Biolipox Interim Report, January – June 2007

- Revenues for the period amounted to SEK 15.6 million (22.0). For the second quarter revenues amounted to SEK 7.9 million (11.0).
- Earnings after tax for the period amounted to SEK -57.0 million (-33.5). For the second quarter earnings after tax amounted to SEK -29.4 million (-16.7).
- Earnings per share for the period was SEK -75.31 (-49.69). For the second quarter earnings per share was SEK -38.50 (-24.72).
- Cash flow for the period was negative and amounted to SEK -43.8 million (positive: 3.6). For the second quarter cash flow was negative and amounted to SEK -22.3 million (-13.4).
- Continuous progress in the research and drug development portfolio.
- Commencing pre-clinical trials in eoxin-project to start Phase I study in 2008

For further information, please contact:
Torbjörn Bjerke, President & CEO, Tel: +46-70-866 19 90,
e-mail: torbjorn.bjerke@biolipox.com
Peter Hein, VP & CFO, Tel: +46-8-524 831 10, or +46-73-370 73 43,
e-mail: peter.hein@biolipox.com

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.

Continuous progress in research and drug development portfolio

Selective PGE_2 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, PGE_2 synthase (mPGES), which is involved in the production of prostaglandin E_2, 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 E_2, 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) – start of pre-clinical trials to enable clinical trials in 2008

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 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 and is currently tested in preclinical safety studies to enable clinical Phase I studies in 2008.

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 enable as effective as possible administration to the patient. A CTA has been submitted for testing this formulation in a clinical Phase II study starting Q3/2007.

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).

Financial information

Revenues

Revenues amounted to SEK 15.6 million (22.0), of which SEK 7.9 million (11.0) the second quarter. The income comprises research funding according to a research and license agreement with Boehringer Ingelheim entered in 2005 and which relates to a selective PGE_2 inhibitor project.

Other revenues received during the period amounted to SEK 0.4 million (1.1), 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 period by 31 percent to SEK 57.9 million (44.2). For the second quarter they increased to SEK 31.1 million (22.6), corresponding to a 37 percent increase. The cost increase is mainly due to an increase in external preclinical and pharmaceutical development, and to the continuous strengthening of the internal research and development organisation. Of the total research and development costs during the period, SEK 18.4 million (12.3) were related to contract research and to external pharmaceutical and preclinical development.

Administrative expenses decreased during the period by 7 percent to SEK 14.5 million (15.5). For the second quarter they decreased to SEK 7.9 million (8.4). The decrease is due to reduced costs for stock option programs. Administrative expenses include costs for functions such as accounts and finance, legal, human resources, 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 period amounted to SEK 0.2 million. The same period last year, exchange losses amounted to SEK 0.6 million. The net of exchange gains and exchange losses relating to operations amounted to SEK 0.0 million (-0.2).

Net financial income

The group's net financial income amounted to SEK -0.4 million (positive: 3.7). The impairment is due to exchange losses on forward exchange agreements.

Net loss

Net loss for the period amounted to SEK -57.0 million (-33.5). Net loss for the second quarter amounted to SEK -29.4 million (-16.7).

Investments and cash-flow

Cash-flow from operating activities was negative at an amount of SEK -42.9 million (positive: 5.9) for the period, of which SEK -21.8 million (-12.9) the second 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 period, investing activities used cash of SEK 0.2 million for investments in computers and research instruments. During the same period last year, investing activities used cash of SEK 6.6 million, mainly for investments at Biolipox's laboratories at Karolinska Institutet,

Financing activities used cash of SEK 0.7 million during the period, consisting of amortization on financial leasing agreements. During the same period previous year, new financial leasing agreements provided cash of SEK 4.3 million.

The cash flow for the first six months of 2007 was negative and amounted to SEK -43.8 million (positive: 3.6). Cash flow for the second quarter amounted to SEK -22.3 million (-13.4).

The group's liquid funds on 30 June 2007, including bank balances and short term investments, amounted to SEK 111.0 million (190.8). In addition, current shareholders have agreed to provide another EUR 15 million (about SEK 135 million) 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.

