



Biolipox Interim Report, January – March 2007

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- Earnings after tax for the first quarter amounted to SEK -27.6 million (-16.8).
- Earnings per share for the first quarter was SEK -36.81 (-24.96).
- Cash flow for the first quarter was negative and amounted to SEK -21.5 million (positive:16.9).
- Drug development projects advance according to plan.

Forthcoming financial information

- Interim report, January – June 2007 29 August 2007
- Interim report, January – September 2007 18 October 2007

Biolipox's interim report 1 January – 31 March 2007, is presented on the following pages.

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About Biolipox

Biolipox is a Swedish research-intense pharmaceutical company. The core of Biolipox's operations is world-leading research on arachidonic acid and its effects on inflammatory diseases - particularly asthma, chronic obstructive pulmonary disease (COPD), rhinitis, pain and arthritis. Through the in-house knowledge in the inflammatory research area, particularly arachidonic acid metabolism, Biolipox has created a portfolio of potential blockbusters in these therapeutic areas. The company has approximately 50 employees and is owned by HealthCap, Apax Partners, Sofinnova Partners, SLS Venture, Crédit Agricole Private Equity, Auriga Partners and the scientific founders.

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Drug development projects advance according to plan

Selective PGE₂ inhibitor – an effective anti-inflammatory treatment with few side effects

The project, that is being developed in collaboration with Boehringer Ingelheim GmbH, Germany, aims at developing a new, effective medicine for inhibiting pain, inflammation and fever, with less side effects than existing drugs. It is based on the discovery of a specific enzyme, PGE₂ synthase (mPGES), which is involved in the production of prostaglandin E₂, an endogenous substance that is central to various inflammatory processes. Several series of molecules are developed in parallel to obtain the optimal properties for a drug. A patent portfolio with potential drug candidates has been built.

The non-steroidal anti-inflammatory drugs currently available are so-called cyclooxygenase inhibitors (COX-inhibitors), either non-selective COX-inhibitors such as Aspirin®, or selective COX-2 inhibitors such as Celebrex®. They act by blocking all or part of the first step in the formation of prostaglandins. This broad-based effect gives rise to side effects, since many prostaglandins are inhibited, including those necessary for the body's proper functioning. Selective inhibition of the formation of prostaglandin E₂, which is the main inducer of pain and inflammation, markedly reduces the risk of side effects.

One out of three adults and nearly 300 000 children in the U.S. suffer from arthritis. The most common type of arthritis is osteoarthritis, which gives rise to pain and impaired mobility. It is seen in many people as they age, although it may affect younger patients as a result of injury or overuse. Rheumatoid arthritis, inflammation in several joints simultaneously, is somewhat less common, but often more disabling. It also affects young people in their active years, leading to great suffering and a high cost to society at large.

Sales of non steroidal anti-inflammatory drugs in 2005 amounted to more than USD 15 billion (Source: SG Cowen & Co, Therapeutic Category Outlook, March 2006).

Eoxin enzyme inhibitors – a new class of drugs for the treatment of asthma and Chronic Obstructive Pulmonary Disease (COPD)

The eoxin enzyme inhibitor project is aimed at developing a new class of drugs for asthma, COPD and other inflammatory diseases. Biolipox has discovered a new group of mediators, i.e. eoxins, derived from arachidonic acid, which have been shown to play an important role

in various inflammatory processes. The project is in early preclinical phase. Several series of molecules are developed in parallel and a patent portfolio of promising drug candidates is being built. A candidate drug has been selected that will be tested in safety studies during the year.

Dual effect respiratory drug – a new class of drugs for the treatment of asthma and Chronic Obstructive Pulmonary Disease (COPD)

Biolipox is working on a dual effect respiratory drug with potentially both bronchodilatory and anti-inflammatory properties. Several molecules that work well in cell systems have been identified. Patents to protect substances of interest are filed continuously. The next step is to select a candidate drug.

