

INTERIM REPORT ON BIOTIE THERAPIES CORP. JANUARY 1 - JUNE 30, 2007

January - June 2007 in brief

In May 2007 the H. Lundbeck A/S licensing agreement entered into force on worldwide rights for nalmefene, excluding North America, Mexico, UK, Ireland, Turkey, and South-Korea.

In May 2007 Biotie revised its outlook for 2007 and announced that 2007 financial result is expected to improve compared to year 2006, but the company expects to report a loss for the full year 2007.

In June 2007 Biotie withdrew its UK national marketing authorisation application on nalmefene to enable a centralised EU-wide registration procedure in due course.

EUR 4 million was booked as revenue in the second quarter of 2007 of the total execution fee of EUR 12 million paid by Lundbeck to Biotie. EUR 2 million was paid on the license entering into force in May, 2007 and EUR 10 million was paid on signing in November, 2006.

The net income in January - June, 2007 was EUR 1.6 million positive (in 2006 EUR -4.4 million). Cash flow from operating activities was EUR -2.9 million (EUR -3.8 million in 2006).

The company's liquid assets amounted to EUR 30.2 million as at June 30, 2007 (at June 30, 2006, EUR 5.0 million).

Drug development programs

Nalmefene program

Biotie announced on May 23, 2007 that the licensing agreement entered into force on H. Lundbeck A/S worldwide rights for nalmefene, excluding North America, Mexico, UK, Ireland, Turkey, and South-Korea.

In June 2007 Biotie withdrew the UK national marketing authorisation application on nalmefene in its alcoholism indication to enable a centralised EU-wide registration procedure in due course. A centralised EU-wide registration procedure is not feasible if the product already has a granted or a pending national marketing authorisation in the EU.

To maximise nalmefene's potential in the treatment of alcoholism Biotie and Lundbeck have jointly decided to seek marketing authorisation simultaneously in all 27 EU member states via the centralized procedure. To this end, Lundbeck plans to further strengthen the existing nalmefene registration dossier in its alcoholism indication with additional phase III clinical studies before submitting the marketing authorisation application. The studies are expected to start in 2008.

The license agreement terms were amended to reflect the planned additional Lundbeck investment to strengthen the registration dossier for the centralized procedure. Under the terms of the amended agreement, Biotie received an execution fee of EUR 12 million, of which EUR 10 million was paid on signing in November 2006 and EUR 2 million was paid on the license entering into force in May 2007. In total, Biotie is eligible for up to EUR 80 million in upfront and milestone payments plus royalty on sales. Biotie will participate in financing some of the clinical development costs.

The June 22, 2007 issue of "Alcoholism: Clinical and Experimental Research", a leading journal in addiction therapies, featured a scientific article on nalmefene in the treatment of patients with alcohol problems. The featured study describes the results of the company's phase III clinical study that was conducted in Finland and enrolled about 400 patients with impaired control over their alcohol drinking. According to the results, targeted use of nalmefene during the 28 weeks of treatment decreased heavy drinking statistically significantly. The reduction in the number of heavy drinking days compared to placebo was about 32%. The company has communicated the main results of this study first in 2003.

VAP-1 antibody program

The company is ready to start the first phase I clinical trial with its fully human VAP-1 monoclonal antibody, pending final regulatory approval. A separate stock exchange release will be issued at the start of the study.

The intellectual property rights of the VAP-1 antibody program were further strengthened by filing a new patent application in the EU and US in April, 2007.

In November 2006, Biotie and F. Hoffmann La Roche (Roche) signed an option agreement for Biotie's fully human antibody program targeting Vascular Adhesion Protein-1 (VAP-1) in inflammatory diseases. Inhibiting VAP-1 reduces inflammation by regulating the migration of leukocytes, or white blood cells, to inflamed tissues.

Pre-clinical programs

Pre-clinical programs (VAP-1 SSAO small molecule inhibitor program and alfa2beta1 integrin inhibitor program) progressed as planned. The intellectual property rights of the alfa2beta1 integrin program were further strengthened by filing a new patent application in the EU and US in April, 2007. In the recombinant heparin program the company continued to look for a partner to finance the future development of the program.

