

INTERIM REPORT ON BIOTIE THERAPIES CORP. JANUARY 1 - SEPTEMBER 30, 2008

January - September 2008 in brief

- In January Lundbeck acquired the United Kingdom and Ireland rights for nalmefene from Britannia Pharmaceuticals (now part of STADA Group, headquartered in Germany). Following the new agreement Lundbeck has worldwide rights for nalmefene, excluding North America, Mexico, Turkey, and South-Korea.

- In June Biotie announced top-line data from the first-in-man clinical study with its fully human VAP-1 monoclonal antibody. The data from the study support proceeding to clinical studies with repeated doses of the antibody.

- Top-line data have become available of the clinical trial with nalmefene evaluating potential cardiac effects measured using an electrocardiogram in 240 healthy volunteer subjects. The data from the study indicate that use of nalmefene does not increase the risk of adverse cardiac effects and that current regulatory requirements for such studies are met.

- The net loss in January - September stood at EUR 3.8 million (net income in 2007 EUR 0.6 million). Cash flow in January - September from operating activities was EUR -7.9 million (EUR -4.1 million in 2007).

- Revenue for January - September stood at EUR 4.0 million (EUR 6.7 million in 2007) and earnings per share was EUR -0.04 (EUR 0.01 in 2007).

- The company's liquid assets amounted to EUR 21.0 million as at September 30, 2008 (EUR 29.3 million as at September 30, 2007).

- After the reporting period Biotie announced today in a separate stock exchange release that it has entered into an agreement with elbion NV and elbion GmbH to acquire a pharmaceutical discovery and development company elbion GmbH. The acquisition will be executed as an exchange of shares transaction whereby Biotie will issue 46,802,967 new shares as a consideration for the total share capital of elbion GmbH. As a result of the transaction, elbion GmbH will become a fully owned subsidiary of Biotie. In connection with the acquisition, certain shareholders of elbion NV have committed to invest additional capital in aggregate 3.3 million euro into Biotie by subscribing up to 7,305,733 new shares in Biotie. The transaction is still subject to the approval by Biotie's and elbion NV's general meetings and to obtaining certain regulatory approvals. The Board of Directors of Biotie has today called an extraordinary general meeting to resolve on the transaction and related matters for 14 November, 2008. Biotie shareholders representing some 49% of the total number of outstanding Biotie shares have committed to vote in favour of the contemplated transaction.

Q3/2008 in brief:

- Top-line data have become available of the clinical trial with nalmefene evaluating potential cardiac effects measured using an electrocardiogram in 240 healthy volunteer subjects. The data from the study indicate that use of nalmefene does not increase the risk of adverse cardiac effects and that current regulatory requirements for such studies are met

- The net loss in July - September stood at EUR 0.5 million (net loss in 2007 EUR 0.9 million). Cash flow in July - September from operating activities was EUR -2.1 million (EUR -1.1 million in 2007).

- Revenue for July - September stood at EUR 0.8 million (EUR 1.5 million in 2007) and earnings per share was EUR -0.01 (EUR -0.01 in 2007).

General:

After the reporting period Biotie announced today in a separate stock exchange release that it has entered into an agreement with elbion NV and elbion GmbH on the acquisition of pharmaceutical discovery and development company elbion GmbH, by means of an exchange of shares of all of the issued and outstanding shares of elbion GmbH by elbion NV against in the aggregate 46,802,967 new shares in Biotie. In connection with the acquisition, certain shareholders of elbion NV have committed to invest additional capital in the aggregate 3.3 million euro into Biotie against Biotie issuing 7,305,733 new shares. The transaction is still subject to the approval by Biotie's and elbion NV's general meetings and to obtaining certain regulatory approvals. The Board of Directors of Biotie have today called an extraordinary general meeting to resolve on the transaction and related matters, such as on complementing the Board of Directors by three additional members and authorizing the Board to put in place an incentive program, for 14 November, 2008. More information on elbion GmbH and of the transaction may be found from the separate stock exchange release of 24 October 2008.

Biotie is a drug development company focusing on dependence disorders, inflammatory diseases and thrombosis.

Drug development projects:

Nalmefene program

In January, Lundbeck acquired the United Kingdom and Ireland rights for nalmefene from Britannia Pharmaceuticals (now part of STADA Group, headquartered in Germany). Following the new agreement Lundbeck has worldwide rights for nalmefene, excluding North America, Mexico, Turkey, and South-Korea.

