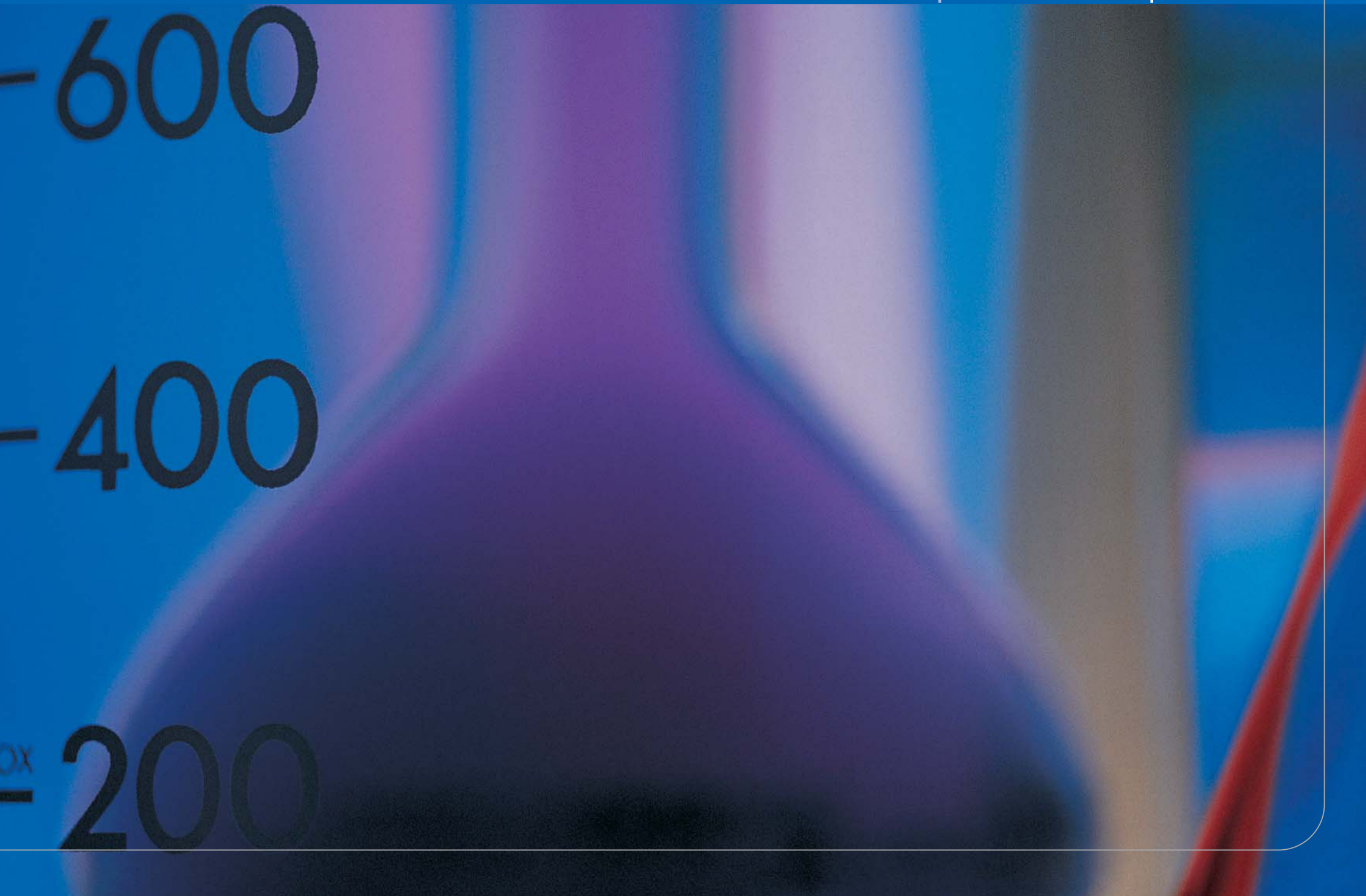
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BioTie in Brief

BioTie's Strategy

BioTie is a drug development company focusing on dependence disorders, inflammatory diseases and thrombosis. Candidate drugs are primarily developed until phase II clinical studies (Proof of Concept) and then licensed to pharmaceutical companies. Research and product development is carried out in cooperation with academic research groups and with contract research organizations and contract manufacturing organizations.

The year 2005 in brief

- BioTie North-American licensing partner Somaxon Pharmaceuticals started a phase II/III clinical study in patients suffering from pathological gambling and a pilot phase II study in nicotine addiction (smoking cessation). Results are expected late in 2006.
- The company continued the development of a fully human antibody in its VAP-1 antibody program.
- BioTie and Roche continued their collaboration to develop BioTie's proprietary small molecule vascular adhesion protein-1 (VAP-1) SSAO inhibitors targeting inflammatory diseases.
- In October 2005 BioTie and sanofi-aventis agreed not to renew the option agreement that ended on March 31, 2005. Based on the good initial technical progress during the collaboration BioTie plans to continue the recombinant heparin program with a new development partner.
- Financial statements have been prepared in accordance with the IFRS standards. BioTie adopted IFRS at the beginning of 2005.
- The company raised EUR 6.6 million in an equity offering in June 2005.
- The National Technology Agency (Tekes) granted 2.5 million euros additional funding for BioTie's VAP-1 antibody program.
- The net loss in financial year 2005 stood at EUR –7.9 million (in 2004 EUR –9.6 million). Cash flow from operating activities was EUR –7.8 million (EUR –6.1 million in 2004).
- The company's liquid assets amounted to EUR 7.1 million (in 2004, EUR 7.0 million) as at December 31, 2005.

First-in-class pharmaceuticals

Nalmefene: close to market*

- First oral drug therapy to reduce heavy drinking in alcoholism
- First drug therapy for pathological gambling

Two VAP-1 programs:

- First-in-class therapeutics with new mechanism of action to address the fast growing inflammatory disease market

Bioheparin:

- First recombinant low molecular weight heparin (LMWH) for the growing thrombosis market; established mechanism of action

α2ß1 integrin inhibitor:

- First-in-class, oral, anti-platelet agent for thrombosis, with new mechanism of action

* Nalmefene is already FDA approved as antidote for opiate overdose (iv formulation)

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President's Review

Drug therapy is one of the cornerstones of modern medicine. In Europe, government-associated reimbursement authorities tend to view pharmaceuticals solely as a cost factor in healthcare but it is evident that drug therapy, appropriately prescribed and used, is highly efficacious, safe, and also the most cost effective mode of therapy.

During 2005 we at BioTie have focused our development efforts in three major areas of medicine. We are a pioneer in developing new drug therapies for dependence disorders, an area of significant unmet medical need. Further, we pursue two independent, first-in-class therapeutics opportunities for the fastest growing pharmaceutical market segment today, inflammatory diseases. One additional first-in-class pharmaceutical in development, our integrin $\alpha 2ß1$ inhibitor, is addressing the growing thrombosis market and our unique bioheparin product is targeted to become the first non-animal derived heparin on the growing three billion euro heparin product market.

Alcohol dependence is one of the biggest healthcare problems in the developed world and gambling addiction is a devastating illness affecting millions of patients in key markets. The efficacy of current treatments and available pharmaceuticals is limited and leaves market opportunity for new therapies. BioTie's nalmefene is profiled to help patients fight their addictions.