Asthma is a chronic inflammatory disease that affects 6 to 8 percent of the adult population and about 10 percent of the children in the Western world. It causes chest symptoms such as shortness of breath, coughing and wheezing. As a result of a contraction of the respiratory muscles and increased mucus production, an acute episode of shortness of breath is experienced. In the more severe cases, such episodes are medical emergencies.

COPD is a permanent pulmonary inflammation (chronic bronchitis), combined with shortness of breath and impaired lung function. The inflammation brings about increased mucus production, lesions in the airway wall and lung tissue, which combined cause obstruction, thereby restricting air flow and respiration. COPD is usually caused by smoking and is a serious and incurable disease for which effective treatment is lacking. COPD affects 6 to 8 percent of the adult population.

The market for asthma and COPD drugs amounted to USD 16.9 billion in 2005 (Source: SG Cowen & Co, Therapeutic Category Outlook, March 2006).

NLA Nasal Spray - Rapid onset of effect for treatment of allergic and non-allergic rhinitis

In phase II studies, a nasal spray for treatment of allergic and non-allergic rhinitis has shown rapid onset of effect and good efficacy. With a rapid onset of effect, therapy can be initiated on-demand. Local nasal therapy also reduces the risk of systemic side effects such as sedation. A final NLA formulation has been selected to be administered as effectively as possible to the patient. This formulation will be tested in a clinical phase II study during the year.

Rhinitis gives rise to an inflamed swelling in the mucous membranes of the nose, which can result in nasal congestion, itch, and sneezing. Rhinitis can be allergic or non-allergic, and the prevalence has increased sharply during the past 20 years. It is estimated that approximately 25 percent of the Western world population is afflicted.

Sales of drugs for treatment of rhinitis amounted to USD 6.7 billion in 2005 (Source: SG Cowen & Co, Therapeutic Category Outlook, March 2006).

Revenues and costs 1 January – 31 March 2007

Revenues

Revenues amounted to SEK 7.8 million (11.1). The income comprises research funding according to a research and license agreement with Boehringer Ingelheim entered in 2005 and which relates to a selective PGE₂ inhibitor project.

Other revenues received during the first quarter amounted to SEK 0.2 million (0.7), mainly comprising exchange gains arising on accounts receivable, accounts payable and bank balances in foreign currency, and grants from the EU regarding the EICOSANOX project. Since the group no longer receives any income from consulting assignments, and exchange gains have been reduced, the group's other revenues have decreased.

Costs

Research and development costs increased during the first quarter by 25 percent to SEK 26.8 million (21.5). Increased costs are mainly due to continuous strengthening of the internal research and development organisation. Of the total research and development costs, SEK 6.6 million (6.2) were related to contract research and costs for external pharmaceutical and pre-clinical development.

Administrative expenses decreased during the first quarter by 8 percent to SEK 6.6 million (7.1). The decrease is due to reduced costs for stock option programs. Administrative expenses include costs for functions such as accounts and finance, legal, HR, business development, external communications, the President & CEO and fees for Board members.

Other costs consist of exchange losses arising on accounts receivable, accounts payable and bank balances in foreign currency. Exchange losses during the first quarter were negligible. The same period last year, exchange losses amounted to SEK 0.1 million. The net of exchange gains and exchange losses relating to operations amounted to SEK 0.1 million (0.2).

Net financial income

The Group's net financial income amounted to SEK -2.2 million (0.3). The impairment is due to exchange losses on forward exchange agreements.

Net loss

Net loss for the first quarter amounted to SEK -27.6 million (-16.8).

Investments and cash-flow

Cash-flow from operating activities was negative at an amount of SEK -21.1 million (positive: 18.8) for the first quarter. The negative cash-flow is due to the group's operations generating a loss. The positive cash-flow from operating activities generated last year was in all essentials the net of the group's deficit and a repayment from foreign tax authorities regarding withheld preliminary tax on accounts receivable.