Biotie-Lundbeck license agreement terms were amended due to Lundbeck acquiring the United Kingdom and Ireland rights. Under the terms of the amended agreement, Biotie is now eligible for up to EUR 82 million in upfront and milestone payments (previously up to EUR 80 million) plus royalty on sales. Of the EUR 82 million, Biotie has already received an execution fee of EUR 12 million from Lundbeck.

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. Biotie will participate in financing some of the clinical development costs.

Subsequent to the Biotie clinical program for nalmefene in alcoholism having been completed, there is currently a regulatory requirement for an electrocardiogram (ECG) study. In October 2007 Biotie started a clinical trial with nalmefene evaluating the potential cardiac effects on healthy volunteers measured using an electrocardiogram. The study enrolled 240 healthy volunteers and topline data became available in September 2008. The data from the study indicate that use of nalmefene does not increase the risk of adverse cardiac effects and that current regulatory requirements for such studies are met. The data will be included in the eventual registration dossier.

VAP-1 antibody program

Top-line data from the first-in-man study with Biotie's fully human VAP-1 monoclonal antibody BTT-1023 were reported in June 2008. The study was conducted in a clinical pharmacology unit in the United Kingdom and investigated the safety, tolerability and pharmacokinetic characteristics of single intravenous doses of BTT-1023 in healthy volunteer subjects.

A total of 35 subjects, of whom 29 received BTT-1023, were enrolled into the placebo-controlled study. BTT-1023 was generally well tolerated and no serious adverse events were reported in the study. The data from the study support proceeding to clinical studies with repeated doses of the antibody. These studies are expected to be carried out in rheumatoid arthritis and psoriasis patients and will aim to establish appropriate dosing regimens for subsequent therapeutic studies and provide initial information on the therapeutic potential of BTT-1023. The studies are expected to start in the end of 2008.

The Finnish Funding Agency for Technology and Innovation (Tekes) has granted EUR 0.6 million additional funding for the VAP-1 antibody program. The R&D funding granted covers costs of a planned clinical PET-imaging study project from August 2008 to December 2009. The funding granted is in the form of a loan and covers 70 per cent of the costs of the study. The loan will be paid to Biotie against reported realised costs. In order to receive the full amount of granted financing, Biotie must show a total expenditure of EUR 0.8 million in the project.

In November 2006, Biotie and Roche signed an option agreement for Biotie's fully human antibody program targeting Vascular Adhesion Protein-1 (VAP-1) in inflammatory diseases.

Under the terms of the agreement, Roche has paid an option initiation fee of EUR 5 million, which grants Roche an exclusive option right to an exclusive, worldwide license agreement for Biotie's fully human antibody targeting VAP-1, excluding Japan, Taiwan, Singapore, New Zealand, and Australia. The initial option right will end upon completion of Phase I. Roche may extend the option right to later development points by paying additional fees. Biotie will retain all rights to the program until a license is granted to Roche.

Inhibiting VAP-1 reduces inflammation by regulating the migration of leukocytes, or white blood cells, to inflamed tissues. Pathological accumulation of white blood cells in tissue is a common feature in many autoimmune diseases, such as rheumatoid arthritis, ulcerative colitis, and psoriasis.

Co-operation with Seikagaku Corporation proceeded as planned.

Pre-clinical programs

Pre-clinical programs (VAP-1 SSAO small molecule inhibitor program and alfa2beta1 integrin inhibitor program) progressed as planned. In the bioheparin program the company continued to look for a partner to finance the future development of the program. To date, partnering efforts have not been successful.

Revenues

Revenue for the reporting period 1.1.-30.9.2008 was EUR 4.0 million. Revenue consisted of periodization of the signing fees of the licensing agreements signed with Seikagaku Corporation in 2003 and 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. No new milestones or signing fees were received during the reporting period.

Revenue for the reporting period January - September 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. The revenue for the reporting period January - September, 2007 was in total EUR 6.7 million. Payment of EUR 2,0 million was received from Lundbeck during the period.

Revenue for July - September 2008 amounted to EUR 0.8 million (EUR 1.5 million in 2007) consisting of periodizations described above.

Financial results

The net loss for the reporting period was EUR 3.8 million (net income in 2007 EUR 0.6 million). Research and development costs for the period amounted to EUR 6.3 million. The corresponding figure for the previous year was EUR 5.8 million.