Our first full year of partnership with Somaxon Pharmaceuticals has been successful. Somaxon has demonstrated its commitment to the partnership by investing significantly in a vigorous clinical development program for nalmefene in the US. Somaxon has initiated a confirmatory phase II/III clinical trial for pathological gambling and a pilot phase II clinical trial investigating nalmefene for smoking cessation (nicotine addiction). We expect results from both trials to be available in late 2006. In commercial terms for BioTie, the first nalmefene indication in North America could be valued at up to $13.2 million in milestone payments and the parties have also agreed on royalties from sales. Additional indications would generate additional milestone and royalty revenue. In Europe and Japan, we are aiming at commercialising nalmefene program during 2006.

We have been working with the leading company in fully human antibody technology to develop a product targeting VAP-1 for chronic inflammatory diseases such as rheumatoid arthritis. The first animal studies with the candidate fully human antibody suggest that the strategy to focus on fully human antibodies has been correct. Manufacturing for extended preclinical and clinical studies is ongoing.

Our valued partner Seikagaku Corporation has licensed the rights for the antibody program for Japan, Taiwan, Singapore, New Zealand, and Australia and has agreed to pay BioTie up to $16.7 million in milestone payments plus royalties of sales in the territory. Seikagaku is also responsible for clinical development costs to bring the product to market in the territory.

In the beginning of 2005 F. Hoffmann la Roche and BioTie started to collaborate to develop small molecule VAP-1 SSAO inhibitors for inflammatory diseases. With a unique win-win collaboration and option agreement structure the program has progressed with Roche actively contributing its expertise in the development effort. Under the terms of the collaboration BioTie retains ownership of the developed compounds until Roche chooses to exercise its option for in-licensing. At defined stages, Roche has an exclusive option to license any VAP-1 SSAO inhibitor candidate worldwide, excluding Japan, Taiwan, Singapore, New Zealand, and Australia; for which countries Seikagaku Corporation holds an exclusive option. If Seikagaku exercises its option, BioTie will receive up to $16.7 million in milestone payments plus royalties of sales in the territory based on the pre-negotiated licensing agreement. Seikagaku will also be responsible for clinical development costs to bring the product to market in the territory. Roche has agreed to paying BioTie up to five million euros to maintain its exclusive option for rest-of-world rights.

BioTie's bioheparin is the first non-animal-derived heparin and is produced using technology patented by the company. In 2004 BioTie signed a commercial research and option agreement with Aventis for the joint development of a new oral recombinant heparin-like product for the prevention and treatment of blood coagulation disorders. BioTie granted Aventis an exclusive one-

year right to negotiate a licensing agreement, for which exclusive option Aventis agreed to pay BioTie up to total of five million euros in signing fee and milestone payments.

The option agreement ended in March 2005. Based upon the progress of the joint project, BioTie and following the takeover of Aventis by Sanofi, now sanofi-aventis, continued negotiations on the extension of the agreement. However, in October 2005 the two companies agreed not to renew it. Based on the good technical progress during the collaboration BioTie plans to continue the bioheparin program when a new development partner has been identified.

The first-in-class integrin α2ß1 inhibitor is being developed for thrombosis, with additional potential for cancer and inflammation. Potent inhibitors have been identified and patented, however, according to the strategy the program has not been actively offered for partnering at this stage.

I believe we have been successful in finding the right licensing and development partners for our programs. In 2005 the combined value of our commercial agreements in milestone payments alone was over 45 million euros. We worked hard on the bioheparin program and it was disappointing that the option agreement did not lead to a licensing agreement. In compensation, however, Somaxon, Roche, and Seikagaku have each made a considerable effort to forward our joint programs.

The finance market for biotech in Europe remained very difficult in 2005. BioTie's financing situation continued to be challenging. The loss for the financial year decreased from year 2004 and amounted to EUR 7.9 million. Last year the National Technology Agency Tekes continued to be a significant financier in granting EUR 2.5 million loan for the VAP-1 monoclonal antibody project. The company is studying alternatives to secure its future financing.

Finally, I should wish to thank our shareholders for their confidence and our partners for good collaboration. My special thank you goes to the staff for their ability to adjust to the continued change in our environment during 2005.

Timo Veromaa
President and CEO

Partnering Agreements

Current agreements:

13,2 M Licensing agreement (North-American rights) with **Somaxon Pharmaceuticals** covering nalmefene for the treatment of dependence disorders

16,7 M Licensing agreement (Far East) with **Seikagaku Corporation** covering VAP-1 monoclonal antibody

5,0 M Collaboration and option agreement (global rights excluding Far East) with **Roche** covering VAP-1 SSAO small molecule inhibitor

16,7 M Option for licensing agreement (Far East) with **Seikagaku Corporation** covering VAP-1 SSAO small molecule inhibitor

Agreement ended in 2005:

5,0 M Global option agreement with **Aventis** for development of oral recombinant heparin

Annual General Meeting

The Annual General Meeting of Biotie Therapies Corp. will be held on Thursday March 30, 2006, commencing at 10 a.m. at the Mauno Koivisto Centre in Turku (Tykistökatu 6). Registration begins at 9.30 a.m.

Shareholders are entitled to participate in the Annual General Meeting if they are registered in the company's shareholders' register kept by the Finnish Central Securities Depository Ltd. on March 20, 2006.

Notifications

Shareholders wishing to participate in the Annual General Meeting must notify the company thereof no later than March 27, 2006, by 4 p.m. at the latest either in writing to Biotie Therapies Corp., Ms. Virve Nurmi, Tykistökatu 6, FI-20520 Turku, Finland, virve.nurmi@biotie.com or by phone +358 2 274 8911 during office hours (at 9.00 a.m. – 4.00 p.m. Finnish time) from Monday to Friday. The letter of participation must arrive at the company before the expiration of the above mentioned period for notification. Any letters of authorization must be submitted in connection with the notification of participation.

Financial publications

The annual report and the company's financial reports are published in Finnish and English.

The 2006 interim reports will be published as follows:

- January – March
  Thursday April 27, 2006
- January – June
  Friday August 11, 2006
- January – September
  Friday October 27, 2006

Share Register

Shareholder mailings are made based on the information in the shareholder's register kept by the Finnish Central Securities Depository Ltd. Shareholders are kindly requested to inform the custodian of their book-entry account of any changes in contact details.

Share Basics

The shares of Biotie Therapies Corp. are quoted on the NM list of Helsinki Stock Exchange. (From the Prelist to the NM List of Helsinki Stock Exchange on October 8, 2003).

Category	Health Care
ISIN code	FI0009011571
Trading code	BTH1V
Lot size	100
Book equivalent value	EUR 0.02
Number of shares, Dec. 31, 2005	52 675 221
12-month low	EUR 0.49
12-month high	EUR 1.06
All time high	EUR 2.66
All time low	EUR 0.40
Dec. 30, 2005	EUR 0.53
Average rate	EUR 0.75
The company's market value,	
Dec. 31, 2004	EUR 40.4 million
Dec. 31, 2005	EUR 27.9 million

The share taxation value in Finnish taxation for the year 2005 is EUR 0.35.

Share Capital and Shares

During the financial year, the registered share capital of Biotie Therapies Corp. increased due to the share subscriptions made on December 31, 2004, allowed by the option rights, by EUR 37.20 to EUR 878 185.92 and the number of shares increased by 1 860 shares to 43 909 296 shares.