Revenues

Revenue for the reporting period January - June 2007 consists of periodization of the signing fee of the licensing agreement signed with Seikagaku Corporation in 2003, periodization of the signing fee of the licensing agreement signed with Somaxon Pharmaceuticals in 2004, periodization of the option fee of the option agreement signed with Roche in 2006 as well as periodization of the execution fee of the licensing agreement signed with Lundbeck that entered into force in May 2007. EUR 4 million was booked as revenue in the second quarter of 2007 of the execution fee of EUR 12 million paid by Lundbeck to Biotie. The rest of the EUR 12 million is expected to be recognized as revenue against clinical development costs in 2007-2009. Of the EUR 12 million, EUR 10 million was paid on signing in November 2006 and EUR 2 million was paid on the license entering into force in May 2007. The revenue for the reporting period January - June, 2007 was in total EUR 5.2 million.

Revenue for the period January - June, 2006 consisted of periodization of the signing fee of the licensing agreement signed with Seikagaku Corporation in 2003 and periodization of the signing fee of the lisensing agreement signed with Somaxon Pharmaceuticals in 2004. The revenue was in total 0.5 million euros. No new milestone or signing fees were received during the period.

Financial results

The net profit for the reporting period January - June 2007 was EUR 1.6 million. The comparable loss for the previous year was EUR 4.4 million. Research and development costs for the period amounted to EUR 3.5 million (in 2006 EUR 3.3 million). Patent costs have been booked as expenses.

Financing

Biotie's equity ratio was -25.5 % on June 30, 2007 (-366.0 % in 2006). Cash and cash equivalents totalled EUR 30.2 million on June 30, 2007 (EUR 5.0 million in 2006).

Equity

A total of 231,200 new shares in Biotie Therapies Corp. have been subscribed for by exercising the series A option rights of the company's option scheme issued on March 30, 2006. The subscription price of the shares was EUR 0.60 per share. The new shares have been entered in the Finnish Trade Register on April 30, 2007. Following the increase, the total number of shares in Biotie Therapies Corp. was 90,031,860. The share capital was not increased.

So far, a total of 231,200 new shares have been subscribed for pursuant to the series A option rights of the company's option scheme issued by the company on March 30, 2006.

Pursuant to the convertible capital loan issued on March 25, 2004, a total of 450,000 new shares has been subscribed for. The new shares have been entered in the Finnish Trade Register on April 2, 2007 and May 11, 2007. Following the increase, the total number of shares in Biotie Therapies Corp. is 90,211,860. The loan capital converted in connection with the subscription amounts to EUR 840,939.62. The exercise price paid has been recorded in the reserve for invested unrestricted equity.

Relating to the company's option programs, the company has signed a stock lending agreement with EVLI Bank in January, 2007.

Investments and cash flow

The company's investments during the reporting period amounted to EUR 10 thousand (EUR 51 thousand in 2006). The investments mainly comprised of equipment purchased for research and development operations. Cash flow from operating activities was EUR -2.9 million (EUR -3.8 million in 2006). Research and development expenses are booked as costs.

Personnel

During the reporting period, the company's personnel was on average 35 (39 in 2006) and at the end of the period 33 (36 on June 30, 2006).

The ten biggest shareholders of Biotie on June 30, 2007

	Number of shares	%
Pequot group:	21 925 024	24.53
- Pequot Healthcare Fund, L.P. (7 765 345)		
- Pequot Healthcare Offshore Fund, Inc. (5 937 983)		