The net loss in July - September was EUR 0.5 million (net loss in July - September 2007 EUR 0.9 million). Research and development costs in the third quarter amounted to EUR 1.1 million (EUR 2.3 million in 2007)

Patent costs have been booked as expenses.

Financing

Biotie's equity ratio was -64.0 % on September 30, 2008 (-29.5 % in 2007). Cash and cash equivalents totaled EUR 21.0 million on September 30, 2008 (EUR 29.3 million in 2007).

The company has invested its liquid assets into bank deposits during the second quarter 2008. Funds are reported in "investments held to maturity". Deposits with maturity less than 3 months are reported in the "cash and cash equivalents". Previously the funds were invested in money market funds.

In September 2008, The Finnish Funding Agency for Technology and Innovation (Tekes) granted EUR 0.6 million additional funding for Biotie Therapies' VAP-1 antibody program. The R&D funding granted covers drug development costs of the project from August 2008 to December 2009.

The funding granted is in the form of loan and it covers 70 per cent of the costs of the project. The loan will be paid to Biotie against reported realised costs. In order to receive the full amount of granted financing, Biotie must show a total expenditure of EUR 0.8 million in the project.

Shareholder's equity

The shareholders' equity (FAS) of the company is less than half of the company's share capital when capital loans are not included in shareholders' equity. Company's share capital is EUR 19.9 million. Shareholders' equity and capital loans add up to EUR 12.8 million.

Annual General Meeting was held on March 28, 2008 and considered measures relating to the level of shareholder's equity. It was resolved that no special measures are necessary at this point in time.

Investments and cash flow

The cash flow from operations was EUR -7.9 million (in 2007 EUR -4.1 million). The company's investments during the reporting period amounted to EUR 110 thousand (EUR 15 thousand in 2007).

The cash flow from operating activities in July - September was EUR -2.1 million (EUR -1.1 million in 2007). Investments during the third quarter amounted to EUR 1 thousand (EUR 5 thousand in 2007).

Personnel

During the reporting period, the company's personnel was on average 35 (35 in 2007, 38 in 2006) and at the end of the reporting period 34 (36 on September 30, 2007 and 36 on September 30, 2006).

The ten biggest shareholders of Biotie on September 30, 2008

	Number of shares	%
Finnish Innovation Fund (Sitra)	14,585,350	16.30
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:	2,485,715	2.78
- BioFund Ventures III Ky (2,485,715)		
Harri Markkula and his controlled company:	1,330,500	1.49
- Tilator Oy (369,700)		
- Markkula Harri (960,800)		
Oy H. Kuningas & Co AB	1,058,371	1.18
Oksanen Markku	690,000	0.77
Alfred Berg Small Cap Finland Fund	670,000	0.75
Funds administered by Aboa Venture Management Oy	344,618	0.39
- Aboa Venture Ky II (336,747)		
- Karhu Pääomarahasto Ky (7,871)		
Nacawi Ab	313,067	0.35
	34,793,885	38.89
Nominee registered shares total	27,100,465	30.29
Other shareholders	27,568,510	30.82
Outstanding shares	89,462,860	100.00
The number of the company's own shares held by Biotie Therapies	749,000*)	
Total	90,211,860	

*) The company has in its possession 819.000 of its own shares. Relating to the company's option programs, the company has signed a stock lending agreement with EVLI Bank in January, 2007. Pursuant to this program, the number of the company's own shares in its possession may be temporarily less than 819,000.

Short-term risks and uncertainties

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 and availability of capital. 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

- Lundbeck is expected to start additional phase III studies with nalmefene in its alcohol indication in 2008.

- Operating costs in 2008 have previously been estimated to be somewhat higher than in 2007. As some clinical study costs have moved forward the 2008 operating costs are expected to be approximately at the same level as in 2007.

- Revenue in 2008 is estimated to be approximately EUR 5 to 6 million and consists of periodization of already received payments based on established revenue recognition principles. The company is not expecting new milestone payments based on existing agreements in 2008.

IFRS and Accounting principles

The interim report does not comply with all requirements of IAS 34, Interim Financial Reporting. Biotie has applied the same accounting principles as in the closing of year 2007 except for the effect of changes required by interpretations and amendments entered in force in 2008. Interpretation (IFRIC 11, 'IFRS 2 Group and treasury share transactions') and amendments (IAS 39 and IFRS 7 'Reclassification of financial assets') have no material impact on the group's interim financial statements.