The registered share capital of Biotie Therapies Corp. increased due to share issue by EUR 175 318.50 to EUR 1 053 504.42, and the number of shares increased by 8 765 925 shares to 52 675 221 shares. According to the Articles of Association, the minimum number of shares is 10 000 000 and the maximum number of shares is 100 000 000.

Authorization to increase share capital and dispose of own shares

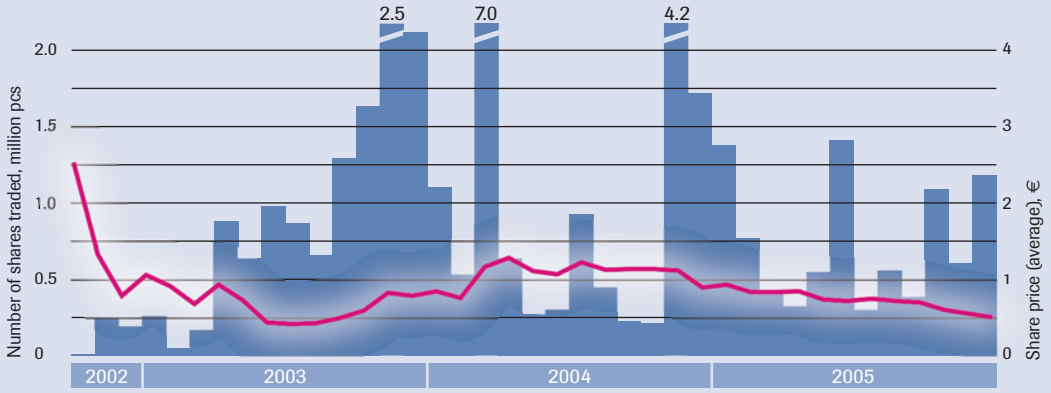
The authorization to issue shares remains in force until March 29, 2006. Under the authorization, the share capital can be increased by the maximum of EUR 155 000 or 7 750 000 shares. The Board of Directors is authorized to dispose of own shares until March 29, 2006. The authorization covers the 819 000 shares owned by the company.

Investor Relations

BioTie's investor relations are the responsibility of Timo Veromaa, President and CEO Tel. +358 2 274 8901 or timo.veromaa@biotie.com and Jari Saarinen, CFO Tel. +358 2 274 8954 or jari.saarinen@biotie.com

To order these publications, please send your request to Biotie Therapies Corp., Virve Nurmi, Tykistökatu 6, FI-20520 Turku, Finland or call her at +358 2 274 8911. The publications can also be ordered via virve.nurmi@biotie.com

Trading volume and average price of BioTie's shares Oct 31, 2002 – Dec 30, 2005



Options

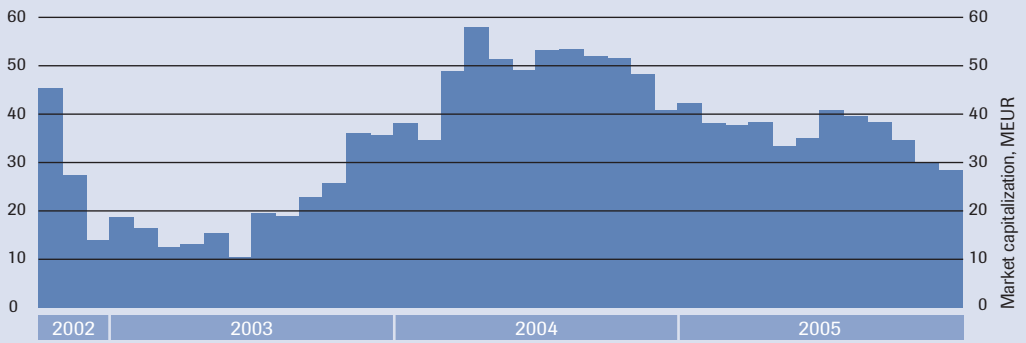
Options 2002 I	
Number of option rights, total	12 000
Subscribed	12 000, of which 3 000 cancelled
Shares subscribed	0
Option rights remaining	9 000
Entitled to subscribe a total of 81 000 shares of which owned by the Group	9 000
Subscription period	C-series (4 500): 1.5.2004–1.5.2005 D-series (4 500): 1.10.2005–1.10.2006
Subscription terms	9 shares for one option right 1 share for EUR 6.78
Options 2002 III	
Number of option rights, total	475 291
Subscribed	475 291
Shares subscribed	0
Option rights remaining	475 291
Entitled to subscribe a total of 475 291 shares of which owned by the Group	358 118
Subscription period	A-series (178 721): 1.11.2002–31.12.2005 B-series (170 087): 1.1.2003–31.12.2005 C-series (63 241): 1.1.2003–31.12.2005 D-series (63 242): 1.1.2004–31.12.2005
Subscription terms	One share for one option right A and B series: 1 share for EUR 4.32 C and D series: 1 share for EUR 10.74
Options 2004	
Number of option rights, total	2 000 000
Subscribed	2 000 000
Shares subscribed	0
Option rights remaining	2 000 000
Entitled to subscribe a total of 2 000 000 shares of which owned by the Group	422 000
Subscription period	A-series (800 000): 1.1.2005–31.12.2009 B-series (600 000): 1.1.2006–31.12.2009 C-series (600 000): 1.1.2007–31.12.2009
Subscription terms	One share for one option right A-series: 1 share for EUR 0.90 B-series: 1 share for EUR 0.98 C-series: 1 share for EUR 1.07

Owners December 30, 2005

The information on shareholders is based on shareholders' register kept by the Finnish Central Securities Depository.

	Number of shares	%
Finnish Industry Investment Ltd	13 557 185	26.14
Finnish Fund for Research and Development (Sitra)	12 624 566	24.35
Juha Jouhki and his controlled companies	3 786 286	7.30
- Dreadnought Finance Oy (1 598 416)		
- Jouhki Juha (1 249 970)		
- Thominvest Oy (937 900)		
Funds administered by BioFund Management Oy:	3 422 198	6.60
- BioFund Ventures III Ky (2 485 715)		
- BioFund Ventures I Ky (936 483)		
Funds administered by Aboa Venture Management Oy:	894 666	1.73
- Aboa Venture Ky I (542 142)		
- Aboa Venture Ky II (336 747)		
- Ganal Venture Ky (7 906)		
- Karhu Pääomarahasto Ky (7 871)		
Oy H. Kuningas & Co AB	551 564	1.06
Lassila Markus	444 501	0.86
Oksanen Markku	420 000	0.81
Suupohjan Osuuspankki	308 600	0.60
Kymäläinen Olli	305 454	0.59
	36 315 020	70.03
Other shareholders	15 541 201	29.97
Outstanding shares	51 856 221	100
The number of the company's own shares held by Biotie Therapies	819 000	
Total	**52 675 221**	

Market capitalization per month Oct 31, 2002 - Dec 30, 2005



Notices of change in holdings

During Biotie Therapies Corporation's share issue organized between June 1, 2005 and June 14, 2005, Finnish Industry Investment Ltd subscribed a total of 2 953 083 shares of Biotie Therapies Corp. Consequently, the voting rights and share capital of Finnish Industry Investment Ltd in Biotie Therapies Corp. increased from 24.15 percent to 26.44 percent. The increase in share capital as regards the subscribed shares was recorded in the Finnish Trade Register as of June 17, 2005.