Parent company

The parent company turnover amounted to SEK 15.6 million, of which SEK 7.9 million during the second quarter. Result after financial items amounted during the period to SEK -57.0 million and during the second quarter to SEK -29.4 million. The parent company's liquid funds on 30 June 2007 amounted to 110.8 MSEK.

Personnel

At 30 June 2007 Biolipox had 49 (45) employees. 43 employees were engaged in the company's research and development and 6 employees were engaged in accounts and finance, business development and management.

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.

Consolidated income statement, condensed

Amount in SEK millions	Note	Jan-Jun 2007	Jan-Jun 2006	Apr-Jun 2007	Apr-Jun 2006	Jan-Dec 2006
Net revenue		15.6	22.0	7.9	11.0	40.5
Gross profit/loss		**15.6**	**22.0**	**7.9**	**11.0**	**40.5**
Other operating revenues		0.4	1.1	0.2	0.4	2.0
Administrative costs	2	-14.5	-15.5	-7.9	-8.4	-27.2
Research and development costs	2	-57.9	-44.2	-31.1	-22.6	-91.7
Other operating costs		-0.2	-0.6	-0.2	-0.5	-1.0
Operating profit/loss		**-56.6**	**-37.2**	**-31.1**	**-20.1**	**-77.5**
Net financial income		-0.4	3.7	1.8	3.4	7.0
Profit/loss after financial items		**-57.0**	**-33.5**	**-29.4**	**-16.7**	**-70.5**
Tax on earnings for the period		-	-	-	-	-
Net profit/loss for the period		**-57.0**	**-33.5**	**-29.4**	**-16.7**	**-70.5**

The Parent Company's shareholders account for 100% of net profit/loss for the period. There are no minority interests.

Earnings per share before dilution, SEK [1, 3]	-75.31	-49.69	-38.50	-24.72	-102.64
Earnings per share after dilution, SEK [2, 3]	-75.31	-49.69	-38.50	-24.72	-102.64
Number of ordinary shares at end of period	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Average number of ordinary shares outstanding	1,000,000	1,000,000	1,000,000	1,000,000	1,000,000
Number of ordinary shares and potential ordinary shares at end of period	13,464,135	13,164,135	13,464,135	13,164,135	13,164,135
Average number of ordinary shares and potential ordinary shares	10,058,322	9,768,436	10,058,322	9,768,436	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 18.3 million (reduction: 16.2). As per 30 June 2007, 8,047,306 (8,047,306) preferential shares were entitled to a cumulative dividend of SEK 109.0 million (74.7).*

[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 six months 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 second quarter previous year have been adjusted by MSEK 7.0. Earnings per share before and after dilution have for the first six months previous year been adjusted by SEK -2.34 and for the full year 2006 by SEK -4.14, thus amounting to, respectively, SEK -49.69 and SEK -102.64 per share.*

Key figures	30 June 2007	30 June 2006	31 Dec 2006
Number of employees at end of period	49	45	47
Number of employees, average	46	41	43
Equity/assets ratio, %	65.4%	80.3%	78.8%
Net cash/equity ratio, %	131.8%	110.5%	111.7%
Shareholders' equity per share before dilution, SEK	83.25	170.22	136.78
Shareholders' equity per share after full dilution, SEK [4]	6.18	12.93	10.39
Cash flow per share, SEK	-43.80	3.60	-32.40
Cash flow per share after full dilution, SEK[4]	-4.35	0.37	-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, condensed