In addition to new standards and interpretations presented in the annual financial statements for 2007 the group will adopt in 2009 the amended standard 'IAS 39 (amendment) Financial instruments: Recognition and measurement - Eligible Hedged Items' as well as interpretations IFRIC 15 'Agreements for the Construction of Real Estate' and IFRIC 16 'Hedges of a Net Investment in a Foreign Operation'. These amendments and interpretations are not expected to have material impact on the group's financial statements.

This interim report is unaudited.

In Turku, October 24, 2008

Biotie Therapies Corp.

Board of Directors

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APPENDICES TO THE FINANCIAL STATEMENTS

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FINANCIAL STATEMENT

EUR 1,000	1.7.- 30.9.2008 3 months	1.7.- 30.9.2007 3 months	1.1.- 30.9.2008 9 months	1.1.- 30.9.2007 9 months	1.1.- 31.12.2007 12 months
Revenue	791	1,520	3,950	6,730	7,895
Research and development expenses	-1,076	-2,263	-6,276	-5,812	-9,053
General and administrative expenses	-302	-313	-1,201	-1,276	-1,655
Other operating income	59	186	179	870	1,044
Operating profit/loss	-528	-871	-3,348	512	-1,769
Financial income	273	127	508	728	860
Financial expenses	-245	-196	-962	-597	-817
Profit/loss before taxes	-500	-940	-3,802	643	-1,726
Taxes	0	0	0	0	0
Net income/loss	-500	-940	-3,802	643	-1,726
Distribution					
To parent company Shareholders	-500	-940	-3,802	643	-1,726
Earnings per share (EPS) basic & diluted, EUR	-0.01	-0.01	-0.04	0.01	-0.02

BALANCE SHEET

EUR 1,000	30.9.2008	30.9.2007	31.12.2007
Assets			
Non-current assets			
Intangible assets	707	760	747
Property, plant and equipment	350	78	332
Financial assets at fair value through profit or loss	0	16,621	14,938
	1,057	17,459	16,017
Current assets			
Accounts receivables and other receivables	1,181	840	753
Investments held to maturity	18,300		0
Financial assets at fair value through profit or loss	0	12,000	13,000
Cash and cash equivalents	2,667	642	305
	22,148	13,482	14,058
Total	23,205	30,941	30,075
Equity and liabilities			
Shareholders' equity			
Share capital	19,779	19,850	19,850
Reserve for invested unrestricted equity	980	980	980
Retained earnings	-31,808	-30,589	-30,220
Net income/loss	-3,802	643	-1,726
Shareholders' equity total	-14,852	-9,117	-11,117
Non-current liabilities			
Provisions	0	15	14
Non-current financial liabilities	24,472	23,493	23,603
Other non-current liabilities	8,637	9,836	10,098
	33,109	33,344	33,715
Current liabilities			
Provisions	18	16	20
Current financial liabilities	143	11	104
Accounts payable and other current debts	4,787	6,687	7,353
	4,948	6,714	7,477
Liabilities total	38,057	40,058	41,192
Total	23,205	30,941	30,075

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

Attributable to equity holders of the parent company

EUR 1,000	Shares (1000 pcs)	Share Capital	Reserve For invested Un- restricted equity	Own Shares	Retained Earnings	Share- holders' equity total
Balance at 1.1.2007	89,531	19,850	0	-15	-30,641	-10,807
Net income/loss for the period					643	643
Options granted					68	68
Share subscription with Convertible capital loans	450		841			841
Share subscription with Option rights	231		139			139
	681	0	980	0	711	1,690
BALANCE AT 30.9.2007	90,212	19,850	980	-15	-29,930	-9,117
Net income/loss for the period					-2,369	-2,369
Options granted					369	369
	0	0	0	0	-2,000	-2,000
BALANCE AT 31.12.2007	90,212	19,850	980	-15	-31,930	-11,117
Net income/loss for the period					-3,802	-3,802
Options granted					138	138
Expenses related to share issue		-71				-71
	0	-71	0	0	-3,664	-3,735
BALANCE AT 30.9.2008	90,212	19,779	980	-15	-35,594	-14,852

