FOURTH QUARTER REPORT AND PRELIMINARY RESULTS 2006

Highlights

- UK health authorities have approved a newly designed phase II (b) trial with SBG for treatment of diabetic ulcers (Nottingham City Hospital). The trial will cover 120 patients and a treatment period of 8 weeks.

- Communication initiated with EMEA (European Medicines Agency) to optimize the clinical path forward for SBG for the treatment of diabetic ulcers and in prevention and treatment of oral mucositis.

- Twenty out of twenty-four patients have been enrolled in the clinical phase I/II trial (Memorial Sloan-Kettering Cancer Center, New York) with SBG in combination with a monoclonal cancer antibody. No dose related toxicities observed. Completion expected in Q2-2007.

- Enrolment started in the clinical phase I/II trial (Ullevål University Hospital) with SBG in combination with Herceptin, a monoclonal antibody against breast cancer.

- New subsidiary to improve focus on consumer health business.

- Key figures fourth quarter 2006:

    - *Non-pharmaceuticals: Sales income of NOK 19.5 million (NOK 16.8 million Q4-05) and operating profit (EBITDA) of NOK 1.4 million (operating profit of NOK 2 million in Q4-05).*
    - *R&D: Gross R&D expenses of NOK 11.2 million (NOK 8.4 million in Q4-2005).*
    - *Non-allocated items: Net expenses of NOK 8.3 million of which NOK 2.9 million relate to US patents dispute and NOK 5.4 million relate to change of CEO (expenses of NOK 1.2 million related to US patent dispute in Q4-2005).*
    - *After tax loss of NOK 12.0 million (NOK 4.6 million in Q4-05).*

- Key figures 2006 (full year):

    - *Non-pharmaceuticals: Sales income of NOK 73.1 million (NOK 70 million in 2005) and operating profit (EBITDA) of NOK 7.6 million (NOK 14.6 million in 2005).*
    - *R&D: Gross R&D expenses of NOK 34.8 million (NOK 29.1 million in 2005).*
    - *Non-allocated expenses: Net expenses of NOK 16.6 million of which NOK 13.2 million relate to US patent dispute (NOK 2.5 million in 2005).*
    - *After tax loss of NOK 26.6 million (NOK 11.8 million in 2005).*

Pharmaceutical development

Treatment of diabetic ulcers

Biotec Pharmacon recently announced the results from the clinical phase II trial with SBG in patients with diabetic foot ulcers. Although the pre-specified main results from the trial (healing of ulcers after 12 weeks of treatment) were not statistically significant, the data showed statistical significant differences between the active group and the control group after 8 weeks of treatment. At that point the proportion of ulcers that achieved complete healing was 41% in the SBG group compared to 13% in the reference group. Shorter healing time is most important from a hospital economics point of view since hospitalization time represents an estimated 90% of total treatment cost. Even the 12 weeks results compare favourably with results obtained from other clinical studies with the best available bioactive compounds on the market. The proportion of wounds that achieved complete healing after 12 weeks (PP-population) was 56% in the SBG group compared to 37% in the reference group.

The data supports proof of concept that SBG enhances wound healing in diabetic ulcers patients.

Based on findings from this study, Biotec Pharmacon together with well known experts in the field have developed a protocol for the next phase II (b) clinical trial to be performed at 8 specialized wound care centers in the UK with Nottingham City Hospital as the main center. UK health authorities have recently approved the amended protocol. The trial will include 120 patients to be treated over a period of 8 weeks. Patient inclusion will commence at the end of the first quarter.

Biotec Pharmacon has decided to focus on diabetic ulcers as the main therapeutic indication for SBG within the wound management area. If the clinical development programme proves successful, the company may, either by its own or through partners, also pursue other wound management indications (burn wounds, venous ulcers, pressure ulcers etc.). This can potentially expand the market for SBG significantly. However, for priority reasons, the company will not run parallel phase II clinical trials on different wound indications at this stage, but for now stay focused and rather expand the development program after successful launch of SBG for treatment of diabetic ulcers. The ongoing trial at Haukeland University Hospital for treatment of burn wounds, where patient inclusion has been slow, will therefore be closed.

Biotec Pharmacon has initiated communication with the European Medicines Agency (EMEA) to optimize the development route towards regulatory submission/marketing approval.

