

Biolight International AB (publ)

Semi-annual report January 1 – June 30, 2002

Second quarter 2002

- Sales during the first six months amounted to SEK 1,212 T (325).
Sales during the second quarter amounted to SEK 699 T (211).
- Very positive outcome of our practical wound care test within the home medical care service (Hemsjukvården) in western Göteborg, Sweden. As a result of this positive outcome, Biolight has become a part of the regular treatment of chronic wounds. The company has signed a 2-year agreement regarding treatment with Biolight.
- The Company has also signed a similar 1-year agreement with Hemmet för Gamla (a home for elderly people) in Stockholm, regarding the treatment of chronic wounds.
- The Company has signed an agreement regarding distribution for Dental Care with Espansione Marketing SPA, Italy.

First quarter 2002

- In February, the Company carried out a new share issue. This issue, directed towards a number of institutional investors, provided the company with SEK 25 million before issue expenses.
- A preliminary report of the study on pain relief in connection with extraction (surgery) of wisdom teeth, shows that the patients treated with Biolight[®] experienced 40% less pain and consumed 50% less analgesics (pain-relieving drugs) on the day following surgery. The results are statistically significant. The study was carried out during the autumn 2001 at the faculty of odontology at the University in Göteborg.
- The company has obtained FDA approval – 510(k) – for Physiotherapeutic Care. This approval entitles the Company to market and sell its equipment (PCD) and treatment programs for the prevention and rehabilitation of injuries in the locomotor system in the American market.
- The Company has signed distribution agreements for the business area Dental Care with the following companies:
C&N Med-Dent CO., Ltd., Taiwan
DAB, Sweden's leading distributor of dental products
Net Dental GmbH, Germany
and has signed a Letter of Intent with Denics International Co., Ltd in Japan.

Company focus in 2002

This year, the Company focuses its resources on the commercialisation of Biolight® Dental Care in Scandinavia and Europe.

In order to make commercialisation successful within the Biolight® Wound Care business area our efforts to strengthen the clinical acceptance continues according to plan.

Sales – Q1-Q2:200

Sales during the first six months amounted to SEK 1,212 T (325).

Sales during the second quarter amounted to SEK 699 T (211).

The company has sold equipment within the business areas Dental Care, Wound Care and Physiotherapeutic Care.

New issue, February 2002

In February 2002, authorised by the general meeting on July 9, 2001, the board of Biolight International AB resolved to issue a total of 11,917,891 shares at the par value of SEK 0.03 per share. The subscription price was set at SEK 2.11 per share. Through this new issue the share capital in the company increases by SEK 357,536.73, and now totals SEK 2,137,902.54. After the issue the number of shares amounts to 71,263,418. The new issue provides the company with just over SEK 25 million before issue expenses. The issue, carried out under the supervision of Hjalmarsson & Gunterberg and Alfred Berg, was directed to a number of institutional investors.

Biolight® Dental Care**Clinic****BL-036, Surgical extraction of wisdom teeth**

Preliminary results have now been produced from the double-blind, randomised and placebo-controlled study, “Effect on the outcome of surgical removal of impacted lower third molars using the Biolight® method”, carried out at the faculty of odontology at the Göteborg University.

The results show that patients treated with Biolight® experienced 40% ($p=0.04$) less pain on the day following surgery. The results also demonstrate a 50% ($p=0.02$) reduction in the use of analgesics (pain-relieving drugs). These results are statistically significant.

Sixty (60) patients participated in the study.

Market

In order to enable rapid market growth and a solid market penetration a decision was taken in 2001 to cover the dental market through collaboration with qualified dental companies. During the fourth quarter, after mapping and evaluating potential distributors, distributor agreements were signed with dental companies for the markets in Sweden, Finland, Great Britain, Poland and Colombia.

In the first quarter 2002, a new agreement was signed regarding distribution in Taiwan. The company has also signed a "Letter of Intent" with Denics International Co., Ltd. in Japan, regarding registration and distribution within the business area Dental Care.

To enhance market penetration in Sweden, the company has also signed a distribution agreement with DAB, Sweden's leading distributor of dental products. The company regards this agreement as an excellent supplement to the existing agreement with Praktikertjänst AB. These agreements provide the Company with a possibility to reach all dentists and dental hygienists working in Sweden in a simple and efficient way.

The German market is the second market in the world with about 62,000 dentists. This autumn, the company will start a selective regional penetration effort of the German market, and therefore a distribution agreement has been signed with Net Dental GmbH in Hamburg, Germany. Net Dental is a member of the Swedish LIFCO group. The President of Net Dental, Lars Svalin, has many years' experience and a solid knowledge of the German market.

During the second quarter 2002, the Company has signed an agreement regarding distribution for the business area Dental Care with Espansione Marketing SPA, Italy. Italy is one of the three largest dental markets in the world together with the USA and Japan. Espansione is a company with a very good reputation in the Italian market. The company has a nation-wide sales organisation, and is used to selling medical technology products with a high scientific profile. The Company will start covering the market by the end of September.