CASH FLOW STATEMENT

EUR 1,000	1.1.- 30.9.2008 9 months	1.1.- 30.9.2007 9 months	1.1.- 31.12.2007 12 months
Cash flow from operating activities			
Net income/loss	-3,802	643	-1,726
Adjustments:			
Non-cash transactions	238	140	443
Addition/disposal due to revaluation of financial assets at fair value through profit or loss	0	-606	-644
Interest expenses and other financial expenses	962	598	817
Interest income	-508	-728	-216
Taxes	0	0	0
Change in working capital:			
Change in accounts receivables and other receivables	-44	-254	-190
Change in accounts payable and other liabilities	-4,732	-3,951	-3,799
Change in mandatory provisions	-15	12	10
Interests paid	-5	-15	-40
Interests received	39	108	57
Taxes paid	0	0	0
Net cash from operating activities	-7,867	-4,053	-5,288
Cash flow from investing activities			
Change in financial assets at fair value through profit or loss			
Additions	0	-3,000	-4,500
Disposals	27,685	2,952	5,280
Change in investments held to maturity			
Additions	-21,800	0	0
Disposals	3,598	0	0
Investments to tangible assets	-28	-15	-23
Net cash used in investing activities	9,456	-63	757
Cash flow from financing activities			
Payments from share issue	0	139	139
Expenses related to share issue	-71	0	0
Proceeds from borrowings	888	786	874
Repayment of loans	-40	-40	-40
Repayment of lease commitments	-4	-14	-23
Net cash from financing activities	774	872	950
Net increase (+) or decrease (-) in cash and cash equivalents	2,362	-3,244	-3,581
Cash and cash equivalents in the beginning of the period	305	3,886	3,886
Cash and cash equivalents in the end of the period	2,667	642	305

KEY FIGURES

EUR 1,000	1.1.- 30.9.2008 9 months	1.1.- 30.9.2007 9 months	1.1.- 31.12.2007 12 months
Business development			
Revenues	3,950	6,730	7,895
Personnel on average	35	35	36
Personnel at the end of period	34	36	37
Research and development costs	6,276	5,812	9,053
Capital expenditure	110	15	287
Profitability			
Operating profit/loss	-3,348	512	-1,769
as percentage of revenues, %	-84.8	7.6	-22.4
Profit/loss before taxes	-3,802	643	-1,726
as percentage of revenues, %	-96.3	9.5	-21.9
Balance sheet			
Cash and cash equivalents	20,967	29,263	28,243
Shareholders equity	-14,852	-9,117	-11,117
Balance sheet total	23,205	30,941	30,075
Financial ratios			
Return on equity, %	-	-	-
Return on capital employed, %	-33.9	12.2	-7.2
Equity ratio, %	-64.0	-29.5	-37.0
Gearing, %	-24.6	63.2	40.8
Per share data			
Earnings per share (EPS) basic & diluted, EUR	-0.04	0.01	-0.02
Shareholders' equity per share, EUR	-0.17	-0.10	-0.12
Dividend per share, EUR			
Pay-out ratio, %			
Effective dividend yield, %			
P/E-ratio			
Share price			
Lowest share price, EUR	0.47	0.83	0.75
Highest share price, EUR	0.94	1.22	1.22
Average share price, EUR	0.67	0.99	0.98
End of period share price, EUR	0.48	1.04	0.76
Market capitalization at the end of period MEUR	43.3	93.8	68.6
Trading of shares			
Number of shares traded	8,542,915	31,727,304	35,093,743
As percentage of all	9.5	35.2	38.9
Adjusted weighted average Number of shares during the period	90,211,860	89,831,492	90,003,192
Adjusted number of shares at the end of the period	90,211,860	90,211,860	90,211,860

RELATED PARTY TRANSACTIONS

There have not been material changes within the related party transactions in 2008.

CONTINGENT LIABILITIES

EUR 1,000	30.9.2008	30.9.2007	31.12.2007
Lease commitments	146	120	159
Rental commitments	570	689	651
Total	716	809	810

Formulas for the Calculation of the Financial Ratios

Return on capital employed, %

Profit (loss) before taxes + interest expenses and other financial expenses
----- x 100
Balance sheet total - non-interest bearing liabilities

Equity ratio, %

Shareholders' equity
----- x 100
Balance sheet total - advanced received

Gearing, %

Interest bearing liabilities - cash and cash equivalents
----- x 100
Shareholders' equity

Earnings per share (EPS)

Profit before extraordinary items, appropriations and taxes - minority interest
- taxes

Adjusted average number of outstanding shares during the period

Shareholders' equity per share

Shareholders' equity

Adjusted average number of outstanding shares at the end of the period