Distribution of shareholders, December 30, 2005

Number of shares	Shareholders	% of shares	Number of shares	% of shares
1–500	2 351	46.71	521 709	0.99
501–1 000	829	16.47	712 410	1.35
1 001–10 000	1 611	32.01	5 464 718	10.37
10 001–100 000	209	4.15	5 616 424	10.66
100 001–500 000	23	0.46	5 029 283	9.55
500 001–	10	0.20	35 302 941	67.02
Total	5 033	100.00	52 647 485	99.95
Of which nominee register accounts	4		280 192	0.53
In joint account			27 736	0.05
Total shares issued			**52 675 221**	**100.00**

Type of Shareholders	Number of shares	% of shares
Corporations	23 859 838	45.30
Financial and insurance institutions	1 356 662	2.58
Non-profit organizations	13 232 308	25.12
Households	14 162 783	26.89
Foreign	35 894	0.07
Total	52 647 485	99.95
Of which nominee register accounts	280 192	
In joint account	27 736	0.05
Total	**52 675 221**	**100.00**

Management interest	Number of shares	% of shares and votes
CEO and Board members	1 250 184	2.37

Option programs, December 31, 2005

Number of shares entitled to subscribe with options	Number of shares	% of shares and votes
CEO and Board members	300 000	0.57
Other option holders	1 395 173	2.65
Held by Group	861 118	1.63
Total	**2 556 291**	**4.85**

Insider holdings of shares and options, December 30, 2005

Name	Position	Shares	Shares to be subscribed by options
Public Insiders:			
Juha Jouhki	Chairman of the Board	1 249 970	-
Pauli Marttila	Member	214	-
Piet Serrure	Member	-	-
Riku Rautsola	Member	-	-
Timo Veromaa	CEO	-	300 000
Johan Kronberg	Auditor	-	-
Tomi Moisio	Auditor	-	-
Total		**1 250 184**	**300 000**
Company-specific insider register:			
Antero Kallio	Director, Drug Development	43 900	40 000
Kai Lähdesmäki	Vice President, Business Development	-	300 000
Anne Marjamäki	Research Director	-	40 000
Jari Saarinen	CFO	-	300 000
David Smith	Research Director	-	40 000
Leena Hyytiä	Chief Accountant	86	20 000
Sirpa Laihinen	Human Resources Manager	-	20 000
Leena Korhonen	Executive assistant	-	20 000
Virve Nurmi	Executive assistant	-	20 000
Kristiina Salaterä	Executive assistant	-	20 000
Mikko Heinonen	Secretary of the Board of Directors	-	-
Total		**43 986**	**820 000**

Anne Marjamäki Jari Saarinen
Kai Lähdesmäki Timo Veromaa
David Smith Antero Kallio

Timo Veromaa

Born: 1960
Place of residence: Turku
Education: M.D., Ph.D. Special Competence in Pharmaceutical Medicine
Position at BioTie: President and CEO
Appointed to the Management Team: December 1998
Employment history: With Biotie Therapies Corp. since 1998. Vice President, R&D (1998–2005). President and CEO from May 2005. Medical Director of Schering Oy (1996–1998), Program Leader at Collagen Corporation (California, USA, 1994–1996). Postdoctoral Fellow at Stanford University (California, USA, 1990–1993), Scientist at the University of Turku, Finland (1985–1990).
Other major duties: –
Salaries and other benefits in 2005: EUR 141 575
Number of shares held in BioTie: –
Option rights: 300 000

Antero Kallio

Born: 1960
Place of residence: Turku
Education: M.D., Ph.D., Special Competence in Pharmaceutical Medicine, Postgraduate Certificate in Pharmacovigilance
Position at BioTie: Director, Drug Development
Appointed to the Management Team: June 2005
Employment history: Biotie Therapies Corp. (formerly Contral Pharma): Director of Clinical Research since 1998, Director, Drug Development since February 2005. Leiras Oy: Head of Drug Safety (1995–1998), acting Medical Director (1996–1997). Farmos Group Ltd and Orion Corporation: Project Manager and Research Manager (1988–1995). Orion-Farmos, Inc. (California, USA): VP, Clinical Research (1993–1994). Scientist at the University of Turku, Finland (1986–1988).
Other major duties: –
Number of shares held in BioTie: 43 900
Option rights: 40 000

Kai Lähdesmäki

Born: 1945
Place of residence: Paimio
Education: M.Sc. (Pol. Sc.)
Position at BioTie: Vice President, Business Development
Appointed to the Management Team: April 1999
Employment history: With Biotie Therapies Corp. since 1999. MediNet International Ltd.: President and Member of the Board of Directors (1990–1999). Farmos Group Ltd.: various management positions. Last position VP, International Division and member of the corporate Internal Board (1973–1990).
Other major duties: Chairman of the Board at Delsitech Ltd., Chairman of the Board at Bioxid Ltd., Member of the Board of StickTech Ltd.
Number of shares held in BioTie: –
Option rights: 300 000

Anne Marjamäki

Born: 1964
Place of residence: Kaarina
Education: Ph.D. (Pharmacology), docent (molecular pharmacology)
Position at BioTie: Research Director
Appointed to the Management Team: June 2005
Employment history: With Biotie Therapies Corp. since 2000. Senior Scientist at the University of Turku (1996–2000), Medical Writer at Clinical Research Services Turku (CRST, 1999–2000). Postdoctoral Fellow at Medical University of South Carolina (1995–1996), Scientist at the University of Turku (1989–1994).
Other major duties: –
Number of shares held in BioTie: –
Option rights: 40 000

