash flow in the reporting period	**108 042**	**-6 635**	**100 139**	**-16 811**	**-30 297**
Currency conversion difference	-514	-218	-711	-464	-618
Cash and cash equivalents at the beginning of period	55 869	84 462	63 969	94 884	94 884
Cash and cash equivalents at end of period	**163 397**	**77 609**	**163 397**	**77 609**	**63 969**

Notes to the interim accounts for Q2 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 June 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

	2Q 2007	2Q 2006	Jan. - June 2007	Jan. - June 2006	Year 2006
Sales revenue:					
Non-pharmaceuticals	17 468	18 199	36 558	36 592	72 973
Research & pharmaceutical development	0	0	0	0	0
Group operating revenue	17 468	18 199	36 558	36 592	72 973
Operating expenses:					
Non-pharmaceuticals	-16 475	-14 170	-33 378	-29 453	-65 633
Research & pharmaceutical development	-7 240	-6 855	-13 997	-13 977	-33 426
Non-allocated items	-2 539	-2 377	-6 058	-4 770	-18 664
Group operating expenses before depreciation	-26 255	-23 403	-53 433	-48 200	-117 722
Other income:					
Non-pharmaceuticals	-45	-215	-83	-261	345
Research & pharmaceutical development	1 630	870	2 895	2 080	5 918
Non-allocated items	0	2 082	0	2 082	2 082
Group other income	1 585	2 736	2 812	3 901	8 344
Operating profit (EBITDA):					
Non-pharmaceuticals	949	3 814	3 096	6 879	7 685
Research & pharmaceutical development	-5 610	-5 985	-11 102	-11 897	-27 508
Non-allocated	-2 539	-296	-6 058	-2 689	-16 582
Group operating profit before depreciation	-7 201	-2 467	-14 064	-7 707	-36 405
Depreciation:					
Non-pharmaceuticals	-597	-543	-1 198	-1 087	-2 331
Research & pharmaceutical development	-329	-345	-658	-691	-1 410
Group depreciation	-926	-888	-1 857	-1 778	-3 740
Operating profit (EBIT):					
Non-pharmaceuticals	351	3 271	1 897	5 792	5 354
Research & pharmaceutical development	-5 939	-6 330	-11 761	-12 588	-28 918
Non-allocated	-2 539	-296	-6 058	-2 689	-16 582
Group operating profit	-8 127	-3 355	-15 921	-9 484	-40 146

8 August 2007

Biotec Pharmacon ASA