Immunotherapy of cancer

In the clinical trial at Memorial Sloan-Kettering Cancer Center in New York, oral administration of SBG from Biotec Pharmacon is tested in combination with an injected monoclonal antibody (3F8) in children suffering from an advanced form of *neuroblastoma.* The trial was originally designed for 15 patients to be treated at escalating dose levels (10, 20, 40 and 80 mg/kg). Treatments of all 15 patients are completed with no dose limiting toxicities observed. Based on observations from patients treated at the highest dose levels, Biotec Pharmacon and Sloan-Kettering decided to expand the trial with an additional 9 patients and two additional dose levels (100 and 120 mg/kg). Of the additional 9 patients, 3 patients have been treated at 100 mg/kg without any toxicities observed. An additional 2 patients have recently started treatment at the highest dose level. Hence, 20 out of 24 patients have been enrolled to date. The trial is expected to be completed in the second quarter 2007.

The phase I/II clinical trial with SBG in combination with Herceptin (monoclonal antibody against breast cancer) has now started. Twelve patients will be included in the trial which will be performed at three different hospitals in Norway with Ullevaal University Hospital as the main center. It is expected that patient inclusion will be completed in approximately one year.

The Protocol for the phase I/II study in patients with Non-Hodgkin's lymphoma (NHL) has been re-designed to include patients receiving a combination of Rituxan and chemotherapy regimens (COP or CHOP), which is now considered standard therapy for this patient population. This has delayed initiation of the trial, but is expected to support a higher study inclusion rate. The protocol now awaits internal final review by Rikshospitalet-Radiumhospitalet HF prior to submission for regulatory approval.

Oral mucositis

In 2006 Biotec Pharmacon completed a clinical trial studying the effects of SBG in preventing oral mucositis in patients undergoing radiation and chemotherapy for head and neck cancer. Although the number of patients participating in the trial was few and the compliance low, the data indicated that SBG prevents the development of oral mucositis in such patients. The company has decided to initiate another clinical trial to strengthen evidence of efficacy and safety in this indication. A likely site for such a trial has been identified.

EMEA has granted Orphan drug designation for SBG used in the prevention and treatment of oral mucositis in patients with head and neck cancer. Biotec Pharmacon is in discussions with EMEA to optimize the path forward in the development program towards regulatory submission/marketing authorization. The company has decided to await further partnering discussions until such development route has been clarified.

Non-pharmaceuticals

Sales of non-pharmaceutical products were NOK 19.5 million in the 4th quarter (NOK 16.8 million in Q4-05). Sales of consumer health products amounted to NOK 9.6 million (NOK 7.8 million in Q4-05), sales of animal health products amounted to NOK 6.2 million (NOK 5.6 million in Q4-05) and sales of biochemicals amounted to NOK 3.4 million (NOK 2.7 million in Q4-05). For the full year 2006 non-pharmaceutical sales revenues were NOK 73.1 million compared to NOK 70 million in 2005.

EBITDA in the 4th quarter of 2006 for the non-pharmaceutical business segment was a profit of NOK 1.4 million (NOK 2 million in Q4-05). Gross margin was 78.9% in the 4th quarter 2006 (79.5% in Q4-05). EBITDA for the full year 2006 was NOK 7.6 million compared to NOK 14.6 million in 2005. The reduced operating profit was mainly due to higher investments in marketing and sales activities, in particular with respect to the consumer health products.

Consumer health products

Considering the higher investments in marketing and sales, Biotec Pharmacon is not satisfied with the sales development of its consumer health products. As a consequence, the company has decided to reorganize Immunocorp AS into two separate entities; one entity responsible for consumer health products and one responsible for animal health products. The person responsible to head the consumer health subsidiary will be recruited.

In Norway, the company's immune stimulating dietary supplements and skin lotion product are now available in more than 330 pharmacies. "Ditt Apotek" will be the third pharmacy chain to launch the products early 2007. The main portion of the consumer health products sales still takes place in North America through the US subsidiary Immunocorp.

Animal health products

Sales of MacroGard towards the animal health sector improved compared to the third quarter. In 2006, sales to the livestock feed segment has increased significantly whereas sales to the aquaculture segment has temporarily decreased. The market fundamentals are promising both within the livestock- and the aquaculture feed sectors. Demand from the livestock industry is growing due to the EU ban against feed antibiotics, whereas the aquaculture industry is focused on preventing outbreaks of various diseases. MacroGard stimulate the immune system in animals and can therefore prevent morbidity and improve production yield.

By reorganizing Immunocorp AS, the company will now have a dedicated sales force focusing entirely on MacroGard in a growing market.

Marine biochemicals

Sales of marine biochemicals consist mainly of SAP (Shrimp Alkaline Phosphatase) used in DNA-based diagnostics. In addition the company is now commercializing it's UNG (cod uracil-DNA-glycosylase). Leading international diagnostic companies have shown strong interest in UNG for use in disease detecting diagnostic kits with large potentials.