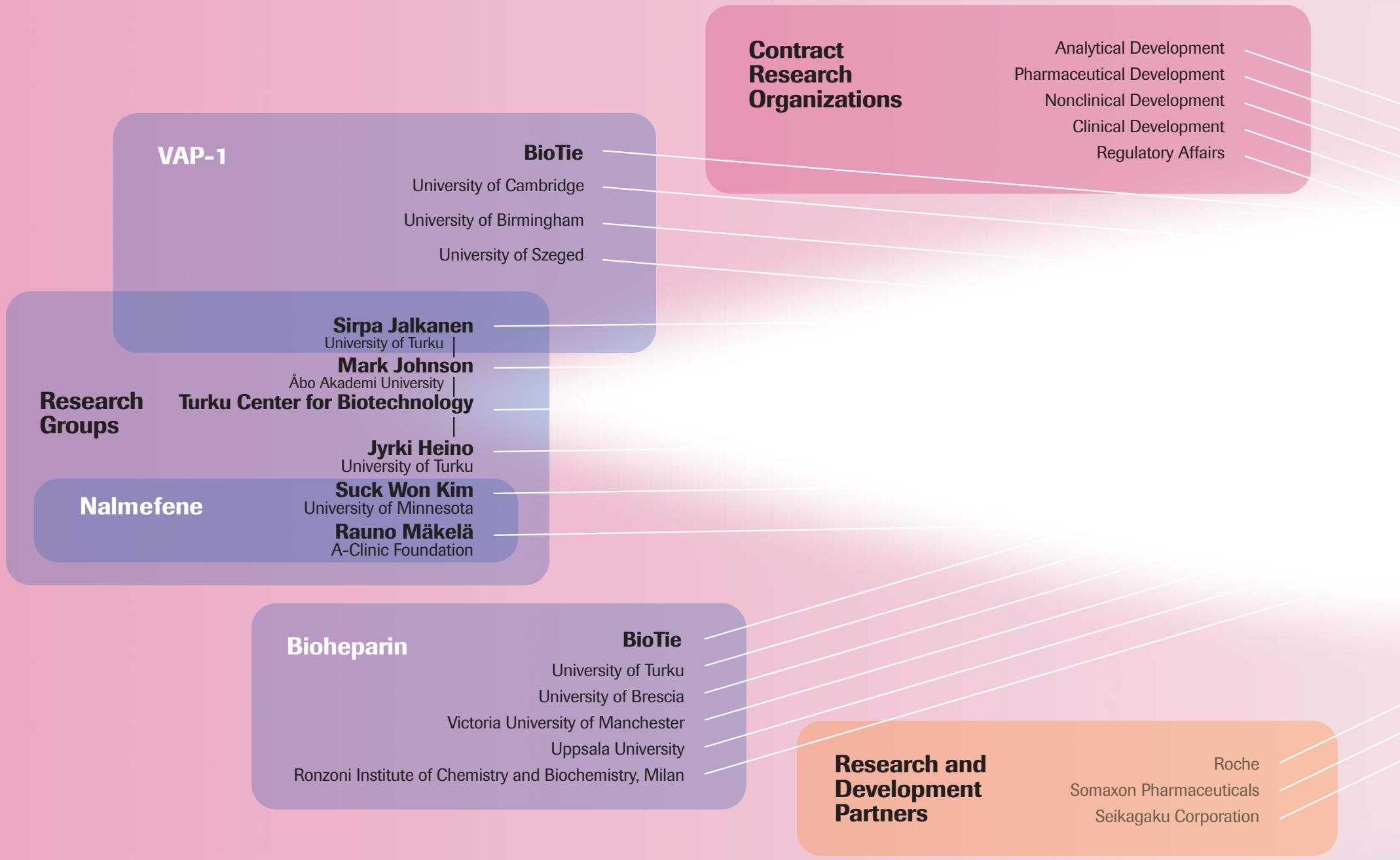
Jari Saarinen

Born: 1959
Place of residence: Naantali
Education: M.Sc. (Econ.)
Position at BioTie: CFO, VP Finance
Appointed to the Management Team: May 2000
Employment history: Biotie Therapies Corp: CFO since 2000 and CEO (from November 2002 to May 2005). MacGREGOR Group: Deputy General Manager, Global Services Division of MacGREGOR Group (1999–2000) and Senior Vice President, Finance, of MacGREGOR Group (1992–1998). Kone Corporation: Controller in Finland, the United States and Canada (1983–1992).
Other major duties: Board member at Biovian Oy
Number of shares held in BioTie: –
Option rights: 300 000

David Smith

Born: 1963
Place of residence: Naantali
Education: Ph.D.
Position at BioTie: Research Director
Appointed to the Management Team: June 2005
Employment history: With Biotie Therapies Corp. since 1997. Research Director since 1999. EMBO Fellow at the University of Turku from 1993 to 1997 and Research Scientist at the Glaxo Institute for Molecular Biology (Geneva, Switzerland) from 1990 to 1993. Scientist at Bristol University (UK) 1985–1989.
Other major duties: –
Number of shares held in BioTie: –
Option rights: 40 000

Network of Scientific Collaboration



Biotie Therapies
Research and Development

Extensive network of top researchers to support drug development

BioTie has an extensive collaborative network of Finnish and international researchers, through which the company has access to a large pool of international high-quality research projects.

The most important academic collaborative partners of the company include:

- Professor David Adams, University of Birmingham. During the last few years, Professor Adams's research group has been studying leukocyte adhesion mechanisms and diseases of the liver.
- Mike Clark, Ph.D., University of Cambridge. Dr. Clark is one of the pioneers in the development of monoclonal antibody drugs.
- Professor Jyrki Heino, University of Turku. Professor Heino's research group focuses on the structure-function analysis of integrin and the cell signaling related to collagen receptors. Professor Heino's research group was the first to describe the binding of the α2ß1 integrin receptor and its peptide ligand at the molecular level.
- Professor Sirpa Jalkanen, University of Turku and National Public Health Institute. Professor of the Academy of Finland and Director of the Center of Excellence. She has been involved in the analysis of leukocyte migration mechanisms in connection with physiological and pathological conditions for more than twenty years.
- Professor Mark Johnson, Åbo Akademi University. Head of information and structure unit. At present his research group is studying the three-dimensional structure of proteins and performing drug discovery work using structure based drug design.
- Professor Riitta Lassila, Helsinki University Hospital, has focused on the investigation of the mechanisms involved in blood coagulation. As a part of the research the role of different adhesion molecules, such as α2ß1 integrin on thrombus formation has been studied.
- Professor Ulf Lindahl, University of Uppsala. His research work has focused on the structure, biosynthesis and function of carbohydrates such as heparin. The development of a technology suitable for the production of bioheparin and other similar polysaccharides arose from projects financed by the EU Commission.
- Professor Benito Casu and Dr. Giangiacomo Torri, Instituto Scientifico di Chimica e Biochimica "G. Ronzoni", Italy. Experts in carbohydrates similar to heparin.
- BioTie has an active collaboration with the University of Szeged and the Bay Zoltan Foundation (Szeged, Hungary). BioTie has synthesized and patented novel organic small molecules with the group of Professor Ferenc Fülop. The Research groups of Professor György Falkay and Dr. Tibor Krenacs have evaluated the effect of compounds developed by BioTie in animal models of inflammation.
- The company participates in a research program financed by the European Union: Heparanase Inhibitors in Antiangiogenic and Antimetastatic Cancer Therapy (HEPARANASE). The researchers participating in the programs represent the highest expertise in the target area in Europe. The company has the right of first refusal concerning the utilization of new discoveries and technologies. The HEPARANASE 2002–2005 program studies the ability of K5-based polysaccharides to prevent the neovascularization necessary for cancer growth and the formation of metastases. The HEPARANASE program is coordinated by Professor Benito Casu (Ronzoni Institute, Italy).
- Professor Suck Won Kim, University of Minnesota, Psychiatry Department. Dr. Kim is an expert in drug therapies for impulse control disorders.
- Chief Physician Rauno Mäkelä, A-Clinic Foundation, the largest substance abuse treatment and prevention organization in Finland.
- Dr. Jon Grant, University of Minnesota. Expert in drug therapies for impulse control disorders.

Product	Potential indications
Nalmefene	Alcoholism and alcohol dependence.
Nalmefene	Pathological gambling (gambling addiction).
Fully human monoclonal VAP-1 antibody	Treatment of moderate to severe inflammatory diseases.* Treatment of severe life-threatening inflammatory conditions.**
Small molecule VAP-1 SSAO enzyme inhibitor	Treatment of mild to moderate inflammatory diseases.*
Recombinant bioheparin	Prevention and treatment of thrombosis in patients with deep vein thrombosis, pulmonary thrombosis, myocardial infarction or unstable angina pectoris. Treatment of hemodialysis patients.
Small molecule α2ßI integrin inhibitor	Treatment of myocardial and cerebral infarction and prevention of vascular thrombosis. Treatment of cancer and inflammatory diseases.

* Rheumatoid arthritis, asthma, hepatitis and inflammatory bowel diseases (Crohn's disease, ulcerative colitis), psoriasis and other inflammatory skin diseases. In particular, conditions not responsive to TNF-α therapy.

** Ischemic reperfusion injury caused by myocardial or cerebral infarction, organ transplant rejection and ARDS (adult respiratory distress syndrome).

The discovery phase of a product candidate.