- Premium Series PCC Limited (998 490)		
- Pequot Diversified Master Fund Ltd. (1 201 800)		
- Pequot Healthcare Institutional Fund, L.P (1 521 406)		
- Pequot Healthcare Emerging Markets Fund, Ltd. (4 500 000)		
Finnish Innovation Fund (Sitra)	14 585 350	16.32
Finnish Industry Investment Ltd	6 778 592	7.58
Juha Jouhki and his controlled companies	6 537 672	7.31
- Dreadnought Finance Oy (2 098 416)		
- Jouhki Juha (1 501 356)		
- Thominvest Oy (2 937 900)		
Funds administered by BioFund Management Oy:	2 599 775	2.91
- BioFund Ventures III Ky (2 485 715)		
- BioFund Ventures I Ky (114 060)		
Harri Markkula and his controlled company:	1 283 065	1.44
- Tilator Oy (676 264)		
- Markkula Harri (606 801)		
Oy H. Kuningas & Co AB	1 058 371	1.18
Oksanen Markku	559 300	0.63
Funds administered by Aboa Venture Management Oy:	492 524	0.55
- Aboa Venture Ky I (140 000)		
- Aboa Venture Ky II (336 747)		
- Ganal Venture Ky (7 906)		
- Karhu Pääomarahasto Ky (7 871)		
Siven Pertti	360 000	0.40
	56 179 673	62.85
Nominee registered shares total	6 107 701	6.83
Other shareholders	27 105 486	30.32
Outstanding shares	89 392 860	100
The number of the company's own shares held by Biotie Therapies	819 000	
Total	90 211 860	

Flagging information

Biotie announced that it has gained knowledge on April 2, 2007 of the following notification under Chapter 2, Section 9 of the Finnish Securities Market Act regarding a change in holdings:

Finnish Industry Investment Ltd (Business identity code 1007806-3) has informed the company the holdings of Finnish Industry Investment Ltd represent less than one tenth (1/10) of the voting rights and share capital in Biotie Therapies Corp.

The holdings of Finnish Industry Investment Ltd constitute 8.702.189 shares, i.e., 9.72 % of the voting rights and share capital in Biotie Therapies Corp.

Biotie gained knowledge on April 4, 2007 of the following notification under Chapter 2, Section 9 of the Finnish Securities Market Act regarding a change in holdings on March 30, 2007:

The aggregate holding of Pequot Healthcare Fund, L.P., Pequot Healthcare Offshore Fund, Inc., Premium Series PCC Limited - Cell 32, Pequot Diversified Master Fund, Ltd., Pequot Healthcare Institutional Fund, L.P. and Pequot Healthcare Emerging Markets Fund, Ltd. (jointly, the "Funds") have increased from 23.16 % to 25.76 % of the share capital and voting rights of the Company, calculated on the basis of the number of shares registered in the Finnish Trade Register on April 4, 2007. No individual Fund has decreased its holding below or above 5 % of the voting rights and share capital in the Company.

IFRS and Accounting principles

The interim report has been prepared in accordance with IAS 34, Interim Financial Reporting. Biotie has applied the same accounting principles as in the closing of year 2006.

This interim report is unaudited.

Risks and Risk Management

Biotie's strategic risks are related to the technical success of the drug development programs, regulatory issues, the strategic decisions of its commercial partners, ability to obtain and maintain intellectual property rights for its products, validity of its patents, launch of competitive products and the development of the sales of its products. For example, even though the commercialisation and collaboration agreements on the company's product development projects have been concluded, there can be no assurance that the contracting partner will act in accordance with the agreement, the authorities will approve the product under development or the approved product will be commercialised. The development and success of the company's products depends on third parties.

The operational risks include dependency of key personnel, assets and dependency on partners' decisions.

Future outlook

Of the execution fee of EUR 12 million paid by Lundbeck to Biotie approximately EUR 6-7 million will be booked as revenue in 2007 and approximately EUR 5-6 million is expected to be booked as revenue in 2008-2009.

Biotie's total revenue in IFRS reporting for 2007 is expected to be approximately EUR 8-9 million, and the operating costs will increase to a somewhat higher level for 2007 than in 2006.

Biotie 2007 financial result is expected to improve compared to year 2006, but the company expects to report a loss for the full year 2007.

The company is ready to start the first phase I clinical trial with its fully human VAP-1 monoclonal antibody, pending final regulatory approval. A separate stock exchange release will be issued at the start of the study.