In 2002, Biolight has increased its activity as exhibitor at big European dental fairs. In February, Biolight also participated in the conference "Dental care for high-risk patients" in Stockholm. In March, Biolight exhibited at Dental Expo in Spain. In May, the Company exhibited at Eurodent in Italy.

Biolight[®] Wound Care

Clinic

Based on the results reported in October last year, where fibroblasts treated with Biolight[®] showed significant changes in expression of genes, including genes coded for growth factors, the Company has reached a preliminary agreement with the Karolinska Institutet regarding continued research. The purpose of this agreement is to optimise and fine-tune, by means of micro-array technology (Affymetrix), the various treatment programs currently used by the Company. Attempts will also be made to map the signal paths in the cell initiated by Biolight[®].

Market

Apart from Biolight[®], there is currently no new therapy for wound healing that has proved to be effective. The new methods and products currently under research and expected to become available in the future, are basically, almost without exception, intended for treatment at specialist clinics, not in people's homes where most chronic wounds are found. One important advantage with Biolight[®] is that it is portable, easy to bring along and use. This makes it easy for district health care providers to treat patients in their homes, which also makes it possible to reach the broad mass of ulcer patients.

In addition to the results already achieved in clinical trials, the Company will have to document a number of unambiguous examples demonstrating all the advantages of the method during actual use, in order to make Biolight[®] an established form of treatment within the county councils and municipal authorities. Therefore, the Company initiated a broader evaluation of Biolight[®] treatment within private as well as general care in 2001.

Biolight has signed its first agreement with the home nursing service in western Göteborg, Sweden, regarding treatment of ulcer patients.

Evaluation of the Biolight[®] treatment was carried out last spring. Six selected patients with chronic wounds were treated for two months. The patients with chronic wounds (8 months – 5 years) who were treated with Biolight[®] have all demonstrated significant healing, and two wounds have healed completely during this test period. The treatment has been administered by home care nurses 2 – 3 times per week. Thanks to these good results, the company has now signed a 2-year agreement with the home medical care service in the western part of Göteborg. This agreement covers both equipment and treatment.

The company has also signed a similar 1-year agreement with Hemmet för Gamla (a home for elderly people) in Stockholm.

Christer Traneröth, physician of the western Göteborg home medical care service, states:

“The result of this test exceeds our high expectations. It will be exciting to see what we can achieve through regular treatment during a longer period of time on the large number of patients in our district suffering from chronic wounds. The test indicates that we now have a new, efficient treatment tool which will serve as a decisive complement to our wound treatment, making it more efficient.”

Christer Wallin, President of Biolight International AB, states:

“It is with great satisfaction that the company can now show that we are able to make a decisive contribution to medical care by offering an efficient method for wound treatment. Furthermore, the outcome of the test in Göteborg shows that the good results we have obtained in our clinical research are also valid in actual use within home medical care. The agreements cover a limited number of devices, but represent important reference orders in a market with great potential.”

The Company continues its efforts to strengthen the clinical acceptance while simultaneously keeping up the dialogue with potential, future business partners within wound care.

Biolight[®] Physiotherapeutic Care

The company has obtained FDA approval – 510(k) – for Physiotherapeutic Care. This approval entitles the company to market and sell its equipment (PCD) and treatment programs for the prevention and rehabilitation of injuries in the locomotor system in the American market.

Accounting principles

This semi-annual report has been prepared in accordance with recommendation RR 20 Interim reports of the Swedish Financial Accounting Standards Council.

The same principles and valuations as were used in the annual report for 2001 and the quarterly report for January-March 2002 have been applied.

Result, cash flow and liquidity

Sales during the first six months amounted to SEK 1,212 T (325). Operating expenses during the first six months amounted to SEK 13,642 T (13,395). The result of the period showed a loss of SEK -13,872 T (-12,664). The result for 2002 has been encumbered by issue expenses of SEK 1,729 T.

Investments during the first six months amounted to SEK 198 T (805).

Liquid assets as of June 30, 2002, amounted to SEK 17,526 T (17,322). As of December 31, 2001, liquid assets amounted to SEK 4,809 T.

This semi-annual report has not been subjected to audit by the company's auditors.

Future reports

Financial report for January-September, 2002

October 28, 2002

Danderyd, August 28, 2002

Board of Directors, Biolight International AB

Biolight International AB is a medical technology company with products based on the biological effects of pulsating, monochromatic light. Biolight develops a system for effective, painless and safe treatment, especially of chronic wounds and inflammatory conditions. The Biolight share is listed on the NGM Equity (Nordic Growth Market NGM AB).