Exploratory research

Evaluation of lead or preferred compounds for safety, pharmacology and proof of efficacy in non-human models.

Early preclinical

Evaluation of a Candidate Drug for safety, pharmacology and proof of efficacy in non-human models.

Authority regulated preclinical

A clinical trial for safety, pharmacology and dose-determining drug regimen.

Phase I

A clinical trial to determine first potential therapeutic doses followed by a larger trial to determine efficacy of chosen therapeutic doses (Proof of Concept).

Phase II

Pivotal clinical trial to determine efficacy and safety as primary support for regulatory approval.

Phase III

Alcohol dependence – one of the biggest healthcare problems in the developed world

Alcohol dependence (addiction) represents a significant unmet medical need. It is estimated that there are 30–60 million alcohol dependents and alcohol abusers in the key markets in USA, Europe, and Japan. In the United Kingdom alone, the annual cost to the health service is a staggering £5 billion, and alcohol dependence is implicated in over 30 000 annual deaths. The efficacy of current treatments and available pharmaceuticals is limited and leaves market opportunity for new therapies.

Gambling addiction – a devastating illness affecting millions of patients in key markets

For most people, gambling is fun and a form of harmless entertainment. For the four to six percent of gamblers who become problem or pathological (compulsive) gamblers, however, it can be a devastating chronic illness that negatively affects every aspect of their lives. It is estimated that in North America the lifetime prevalence rate for pathological gambling in adults is 1.6%. An additional 4% of the adult population is estimated to suffer from problem gambling. Collectively, that represents approximately 10 million people in North America alone. Currently, psychosocial counseling is the primary treatment for patients suffering from this disorder.

Pathological gambling represents a significant unmet medical need with no approved drug therapy available.

Biotie's nalmefene helps patients fight addiction

Nalmefene is a specific opioid receptor antagonist. Experts think that pathways involving opioid receptors play a role in the development and reinforcement of both substance-related and behavior-related addictions, including nicotine dependence. Opioid receptor antagonists such as nalmefene help to interrupt neurochemical reward and reinforcement, leading to a reduction in craving.

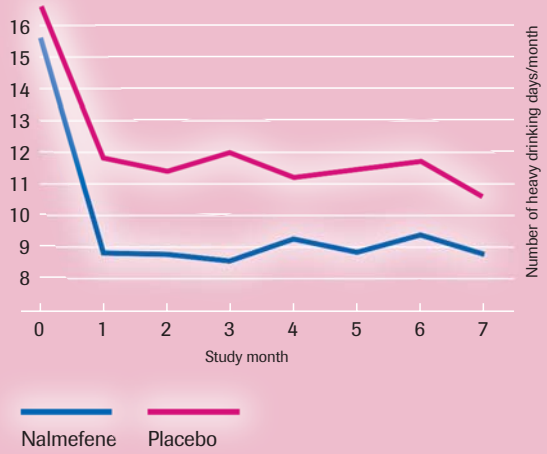
Nalmefene – the first oral drug therapy to reduce heavy drinking

In alcohol dependence, nalmefene is profiled to reduce heavy drinking and the company has studied nalmefene in clinical trials in over 1 200 patients. The therapy concept is a simple, one-tablet-a-day program, where the drug is taken "on demand".

BioTie has completed two clinical phase III trials with nalmefene for the treatment of alcohol dependence. The primary goal was to reduce the number of heavy drinking days and in both trials the number of heavy drinking days was decreased by almost 50% in patients receiving nalmefene. The therapy was well tolerated and no serious adverse effects related to the use of nalmefene were observed.

From a regulatory perspective, the larger of the two phase III studies was fully successful while the smaller study conducted in the UK narrowly missed the statistical primary endpoint, meeting however, several secondary endpoints. BioTie is exploring possibilities on bringing the product to the market in Europe in the alcohol dependence indication.

Nalmefene decreased the number of heavy drinking days



Nalmefene is indicated for reducing heavy alcohol use, without the sole goal of complete abstinence.

Nalmefene – the first drug being developed for pathological gambling

A phase II study has been completed in the US for the treatment of pathological gambling. A validated psychometric scale measuring gambling-related thoughts, urges and behavior was used for primary evaluation of efficacy. The difference between the nalmefene and placebo groups was statistically significant and no serious adverse effects related to the use of nalmefene were observed during the study. Further clinical development is now ongoing and funded by our North-American partner, Somaxon Pharmaceuticals.

Active development effort for nalmefene in the USA

Somaxon Pharmaceuticals has demonstrated its commitment to the partnership by investing significantly in a vigorous clinical development program for nalmefene. Somaxon has initiated a confirmatory phase II/III clinical trial for pathological gambling and a pilot phase II clinical trial investigating nalmefene for smoking cessation (nicotine addiction). We expect results from both trials to be available in late 2006. For BioTie, the first nalmefene indication in North America could be valued at up to $13.2 million in milestone payments plus royalties from sales. Additional indications would generate additional milestone and royalty revenue for BioTie.

First-in-class Therapeutics for Inflammatory Diseases

Inflammatory diseases is the fastest growing market segment in medicine

Chronic inflammatory diseases such as rheumatoid arthritis, inflammatory bowel diseases (Crohn's disease, ulcerative colitis), psoriasis and multiple sclerosis are potentially crippling diseases where current therapies are inadequate. Even after the recent introduction of biologicals targeting TNF-α, significant unmet medical need remains. For example, only one third of the rheumatoid arthritis patients respond well to TNF-α inhibitors leaving the majority of the patients with only a moderate or no response to the best therapy currently available. Significant growth is predicted in the rheumatoid arthritis market alone, from the current $21 billion to $27 billion in 2010.

Harmful accumulation of white blood cells common to inflammatory diseases

Most of the inflammatory diseases are autoimmune in nature, meaning that an inflammatory response is initiated against the patient's own tissue rather than, for example, against an invading bacteria or virus. These disorders have a common pathogenic mechanism; namely, the excessive and prolonged harmful accumulation of leukocytes (white blood cells) in the affected tissue leading to its destruction.

Blocking VAP-1 inflammation receptor prevents harmful white blood cell accumulation

An inflammation receptor called Vascular Adhesion Protein-1 (VAP-1) has a critical role in helping leukocytes invade tissue. VAP-1 is an endothelial cell adhesion molecule expressed on blood vessels and it mediates the interactions of leukocytes in the blood with the vessel wall and assists in their migration to sites of inflammation in tissue. VAP-1 is BioTie's proprietary anti-inflammatory drug target. Blocking VAP-1 function prevents harmful leukocyte migration into an inflammatory site and lets the inflammation resolve.

Two ways of blocking VAP-1 function

VAP-1 function can be blocked using monoclonal antibodies or, since VAP-1 is also an enzyme and its adhesive function is dependent on the enzyme activity, VAP-1 mediated adhesion can also be blocked by small molecule inhibitors of the enzyme.

BioTie aims at developing novel treatments for chronic inflammatory disease, and rheumatoid arthritis is thought to be the primary target for anti-VAP-1 therapy. Other indications where anti-VAP-1 therapy is likely to prove useful include inflammatory bowel diseases, psoriasis and multiple sclerosis.

First-in-class: fully human monoclonal antibody against VAP-1 for inflammatory diseases

BioTie already has clinical experience with 56 patients and/or healthy volunteers in its VAP-1 antibody program with a mouse and a chimeric antibody. Modulating VAP-1 has been demonstrated safe to the extent possible at this early stage of development.