In Turku, August 10, 2007

Biotie Therapies Corp.

Board of Directors

For further information, please contact:

Timo Veromaa, President and CEO, Biotie Therapies Corp.
tel. +358 2 274 8901, e-mail: timo.veromaa@biotie.com

www.biotie.com

Distribution:

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APPENDICES TO THE INTERIM REPORT

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Balance sheet

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Key figures

FINANCIAL STATEMENT

EUR 1,000	1.4.- 30.06.2007 3 months	1.4.- 30.06.2006 3 months	1.1.- 30.06.2007 6 months	1.1.- 30.06.2006 6 months	1.1.- 31.12.2006 12 months
Revenue	4,605	249	5,210	498	1,118
Research and Development expenses	-2,074	-1,542	-3,549	-3,340	-7,970
General and administrative expenses	-366	-812	-963	-1,693	-2,207
Other operating income	426	153	684	419	698
Operating profit/loss	2,592	-1,953	1,383	-4,116	-8,361
Financial income	299	29	601	70	215
Financial expenses	-190	-207	-401	-394	-812
Profit/loss before taxes	2,702	-2,130	1,583	-4,440	-8,958
Taxes	0	0	0	0	-7
Net income/loss	2,702	-2,130	1,583	-4,440	-8,964
Distribution					
To parent company	2,702	-2,130	1,583	-4,440	-8,964
Shareholders					
Earnings per share (EPS) basic and diluted, EUR	0.03	-0.04	0.02	-0.08	-0.16

BALANCE SHEET

EUR 1,000	30.06.2007	30.06.2006	31.12.2006
Assets			
Non-current assets			
Intangible assets	774	895	801
Property, plant and equipment	84	155	109
Financial assets at fair value through profit or loss	20,000	0	20,000
	20,858	1,050	20,910
Current assets			
Current receivables	1,031	494	560
Financial assets at fair value through profit or loss	9,302	4,553	7,878
Cash and cash equivalents	936	429	3,886
	11,270	5,476	12,323
Total	32,128	6,526	33,233
Equity and liabilities			
Shareholders' equity			
Share capital	19,850	1,054	19,850
Reserve for invested unrestricted equity	980	0	0
Retained earnings	-30,619	-20,500	-21,692
Net income/loss	1,583	-4,440	-8,964
Shareholders' equity total	-8,207	-23,887	-10,807
Long-term liabilities			
Provisions	19	24	27
Interest-bearing liabilities	23,350	22,921	23,508
Non-interest-bearing liabilities	14,071	4,817	6,528
	37,440	27,762	30,063
Current liabilities			
Provisions	16	16	16
Interest-bearing liabilities	15	35	27
Accounts payable and other debts	2,864	2,599	13,934
	2,895	2,651	13,977
Liabilities total	40,335	30,413	44,040
Total	32,128	6,526	33,233

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Parent company shareholders' equity

EUR 1,000	Shares (1000 pcs)	Share Capital	Reserv e for invest ed unrest ricted equity	Share Premium fund	Own Share s	Retained Earnings	Share- holders ' equity total
Balance at 1.1.2006	52,675	1,054	0	5,881	-15	-26,502	-19,583
Net income/loss for the period						-4,440	-4,440
Options granted						137	137
Transfer from share premium fund				-5,881		5,881	0
	0	0	0	-5,881	0	1,577	-4,304
BALANCE AT 30.06.2006	52,675	1,054	0	0	-15	-24,925	-23,887
Net income/loss for the period						-4,524	-4,524
Options granted						-35	-35
Share issue	36,855	18,796				-1,157	17,639
	36,855	18,796	0	0	0	-5,717	13,079
BALANCE AT 31.12.2006	89,531	19,850	0	0	-15	-30,641	-10,807
Net income/loss for the period						1,583	1,583
Options granted						38	38
Share subscription with convertible capital loans	450		139				139
Share subscription with option rights	231		841				841
	681	0	980	0	0	1,621	2,600
BALANCE AT 30.06.2007	90,212	19,850	980	0	-15	-29,020	-8,207