Income statement

| Amounts in SEK thousands | <i>Consolidated</i> | | | | |
|---|---------------------|----------------|------------------|---------------|-------------------|
| | <i>Jan.-June</i> | | <i>Apr.-June</i> | | <i>Whole year</i> |
| | 2002 | 2001 | 2002 | 2001 | 2001 |
| Operating income | 1,212 ¹⁾ | 325 | 699 | 211 | 1,198 |
| <i>Operating expenses</i> | | | | | |
| Goods for resale | -500 | -150 | -229 | -119 | -439 |
| Other external costs | -5,160 | -6,684 | -2,460 | -3,356 | -13,457 |
| Personnel costs | -4,760 | -4,033 | -2,459 | -2,279 | -8,756 |
| Depreciation of assets | -3,222 | -2,516 | -1,611 | -1,259 | -5,506 |
| Other operating expenses | - | -12 | - | -8 | -80 |
| Operating loss | -12,430 | -13,070 | -6,060 | -6,810 | -27,040 |
| Net financial items | 287 | 406 | 195 | 122 | 666 |
| Issue expenses | -1,729 | - | - | - | - |
| Loss before taxes | -13,872 | -12,664 | -5,865 | -6,688 | -26,374 |
| Taxes | - | - | - | - | - |
| Net loss for the period | -13,872 | -12,664 | -5,865 | -6,688 | -26,374 |
| Earnings per share before dilution, SEK | -0.21 | -0.21 | -0.09 | -0.11 | -0.44 |
| Earnings per share after dilution, SEK | -0.20 | -0.21 | -0.09 | -0.11 | -0.44 |

Balance sheet

| Amounts in SEK thousands | <i>June 30,</i> | <i>June 30,</i> | <i>December 31,</i> |
|---|-----------------|-----------------|---------------------|
| | 2002 | 2001 | 2001 |
| Intangible assets | 19,647 | 19,514 | 22,482 |
| Tangible assets | 1,881 | 2,550 | 2,070 |
| Projects in progress | 334 | 4,003 | 66 |
| Other current assets | 4,658 | 3,730 | 4,469 |
| Liquid assets | 17,526 | 17,322 | 4,809 |
| Total assets | 44,046 | 47,119 | 33,896 |
| Shareholders' equity | 40,849 | 43,692 | 29,574 |
| Provisions | 2 | 2 | 2 |
| Non-interest-bearing liabilities | 3,195 | 3,425 | 4,320 |
| Total shareholders' equity and liabilities | 44,046 | 47,119 | 33,896 |

Changes in shareholders' equity

| | <i>Jan.-June</i> | <i>Jan.-June</i> |
|---|------------------|------------------|
| | 2002 | 2001 |
| At beginning of period | 29,574 | 55,723 |
| New issue | 25,147 | - |
| Debenture issued with right of warrants | - | 634 |
| Rounding-off difference | - | -1 |
| Net loss for the period | -13,872 | -12,664 |
| At end of period | 40,849 | 43,692 |

¹⁾ Sales include SEK 433 T from finance companies that have been leasing equipment to end-users.

Cash flow analysis

| | <i>Consolidated</i> | | |
|--|---------------------|----------------|-------------------|
| | <i>Jan.-June</i> | | <i>Whole year</i> |
| | <i>2002</i> | <i>2001</i> | <i>2001</i> |
| Operating activities | | | |
| Loss after financial items | - 13,872 | -12,664 | -26,374 |
| Adjustments for items not included in the cash flow | 3,222 | 2,513 | 5,570 |
| | -10,650 | -10,151 | -20,804 |
| Taxes paid | - | - | -129 |
| Cash flow from operating activities before changes of working capital | -10,650 | -10,151 | -20,933 |
| Cash flow from changes in working capital | -1,582 | -2,404 | 1,411 |
| Cash flow from operating activities | -12,232 | -12,555 | -19,522 |
| Investing activities | | | |
| Acquisitions of tangible and intangible assets | -198 | -805 | -6,351 |
| Cash flow from investing activities | -198 | -805 | -6,351 |
| Financing activities | | | |
| New issue | 25,147 | - | - |
| Subscription warrants | - | 226 | 226 |
| Cash flow from financing activities | 25,147 | 226 | 226 |
| Period's cash flow | 12,717 | -13,134 | -25,647 |
| Liquid assets at beginning of period | 4,809 | 30,456 | 30,456 |
| Liquid assets at end of period | 17,526 | 17,322 | 4,809 |

Key ratios

| | | | |
|--|--------|--------|--------|
| No. of shares at end of period (thousands) | 71,263 | 59,346 | 59,346 |
| No. of outstanding subscription warrants (thousands) | 916 | 916 | 916 |
| Earnings per share before dilution, SEK | -0.21 | -0.21 | -0.44 |
| Earnings per share after dilution, SEK | -0.20 | -0.21 | -0.44 |
| Return on equity | neg. | neg. | neg. |
| Return on capital employed | neg. | neg. | neg. |
| Equity ratio in % | 92.7% | 92.7% | 87.2% |
| Shareholders' equity per share, SEK | 0.57 | 0.74 | 0.50 |