Legal dispute

Preparations for the patent infringement lawsuit filed by the US company Biothera continues. Biothera has claimed that Biotec's beta glucan products infringe on patents held by Biothera for the US market. Biotec Pharmacon has rejected all such claims on the basis that Biotheras patents describe products that are fundamentally different both in terms of chemical structure and biological effect from Biotec Pharmacon's beta glucan products. Furthermore, Biotec Pharmacon has filed a counterclaim aiming at nullifying Biothera's patents included in the case.

The company believes that information obtained during the discovery phase strengthens Biotec Pharmacons position on having a strong case and the Board of Directors is fully committed to proceed with the preparations for trial.

Financials

Fourth quarter

Sales revenues in the fourth quarter of 2006 amounted to NOK 19.5 million compared to NOK 16.8 million in the same period last year. Group operating loss was NOK 17.7 million compared to NOK 6.1 million loss in the 4th quarter of 2005. Net loss was NOK 12 million compared to a net loss of NOK 4.6 million in the fourth quarter of 2005.

The reason for the increased loss compared to the fourth quarter last year was mainly due to higher R&D expenses, higher legal expenses and one-time expenses incurred in connection with the change of CEO.

Research and pharmaceutical development expenses were NOK 11.2 million and NOK 8.4 million in the 4th quarter of 2006 and 2005 respectively. Expenses incurred in connection with the Biothera-case amounted to NOK 2.9 million in the fourth quarter of 2006 and NOK 13.2 million for the full year 2006. One-time expenses in connection with the change of CEO amounted to NOK 5.4 million in the fourth quarter.

January - December

Sales revenues amounted to NOK 73.1 million compared to NOK 70 million in 2005. Group operating loss was NOK 40.2 million compared to NOK 16 million loss the previous year. Net loss was NOK 26.6 million compared to a net loss of NOK 11.8 million in 2005. The higher loss compared to the previous year was mainly due to higher research and pharmaceutical development expenses (up from NOK 29.1 million in 2005 to NOK 34.8 million in 2006), investments in marketing and sales activities, expenses in connection with the US legal dispute and one-time costs related to the change of CEO.

Balance sheet and shareholder matters

Cash equivalents per 31 December 2006 were NOK 64 million. The company had a positive cash flow in the 4th quarter of 2.5 million. Proceeds from sales of own shares amounted to NOK 7.1 million. Total equity was NOK 105.7 million or 85.4% of total assets per 31 December 2006.

The total number of outstanding shares in Biotec Pharmacon is 21,489,010 with a par value of NOK 1 per share. Biotec Pharmacon owns 698,318 own shares. The total number of options granted is 420,000.

Future developments

The phase II (b) clinical trial with SBG for treatment of diabetic ulcers will start in the first quarter 2007. It is expected that patient inclusion will take 12-18 months. At the same time Biotec Pharmacon is working with EMEA to determine the forward path towards marketing approval. Any additional studies required before submission of an application for market approval will be identified during the first half 2007. During this process, the Board of Directors will consider if the company should build value by funding additional studies all the way to market approval submission.

For the oral mucositis indication, the Board of Directors has decided to proceed with a new phase II clinical trial. A likely site for such a trial has been identified, and the company is working with a view to initiate such a trial in the second half of 2007.

The ongoing immunotherapy of cancer trial at Memorial Sloan-Kettering Cancer Center is scheduled to be completed during the second quarter of 2007. The main objective of the trial is to assess the safety profile of combining SBG with a monoclonal antibody. However, potential efficacy data will also be analyzed and reported as appropriate.

In the two other immunotherapy of cancer trials (SBG combined with Herceptin and Rituxan), focus in the coming quarters will be on patient enrolment. Both trials will include 12 patients each with an expected enrolment period of 12 months. The Herceptin trial has started whereas the Rituxan trial awaits necessary approvals.

2006 has been an investment year for marketing and sales of the non-pharmaceutical products. Biotec Pharmacon is confident that this investment along with the organizational change in Immunocorp AS, securing more focus on the human and animal health business, has positioned the company for growth within all product groups/categories.

26 February 2007

The Board of Directors
of Biotec Pharmacon ASA

Biotec Pharmacon ASA Group - Fourth quarter accounts 2006

INCOME STATMENT

Amounts in NOK 1.000	4Q 2006	4Q 2005	Year 2006	Year 2005
Sales revenues	19 508	16 788	73 051	70 041
Cost of goods sold	-4 516	-3 786	-15 208	-14 581
Personell expenses	-16 950	-9 977	-44 416	-33 161
Depreciation and amortisation expenses	-1 063	-819	-3 740	-4 992
Other income	1 912	2 521	8 344	5 061
Other expenses	-16 605	-10 869	-58 214	-38 373
Operating profit	-17 714	-6 141	-40 183	-16 004
Financial income, net	692	419	2 304	559
Profit before tax	-17 023	-5 721	-37 879	-15 445
Tax	-4 977	-1 133	-11 290	-3 635
Profit after tax for the period	-12 045	-4 588	-26 589	-11 810
Basic EPS (profit for the period)	-0,58	-0,23	-1,28	-0,65
Diluted EPS (profit for the period)	-0,57	-0,23	-1,26	-0,65