CASH FLOW STATEMENT

EUR 1,000	1.1.- 30.06.2007 6 months	1.1.- 31.06.2006 6 months	1.1.- 31.12.2006 12 months
Cash flow from operating Activities			
Net income/loss	1,583	-4,440	-8,964
Adjustments:			
Non-cash transactions	99	377	1,249
Addition/disposal due to revaluation of financial assets at fair value through profit or loss	-517	-28	-84
Interest expenses and other financial expenses	401	394	812
Interest income	-601	-14	-215
Taxes	0	0	7
Change in working capital:			
Change in trade and other receivables	-448	80	-19
Change in trade creditors and other liabilities	-3,507	-173	12,535
Change in mandatory provisions	8	-15	-12
Interests paid	-10	-16	-25
Interests received	85	42	131
Taxes paid	0	0	-7
Net cash from operating activities	-2,908	-3,794	5,408
Cash flow from investing activities			
Change in financial assets at fair value through profit or loss			
Additions	-3,000	0	-25,000
Disposals	2,154	2,200	4,000
Investments to tangible assets	-10	-51	-819
Sale of associated companies	0	45	45
Net cash used in investing activities	-856	2,194	-21,773
Cash flow from financing activities			
Payments from share issue	139	0	17,639
Proceeds from borrowings	689	1,644	2,232
Repayment of lease Commitments	-12	-10	-15
Net cash from financing activities	815	1,634	19,856
Net increase (+) or decrease (-) in cash and cash equivalents	-2,949	34	3,490
Cash and cash equivalents in the beginning of the period	3,886	395	395
Cash and cash equivalents in the end of the period	936	429	3,886

KEY FIGURES

EUR 1,000	1.1.- 30.06.2007 6 months	1.1.- 30.06.2006 6 months	1.1.- 31.12.2006 12 months
<hr/> Business development			
Revenues	5,210	498	1,118
Personnel on average	35	39	37
Personnel at the end of period	33	36	35
Research and development costs	3,549	3,340	7,970
Capital expenditure	10	51	819
Profitability			
Operating profit/loss	1,383	-4,116	-8,361
as percentage of revenues, %	26.5	-825.9	-747.6
Profit/loss before taxes	1,583	-4,440	-8,958
as percentage of revenues, %	30.4	-891.0	-800.9
Balance sheet			
Cash and cash equivalents	30,239	4,983	31,763
Shareholders equity	-8,207	-23,887	-10,807
Balance sheet total	32,128	6,526	33,233
Financial ratios			
Return on equity, %	-	-	-
Return on capital employed, %	28.4	-2,012.2	-113.5
Equity ratio, %	-25.5	-366.0	-46.5
Gearing, %	83.8	-75.2	76.1
Per share data			
Earnings per share (EPS), EUR	0.02	-0.08	-0.16
Shareholders' equity per share, EUR	-0.09	-0.45	-0.12
Divided per share, EUR			
Pay-out ratio, %			
Effective dividend yield, %			
P/E-ratio			
Share price			
Lowest share price, EUR	0.85	0.49	0.49
Highest share price, EUR	1.18	0.91	2.39
Average share price, EUR	0.99	0.63	1.10
30.6. share price, EUR	0.91	0.70	1.18
Market capitalization at the end of period	82.1	36.9	105.6
MEUR			
Trading of shares			
Number of shares traded	25,749,500	8,489,883	32,470,230
As percentage of all	28.5	16.1	36.3
Adjusted weighted average	89,661,658	52,675,221	54,995,830
number of shares during the period			
Adjusted number of shares at the end	90,211,860	52,675,221	89,530,660
of the period			

RELATED PARTY TRANSACTIONS

There have not been material changes within the related party transactions in 2007.

CONTINGENT LIABILITIES

EUR 1,000	30.06.2007	30.06.2006	31.12.2006
Lease commitments	29	106	73