Investing activities comprises capital investments in machinery and equipment. During the first quarter, investing activities used cash of SEK 0.1 million for investments in computers and research instruments. During the same period last year, investing activities used cash of SEK 5.3 million, mainly for investments at Biolipox's laboratories at Karolinska Institutet,

Financing activities used cash of SEK 0.4 million during the first quarter, consisting of amortization on financial leasing agreements. During the same period previous year, new financial leasing agreements provided cash of SEK 3.5 million.

The cash flow for the first quarter was negative and amounted to SEK -21.5 million (positive: 16.9).

The group's liquid funds on 31 March 2007, including bank balances and short term investments, amounted to SEK 133.3 million (204.2). In addition, current shareholders have agreed to provide another MEUR 15 (about MSEK 135) before 31 December 2008. For this purpose 2,670,890 warrants were issued in conjunction with the new share issue of preferential shares of series P6 in January 2005.

Personnel

At the end of the first quarter 2007 Biolipox had 46 (42) employees. 41 employees were engaged in the company's research and development and 5 employees were engaged in accounts and finance, business development and management.

Business segments

The operations of Biolipox consist of research and development within certain development stages of pharmaceutical projects. These development projects are in several respects of similar nature and any future products would address similar therapeutic areas and utilize similar distribution channels. Since the company currently has no product sales, the company's operations are currently not divided into lines of business or geographic segments. Under these conditions the company's operations are presented in one segment.

Contingent assets and liabilities

Biolipox has no contingent assets or liabilities, which is no change from the financial year opening.

Post-statement events

The company has no significant post-statement events to report.

Accounting principles

As from the fiscal year 2006 consolidated accounts are prepared in accordance with International Financial Reporting Standards (IFRS). This interim report has been prepared in accordance with IAS 34 Interim Financial Reporting.

Accounting principles, valuation principles and calculation methods remain unchanged compared with those applied when compiling the annual report for the 2006 fiscal year.

Consolidated income statement

Amount in SEK millions	Jan-Mar 2007	Jan-Mar 2006	Jan-Dec 2006
Net revenue	7.8	11.1	40.5
Gross profit/loss	7.8	11.1	40.5
Other operating revenues	0.2	0.7	2.0
Administrative costs	-6.6	-7.1	-27.2
Research and development costs	-26.8	-21.5	-91.7
Other operating costs	0.0	-0.1	-1.0
Operating profit/loss	-25.5	-17.0	-77.5
Interest income and similar items	0.9	0.8	7.2
Interest expense and similar items	-3.1	-0.5	-0.2
Profit/loss after financial items	-27.6	-16.8	-70.5
Tax on earnings for the period	-	-	-
Net profit/loss for the period	-27.6	-16.8	-70.5
Earnings per share, SEK ^{1, 3}	-36.81	-24.96	-102.64
Earnings per share after full dilution, SEK ^{2, 3}	-36.81	-24.96	-102.64
Number of shares at end of period	1,000,000	1,000,000	1,000,000
Average number of shares outstanding	1,000,000	1,000,000	1,000,000
Number of ordinary shares and potential ordinary shares at end of period	13,164,135	12,764,135	13,164,135
Average number of ordinary shares and potential ordinary shares	10,002,692	9,696,590	10,074,075

¹ Earnings per share are based on the average number of ordinary shares outstanding during the period. In calculating the earnings per share for the period, the dividend to which the preferential shares are entitled was taken into consideration, which reduced the period's earnings by SEK 9.2 million (reduction: 8.2). As per 31 March 2007, 8,047,306 (8,047,306) preferential shares were entitled to a cumulative dividend of SEK 101.3 million (67.2).

² Dilution effects occur only in those cases a conversion causes a decrease in earnings per share. For this reason, no dilution effect occurred during the first quarter of 2007.