Amount in SEK millions	30 June 2007	30 June 2006	31 Dec 2006
Fixed assets			
Tangible fixed assets	7.9	9.9	9.6
Total fixed assets	**7.9**	**9.9**	**9.6**
Current assets			
Other current assets	8.3	11.3	9.1
Liquid assets	111.0	190.8	154.8
Total current assets	119.4	202.1	164.0
Total assets	**127.2**	**212.0**	**173.5**
Shareholders' equity			
Shareholders' equity	83.2	170.2	136.8
Total shareholders' equity	83.2	170.2	136.8
Long-term liabilities			
Long-term liabilities	1.3	2.8	2.1
Long-term provisions	7.1	4.8	5.9
Total long-term liabilities	8.4	7.6	8.0
Current liabilities			
Current liabilities	35.6	34.2	28.7
Total current liabilities	35.6	34.2	28.7
Total shareholders' equity and liabilities	**127.2**	**212.0**	**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			-33.5	-33.5
Stock option plans			3.8	3.8
30 June 2006	**0.9**	**158.9**	**10.5**	**170.2**
Net profit/loss for the period			-37.0	-37.0
Stock option plans			3.5	3.5
31 December 2006	**0.9**	**158.9**	**-23.0**	**136.8**
Net profit/loss for the period			-57.0	-57.0
Stock option plans			3.5	3.5
30 June 2007	**0.9**	**158.9**	**-76.5**	**83.2**

Consolidated cash-flow statement, condensed

Amount in SEK millions	Jan-Jun 2007	Jan-Jun 2006	Apr-Jun 2007	Apr-Jun 2006	Jan-Dec 2006
Profit/loss before tax	-57.0	-33.5	-29.4	-16.7	-70.5
Adjustments for non-cash items	8.7	5.3	2.5	2.0	8.9
Paid income tax	-	-	-	-	-
Cash flow from working capital changes	5.4	34.1	5.1	1.8	33.9
Cash flow from operating activities	-42.9	5.9	-21.8	-12.9	-27.8
Cash flow from investing activities	-0.2	-6.6	-0.1	-1.3	-8.2
Cash flow from financing activities	-0.7	4.3	-0.4	0.8	3.6
Cash flow for the period	**-43.8**	**3.6**	**-22.3**	**-13.4**	**-32.4**
Liquid funds, opening balance	154.8	187.2	133.3	204.2	187.2
Liquid funds, closing balance	111.0	190.8	111.0	190.8	154.8
Interest received, related to operating activities	1.0	0.8	0.1	0.4	2.2
Interest paid, related to operating activities	0.0	0.0	0.0	0.0	0.0

Note 1 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, which is in accordance with the requirements of the Swedish Financial Accounting Standards Council, RR 31 Interim Financial Reporting for Groups.

The following standards and amendments entered into effect during the period and are considered to be applicable to Biolipox:

- IFRS 7 Financial Instruments: Disclosures
- Amendment to IAS 1 Presentation of Financial Statements – Capital Disclosures

These will entail more comprehensive disclosure requirements in the annual report. Implementing the new standards is considered to have no effect on the consolidated income statement, balance sheet or cash flow statement.

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

The parent company applies the Swedish Financial Accounting Standards Council recommendation RR32:06 Accounting for Legal Entities.

Note 2 Depreciation

	Jan-Jun 2007	Jan-Jun 2006	Apr-Jun 2007	Apr-Jun 2006	Jan-Dec 2006
Depreciation distributed by asset					
Plant and machinery	-1.6	-1.3	-0.8	-0.7	-2.8
Equipment, tools, fixtures and fittings	-0.3	-0.2	-0.1	-0.1	-0.6
Total	-1.9	-1.5	-0.9	-0.8	-3.4
Depreciation distributed by function					
Administrative expenses	0.0	0.0	0.0	0.0	-0.1
Research and development costs	-1.9	-1.5	-0.9	-0.8	-3.3
Total	-1.9	-1.5	-0.9	-0.8	-3.4

Stockholm, 30 August 2007

Biolipox AB (publ)
Torbjörn Bjerke, President & CEO

Forthcoming financial information

- Interim report, January – September 2007 — 18 October 2007
- Year-end report January – December 2007 — 25 February 2008

For further information, please contact:
Torbjörn Bjerke, President & CEO, Tel: +46-70-866 19 90,
e-mail: torbjorn.bjerke@biolipox.com.
Peter Hein, VP & CFO, Tel : +46-8-524 831 10, or +46-73-370 73 43
e-mail : peter.hein@biolipox.com

Biolipox AB (publ) (Corporate registration no. 556588-3658)
Berzeliusv 3, level 5
SE-171 65 Solna
Tel: +46-8-524 831 00
Fax +46-8-524 831 01
E-mail: info@biolipox.com
Internet: www.biolipox.com