

## Biotec Pharmacon ASA Group - Second quarter accounts 2005

### CONDENSED INCOME STATEMENT

Amounts in NOK 1.000

	2Q 2005	2Q 2004	January-June 2005	January-June 2004	Year 2004
Operating revenue	17 913	19 883	35 313	42 552	73 988
Changes in inventories of work in progress	-555	-1 331	-566	-1 575	-1 048
Raw material and consumables used	3 678	5 780	7 482	9 058	13 155
Employee benefits expense	6 503	6 633	14 825	14 771	29 985
Depreciation and amortisation expense	1 610	1 568	3 214	3 108	6 429
Other expenses	10 395	8 641	18 789	16 331	34 580
Total operating expenses	21 631	21 290	43 745	41 693	83 102
Operating profit	-3 718	-1 407	-8 432	859	-9 114
Net financial items	1	137	107	293	196
Profit before tax	-3 717	-1 271	-8 325	1 152	-8 918
Tax	-740	-286	-1 936	387	-2 562
Profit after tax for the period	-2 976	-984	-6 389	765	-6 357
Basic EPS (profit for the period)	-0,17	-0,06	-0,36	0,04	-0,36
Diluted EPS (profit for the period)	-0,17	-0,06	-0,36	0,04	-0,36

### CONDENSED BALANCE SHEET

Amounts in NOK 1.000

	30.06.2005	30.06.2004	31.12.2004
<b>Non-current assets</b>			
Machinery and equipment	15 909	18 430	17 377
Intangible assets	9 605	7 580	9 082
Loan to employees and pension funds	571	392	374
<b>Total non-current assets</b>	26 084	26 402	26 833
<b>Current assets</b>			
Inventories	4 377	4 230	4 025
Trade receivables	3 961	7 031	4 993
Other receivables	6 991	5 457	4 656
Cash and cash equivalents	12 284	24 618	20 141
<b>Total current assets</b>	27 614	41 336	33 815
<b>Total assets</b>	53 698	67 738	60 648
<b>Equity</b>			
Share capital	17 535	17 531	17 535
Retained earnings	28 541	41 764	33 718
<b>Total equity</b>	46 076	59 295	51 253
<b>Current liabilities</b>			
Trade and other payables	4 769	5 127	4 789
Other short-term liabilities	2 852	3 316	4 606
<b>Total current liabilities</b>	7 621	8 443	9 395
<b>Total equity and liabilities</b>	53 698	67 738	60 648

## CHANGES IN EQUITY

	2Q 2005	2Q 2004	January-June 2005	January-June 2004	Year 2004
<i>Amounts in NOK 1.000</i>					
As of beginning of period	48 593	60 276	51 253	58 367	58 367
Net profit for the period	-2 976	-984	-6 389	765	-6 357
Pension Funds, 1. January 2005	0	0	512	0	0
Translation differences	459	3	700	162	-758
As of end of period	46 076	59 295	46 076	59 295	51 253

## SUMMARY CASH FLOW ANALYSIS

	2Q 2005	2Q 2004	January-June 2005	January-June 2004	Year 2004
<i>Amounts in NOK 1.000</i>					
Cash flow from operating activities	(3 813)	(866)	(8 043)	(384)	(3 046)
Cash flow from investing activities	(443)	229	(416)	(92)	(1 141)
Cash flow from financing activities	-	-	-	(16)	48
<b>Cash flow in the reporting period</b>	<b>(4 256)</b>	<b>(637)</b>	<b>(8 460)</b>	<b>(493)</b>	<b>(4 139)</b>
Currency conversion difference	413	8	603	153	(679)
Cash and cash equivalents at the beginning of period	16 126	25 247	20 141	24 959	24 959
<b>Cash and cash equivalents at end of period</b>	<b>12 284</b>	<b>24 619</b>	<b>12 284</b>	<b>24 619</b>	<b>20 141</b>

### Notes to the interim accounts for Q2 2005

#### Note 1 - Presentation of the Group

The Group comprises the parent company Biotec Pharmacon ASA and the wholly owned subsidiaries Biotec AH&N AS, Immunocorp AS and Immunocorp US.

#### Note 2 - Accounting principles

The interim report for Q2 2005 is prepared in accordance with IAS 34 and is the company's first IFRS report. 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*

	2Q 2005	2Q 2004	Jan. - June 2005	Jan. - June 2004	Year 2004
Operating revenue:					
Non-pharmaceuticals	17 128	19 407	33 247	41 299	70 209
Research & pharmaceutical development	785	476	2 065	1 253	3 779
Group operating revenue	17 913	19 883	35 313	42 552	73 988
Operating expenses:					
Non-pharmaceuticals	13 845	15 489	27 506	29 393	55 455
Research & pharmaceutical development	6 175	4 233	13 025	9 191	21 218
Group operating expenses before depreciation	20 021	19 722	40 530	38 585	76 672
Operating profit:					
Non-pharmaceuticals	2 152	3 918	5 742	11 906	14 755
Research & pharmaceutical development	-4 260	-3 757	-10 959	-7 939	-17 439
Group operating profit before depreciation	-2 108	161	-5 218	3 967	-2 685
Depreciation:					
Non-pharmaceuticals	1 178	1 048	2 350	2 061	4 243
Research & pharmaceutical development	432	521	864	1 047	2 186
Group depreciation	1 610	1 568	3 214	3 108	6 429
Operating profit:					
Non-pharmaceuticals	973	2 870	3 392	9 845	10 511
Research & pharmaceutical development	-4 691	-4 278	-11 824	-8 985	-19 625
Group operating profit	-3 718	-1 407	-8 432	859	-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 Q2 2004, NOK 388.000 in first half-year 2004 and NOK 776.000 for 2004 as a whole.

##### Effect of implementing IFRS 2004:

(Amounts in NOK 1.000)

	Equity Year 2004	Equity Q2 2004	Equity As of June 2004
NGAAP at the beginning of period	56 753	58 522	56 753
Machinery and equipment	2 097	2 291	2 097
Pension liabilities	146	146	146
Deferred tax related to the changes	-628	-682	-628
IFRS at the beginning of period	<u>58 367</u>	<u>60 276</u>	<u>58 367</u>
Net profit for the period NGAAP	-6 811	-1 124	485
Pension costs	-146	0	0
Depreciation	776	194	388
Tax on ordinary result due to changes	-177	-54	-109
Net profit for the period IFRS	<u>-6 357</u>	<u>-984</u>	<u>765</u>
Translation differences	-758	3	163
IFRS at the end of period	<u>51 253</u>	<u>59 295</u>	<u>59 295</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.

August 26th, 2005  
Biotec Pharmacon ASA