BALANCE SHEET

Amounts in NOK 1.000

	31.12.2006	31.12.2005
Non-current assets		
Machinery and equipment	15 064	15 827
Intangible assets	25 497	13 675
Loan to employees and pension funds	558	554
Total non-current assets	41 119	30 056
Current assets		
Inventories	5 509	4 750
Trade receivables and other receivables	13 150	10 904
Cash and cash equivalents	63 969	94 884
Total current assets	82 628	110 537
Total assets	123 746	140 593
Equity		
Share capital	20 791	21 057
Other equity	84 921	106 701
Total equity	105 711	127 758
Current liabilities		
Trade-, short term-, and other payables	18 035	12 835
Total current liabilities	18 035	12 835
Total equity and liabilities	123 746	140 593

CHANGES IN EQUITY

Amounts in NOK 1.000	4Q 2006	4Q 2005	Year 2006	Year 2005
As of beginning of period	110 748	42 174	127 758	51 253
Net profit for the period	-12 045	-4 588	-26 589	-11 810
Pension Funds, 1. January 2005	0	0	0	512
Purchase own shares	0	0	-3 048	-3 048
Sale own shares	7 096	0	7 096	0
Public Share Issue, net	0	87 742	0	87 742
Tax benefit related to share issue	0	2 337	0	2 337
Employee share options	486	87	1 179	87
Translation differences	-574	5	-686	684
As of end of period	105 711	127 757	105 711	127 758

SUMMARY CASH FLOW ANALYSIS

Amounts in NOK 1.000	4Q 2006	4Q 2005	Year 2006	Year 2005
Cash flow from operating activities	-3 000	-578	-32 125	-8 468
Cash flow from investing activities	-1 063	-1 119	-2 153	-2 037
Cash flow from financing activities	7 096	90 759	4 049	84 694
Cash flow in the reporting period	**3 033**	**89 062**	**-30 229**	**74 189**
Currency conversion difference	-574	-301	-686	554
Cash and cash equivalents at the beginning of peri	61 510	6 123	94 884	20 141
Cash and cash equivalents at end of period	**63 969**	**94 884**	**63 969**	**94 884**

Notes to the interim accounts for Q4 2006

Note 1 - Basis of preparation of financial statements

These financial statements are the unaudited interim consolidated financial statements (hereafter “the Interim Financial Statements”) of Biotec Pharmacon ASA and its subsidiaries (hereafter “the Group”) for the period ended 31 December 2006. 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 2005 (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.

Note 2 - Analysis of operating revenue and -expenses, segment information

Amounts in NOK 1.000

	4Q 2006	4Q 2005	Year 2006	Year 2005
Sales revenue:				
Non-pharmaceuticals	19 508	16 788	73 051	70 041
Research & pharmaceutical development	0	0	0	0
Group operating revenue	19 508	16 788	73 051	70 041
Operating expenses:				
Non-pharmaceuticals	-18 914	-15 225	-65 749	-55 971
Research & pharmaceutical development	-10 825	-8 224	-33 426	-27 646
Non-allocated items	-8 332	-1 182	-18 664	-2 497
Group operating expenses before depreciation	-38 071	-24 631	-117 838	-86 114
Other income:				
Non-pharmaceuticals	761	455	345	555
Research & pharmaceutical development	1 152	2 066	5 918	4 506
Non-allocated items	0	0	2 082	0
Group other income	1 912	2 521	8 344	5 061
Operating profit (EBITDA):				
Non-pharmaceuticals	1 354	2 018	7 648	14 625
Research & pharmaceutical development	-9 674	-6 158	-27 508	-23 140
Non-allocated	-8 332	-1 182	-16 582	-2 497
Group operating profit before depreciation	-16 651	-5 322	-36 443	-11 012
Depreciation:				
Non-pharmaceuticals	-695	-684	-2 331	-3 560
Research & pharmaceutical development	-368	-134	-1 410	-1 432
Group depreciation	-1 063	-819	-3 740	-4 992
Operating profit (EBIT):				
Non-pharmaceuticals	659	1 334	5 317	11 066
Research & pharmaceutical development	-10 042	-6 292	-28 918	-24 572
Non-allocated	-8 332	-1 182	-16 582	-2 497
Group operating profit	-17 714	-6 141	-40 183	-16 004

26 February 2007

Biotec Pharmacon ASA