The development of a chimeric VAP-1 antibody was stopped in 2004 due to unexpected inadequate pharmacokinetic properties and immunogenicity. In 2005, BioTie continued the development of a fully human VAP-1 antibody with the leading company in the area. The selection process, in which dozens of new fully human antibody candidates have been screened, has produced an superior clinical antibody candidate for which pilot scale manufacturing is ongoing. The first animal studies with the candidate fully human antibody suggest that the strategy to focus on fully human antibodies has been the right one.

The most important collaboration partners of BioTie in 2005 in this program were Seikagaku Corp., a licensing partner for the antibody program, and the Universities of Turku, Cambridge and Birmingham. Seikagaku has licensed the rights for the product for Japan, Taiwan, Singapore, New Zealand, and Australia and has agreed to pay BioTie up to $16.7 million in milestone payments plus royalties of sales in the territory. Seikagaku is also responsible for clinical development costs to bring the product to market in the territory.

First-in-class: VAP-1 SSAO enzyme inhibitor for inflammatory diseases

A completely new mechanism of action, blocking the enzymatic function of VAP-1 significantly decreases the accumulation of leukocytes in the inflammatory site. VAP-1 SSAO in blood vessels in inflamed tissue produces toxic substances that exacerbate inflammation and the small molecule inhibitors stop this harmful activity. The VAP-1 SSAO small molecule inhibitor is planned to be an orally administered drug indicated for the treatment of chronic inflammatory diseases. Oral administration would provide a considerable competitive advantage over injectable biologicals.

Roche a valuable partner in the VAP-1 SSAO inhibitor program

In the beginning of 2005 Roche and BioTie started to collaborate to develop small molecule VAP-1 SSAO inhibitors to Roche specifications. With a unique win-win collaboration and option agreement structure the program has progressed with Roche actively contributing its expertise in the development effort. Under the terms of the collaboration, both parties carry their own costs but BioTie retains ownership of the developed compounds until Roche chooses to exercise its option for in-licensing. At defined stages, Roche has an exclusive option to license any VAP-1 SSAO inhibitor candidate worldwide, excluding Japan, Taiwan, Singapore, New Zealand, and Australia; for which countries Seikagaku Corporation holds an exclusive option. Roche has agreed to paying BioTie up to five million euros to maintain its exclusive option for rest-of-world rights. If Seikagaku exercises its option, BioTie will receive up to $16.7 million in milestone payments plus royalties of sales in the territory based on the pre-negotiated licensing agreement. Seikagaku will also be responsible for clinical development costs to bring the product to market in the territory.

Monoclonal antibodies

Antibodies (immunoglobulins) are part of the natural immune defense system of the human body. Binding to their targets with great selectivity, antibodies can neutralize harmful foreign organisms such as invading bacteria and viruses by binding to their surface proteins. For an antibody to be developed as a drug a similar idea is applied; the drug antibody is designed to bind specifically to a disease-causing target molecule and block its function, thereby causing the desired therapeutic response. Antibody drugs can be made in many forms and are usually designed to resemble a natural human antibody as closely as possible so as to reduce the potential for unwanted immunogenicity. BioTie has elected to develop a fully human monoclonal antibody to target the VAP-1 inflammation receptor.

The exploitation of monoclonal antibodies in the treatment of diseases has significantly increased. At present over 100 monoclonal antibodies are in clinical development, representing approximately 20 per cent of all biological products in development. Currently there are 17 therapeutic antibody drugs on the market with sales well over $5 billion in 2003.

Two Innovative Therapeutics to Address the Growing Thrombosis Market

First recombinant low molecular weight heparin

Thrombo-embolic diseases, such as deep vein thrombosis, pulmonary embolism and unstable angina represent a $3 billion market for anticoagulant products consisting primarily of animal derived heparin. All currently marketed heparin products are animal derived, mostly using pig offal as the source.

BioTie's bioheparin is the first non-animal-derived heparin and is produced using technology patented by the company. The product comprises of a proven concept with the established mechanism of action of heparin.

BioTie has been developing bioheparin technology since 1996, when the company joined the first EU-funded Research Consortium, whose aim was to develop biotechnologically manufactured heparin.

Good technical progress in the research collaboration with Aventis

In 2004 BioTie signed a commercial research and option agreement with Aventis for the joint development of a new oral recombinant heparin-like product for the prevention and treatment of blood coagulation disorders. BioTie granted Aventis an exclusive one-year right to negotiate a licensing agreement, for which exclusive option Aventis agreed to pay BioTie up to total of five million euros in signing fee and milestone payments.

The option agreement ended in March 2005. Based upon the progress of the joint project, BioTie and – following the takeover of Aventis by Sanofi – now sanofi-aventis continued negotiations on the extension of the said agreement. However, in October 2005 the two companies agreed not to renew the option agreement.

Aventis paid altogether two million euros based on the option agreement in 2004. Based on the good technical progress during the collaboration BioTie plans to continue the bioheparin program with a new development partner.

First-in-class: integrin α2ß1 small molecule inhibitor for thrombosis

Heart attack (ischemic heart disease; myocardial infarction) and stroke (brain infarction) are leading causes of death in the key markets in the developed world. Myocardial infarction, 'heart attack', occurs when a clot (thrombus) forms in a blood vessel in the heart and the blood supply to part of the heart is blocked and part of the heart muscle is damaged. A stroke occurs when a clot forms in a blood vessel in the brain or forms in another part of the body and breaks off, then travels to the brain. In both cases the blood supply to part of the brain is blocked and that part of the brain is damaged. Biotie's integrin α2ß1 inhibitor is expected to work by making the blood less likely to clot, thus, patients would be less likely to have a stroke or heart attack.

BioTie's integrin α2ß1 inhibitor interferes with platelet aggregation or clumping by inhibiting platelet binding to their collagen receptors. Platelets work in the body by helping in the formation of blood clots and if platelets do not bind to their collagen receptors, the blood does not clot normally. This reduces the risk of thromboses (blood clots in vessels).

α2ß1 integrin inhibitors have potential in cancer and inflammation

Prostate cancer is a leading cause of male cancer death (more than 230 000 men in the US diagnosed annually). There is a significant unmet medical need to improve survival, especially in patients who have failed hormonal therapy. In patients with prostate cancer, α2ß1 integrin is a mediator in the formation of metastases into bone and studies suggest that integrin α2ß1 inhibitors may be of benefit in this segment. Positive results in several animal models of inflammation demonstrate significant potential in inflammatory diseases.

Potent inhibitors identified and patented

BioTie has developed small molecule inhibitors that have been shown to be efficacious in thrombosis, cancer, and inflammation animal models and in laboratory experiments. The research program has been conducted in collaboration with the University of Turku, Åbo Akademi University, and the University of Jyväskylä. The program has not been actively offered for partnering at this stage.