³ The calculation of dividends pertaining to preferential shares have in prior periods been based on the company's liability in Swedish crowns. As of 1 January 2007, the dividend is correctly based on the company's liability in euro, which was the currency used when investments in the company originally were made. Comparative figures for previous periods regarding earnings per share before and after dilution have been recalculated in this report. Accumulated dividends pertaining to holders of preferential shares at the end of the first quarter previous year have been adjusted by MSEK 6.4. Earnings per share before and after dilution have for the first quarter previous year been adjusted by SEK -1.30 and for the full year 2006 by SEK -4.14, thus amounting to, respectively, SEK -24.96 and SEK -102.64 per share.

Key figures	31 Mar 2007	31 Mar 2006	31 Dec 2006
Number of employees at end of period	46	42	47
Number of employees, average	45	39	43
Equity/assets ratio, %	74.2%	83.7%	78.8%
Net cash/equity ratio, %	118.7%	108.5%	111.7%
Shareholders' equity per share, SEK	110.84	185.07	136.78
Shareholders' equity per share after full dilution, SEK ⁴	8.42	14.50	10.39
Cash flow per share, SEK	-21.53	16.94	-32.40
Cash flow per share after full dilution, SEK ⁵	-2.15	1.75	-3.22

⁴ Shareholders' equity per share after full dilution has been calculated under assumption that all potential ordinary shares have been converted into ordinary shares. No consideration has been taken in regards to change of shareholders' equity at conversion of warrants to ordinary shares.

Consolidated balance sheet

Amount in SEK millions	31 Mar 2007	31 Mar 2006	31 Dec 2006
<i>Fixed assets</i>			
Tangible fixed assets	8.7	9.3	9.6
<i>Total fixed assets</i>	8.7	9.3	9.6
<i>Current assets</i>			
Accounts receivable	0.0	2.5	0.0
Other receivables	2.8	2.3	3.5
Deferred costs and accrued income	4.6	2.8	5.6
Liquid assets and short-term investments	133.3	204.2	154.8
<i>Total current assets</i>	140.7	211.8	164.0
Total assets	149.4	221.2	173.5
Shareholders' equity	110.8	185.1	136.8
<i>Long-term liabilities</i>			
Long-term liabilities	1.7	3.3	2.1
Long-term provisions	6.5	4.1	5.9
<i>Total long-term liabilities</i>	8.2	7.5	8.0
<i>Current liabilities</i>			
Accounts payable, trade	6.2	3.4	8.9
Other short-term liabilities	2.3	0.9	4.1
Accrued costs and deferred income	22.0	24.3	15.7
<i>Total current liabilities</i>	30.5	28.6	28.7
Total shareholders' equity and liabilities	149.4	221.2	173.5

Shareholders' equity

	Share Capital	Other paid-up capital	Retained earnings	Total equity
31 December 2005	0.9	158.9	40.2	200.0
Net profit/loss for the period			-16.8	-16.8
Stock option plans			1.9	1.9
31 March 2006	0.9	158.9	25.3	185.1
Net profit/loss for the period			-53.7	-53.7
Stock option plans			5.4	5.4
31 December 2006	0.9	158.9	-23.0	136.8
Net profit/loss for the period			-27.6	-27.6
Stock option plans			1.7	1.7
31 March 2007	0.9	158.9	-48.9	110.8

Consolidated cash-flow statement

	Jan-Mar	Jan-Mar	Jan-Dec
Amount in SEK millions	2007	2006	2006
Cash flow from operating activities ¹	-21.1	18.8	-27.8
Cash flow from investing activities	-0.1	-5.3	-8.2
Cash flow from financing activities	-0.4	3.5	3.6
Cash flow for the period	-21.5	16.9	-32.4
Liquid funds, opening balance	154.8	187.2	187.2
Liquid funds, closing balance	133.3	204.2	154.8
¹ Of which, changes in working capital	0.3	32.3	33.9

Additional information to the cash-flow statement

	Jan-Mar	Jan-Mar	Jan-Dec
Amount in SEK millions	2007	2006	2006
Interest paid and received			
Interest received and other financial income	0.9	0.8	1.0
Interest paid and other financial expense	-3.1	-0.5	-0.2
Depreciation and write-down of assets	0.9	0.7	3.4

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