- α2ß1 integrin is a major collagen receptor on the surface of platelets
- Adhesion of platelets to collagen via α2ß1 integrin is the **triggering step** in thrombus formation
- Polymorphisms of the α2 gene are associated with individual differences of the expression levels of α2ß1 integrin on the platelet surface
- High levels of α2ß1 integrin on platelets has been shown to be an **independent significant risk factor** for thromboembolic disease (more significant than hypertension or smoking)
- **Pharmacogenomic selection** of these high-risk patients for clinical studies may significantly improve probability of success and may drastically reduce clinical development costs

Principles of Corporate Governance

BioTie is a Finnish limited liability company, which, in its decision-making and administration, complies with the Finnish Companies Act, other regulations concerning public companies and BioTie's Articles of Association. In addition, BioTie complies with the Guidelines for Insiders by Helsinki Stock Exchange, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industries and the Corporate Governance Recommendation for Listed Companies issued by HEX Plc, the Central Chamber of Commerce of Finland and the Confederation of Finnish Industries in 2003 ("Corporate Governance Recommendation"). Deviations from the compliance with the Corporate Governance Recommendation are presented in connection with each subject hereafter.

General Meetings

The highest decision-making power in BioTie is exercised by the company's shareholders at General Meetings convened by the company's Board of Directors. The Annual General Meeting must be held by the end of June each year and it handles the matters that fall under its authority according to the Articles of Association as well as other proposals to a General Meeting. BioTie's Annual General Meeting has usually been held during March–April. When considered necessary, an Extraordinary General Meeting is convened to handle a specific proposal made to a General Meeting.

Major matters subject to the decision-making power of a General Meeting are amendments to the Articles of Association, increases and decreases in the share capital, decisions on the number, election and remuneration of all Board members of the company, the adoption of the financial statements and the distribution of profit.

Shareholders are invited to a General Meeting by a notice published in at least two Finnish nationwide newspapers decided by the Board of Directors or by sending the notice to conveneat the earliest two month and at the latest 17 days before as a registered letter or other verifiable way to the shareholder's address, which is registered in the share register. The notice to convene shall state the matters to be handled at the General Meeting. The notice and the proposals of the Board of Directors to the General Meeting are also published by a stock exchange release and on the company's website.

Board of Directors

According to the Articles of Association, BioTie's Board of Directors consists of at least three and at most eight members. According to the Articles of Association, the term of each Board member expires at the close of the next Annual General Meeting following the election. Thus, the term of the members of the Board of Directors is one year.

The General Meeting elects all members of the Board of Directors. The Articles of Association set no upper age limit on Board members, nor limit the number of terms members may serve, nor restrict in any other way the decision-making power of the General Meeting in electing Board members. However, the General Meeting shall, in accordance with the Corporate Governance Recommendation, take into account the fact that the person has the qualifications required to discharge the duties of a member of the Board and the possibility to devote sufficient time for the work. The Board of Directors elects one of its members as the Chairman of the Board.

The duties of the company's Board of Directors are set forth in the Companies Act and other applicable legislation. BioTie's Board of Directors is responsible for the company's management and for the proper arrangement of the operations of the company. In addition, the Board is responsible for the proper arrangement of the accounting and of the supervision of the financial management.

According to rules of procedures and the Finnish Companies Act the task of BioTie's Board of Directors is to:

- decide on the Company's strategy
- confirm the Company's business plan and budget
- deliberate on and approve interim reports, the annual accounts and the Board's report
- decide on individual investments, acquisitions or divestments and contingent liabilities that are strategically or financially significant
- approve the Group's financing policy
- confirm risk management and reporting procedures
- decide on bonus and incentive schemes for the Company's management
- decide on the Company's structure and organisation
- appoint the company's Managing Director and decide on his perquisites
- assume responsibility for all other such duties as have been stipulated for Boards of Directors in the Companies Act and elsewhere.

Election of the members of the Board

BioTie's Annual General Meeting held on 30 March 2005 elected four (4) members to the Board of Directors. Their term commenced on 30 March 2005 and will expire at the close of the 2006 Annual General Meeting. The Board members elected at the 2005 General Meeting are Mr. Juha Jouhki, Mr. Piet Serrure, Mr. Riku Rautsola and Mr. Pauli Marttila. According to the evaluation of independence, all members of the Board of Directors are considered independent of the company. In addition, Mr. Piet Serrure and Mr. Riku Rautsola are considered independent of the significant shareholders of the company. BioTie's current Board of Directors is presented in more detail on page 20.

Deviation from the Corporate Governance Recommendation

The Board of Directors of BioTie consists of four members. According to the Annual General Meeting held on 30 March 2005 four members is a sufficient number of members taking into account the size and the development phase of the company. Item 11 of the Corporate Governance Recommendation requires that the Board shall comprise of at least five directors.

Remuneration and other benefits of the members of the Board of Directors

The Annual General Meeting decides on the remuneration and compensation for costs to be paid to the members of the Board of Directors.

In accordance with the resolution made at the 2005 Annual General Meeting, the members of the Board are in 2005 remunerated in accordance with the following:

- fee per month for the Chairman EUR 3 000
- fee per month for the members residing abroad EUR 3 000
- fee per month for the members residing in Finland EUR 1 500

In addition, the members of the Board are entitled to compensation for their reasonable travelling expenses.

The Board of Directors held 21 meetings during 2005. The average ratio of attendance at the meetings was 98%.

The Board of Directors has not appointed any special areas of focus in terms of business monitoring to its members. At meetings, matters are presented by BioTie's Managing Director or, at his request, by another person in BioTie's management. According to the rules of procedure of the Board of Directors, the Managing Director ensures that the company provides the Board with sufficient information to assess the operations and financial situation of the group, supervises the implementation of Board decisions and reports to the Board on any deficiencies or problems in implementation. The secretary of the Board of Directors is Mr. Mikko Heinonen from Hannes Snellman Attorneys at Law Ltd. The Board of Directors conducts annual performance self-evaluations.

Remuneration paid to the Board of Directors in 2005 were as follows: Juha Jouhki EUR 34 500, Piet Serrure EUR 42 000, Pauli Marttila EUR 13 500 and Riku Rautsola EUR 42 000. Option rights of BioTie's shares were not given to Board members for their work.

Managing Director

Biotie Therapies Corp. has a Managing Director who is known as the President and CEO. He is responsible for the day-to-day management of the company in accordance with the instructions and rules given by the Board of Directors and ensuring that the accounting of the company complies with the law and that the financial management of the company has been arranged in a reliable manner.

The Managing Director primarily presents the matters handled in Board meetings and is responsible for preparing draft resolutions. The Managing Director may, when he finds it suitable, choose to appoint a member of group management to present a matter or to prepare a draft proposal. The Board of Directors elects the Managing Director and decides on the remuneration of the Managing Director and on other terms of the managing director contract. The terms of duty of the Managing Director have been agreed on in writing. The Managing Director is elected for an indefinite term until further notice.

BioTie's Managing Director is Dr. Timo Veromaa from May 25, 2005. The company has paid of EUR 141 575.24 for the salaries and other benefits to the Managing Director Timo Veromaa in 2005. BioTie's Managing Director was Mr. Jari Saarinen until May 25, 2005. The company has paid an aggregate amount (1.1.–25.5.2005) of EUR 39 377.36 for the salaries and other benefits to the Managing Director Jari Saarinen.

The shares and option rights owned by the Management Team are presented on pages 6 and 7. The company has no such incentive programme by which the company rewards its management with company shares.

BioTie's Managing Director's retirement age has not been determined in the managing director contract. Therefore the company is not committed to any lowered retirement age. The company pays an amount confirmed annually by the Board of Directors to the voluntary retirement insurance policy.

The managing director contract may be terminated by the company by six months' notice and by managing director by three months' notice. If the company terminates the managing director contract, the Managing Director is, in addition to the salaries for the period of notice, entitled to a severance pay corresponding to 12 months' salary.

Management Team

BioTie has a Management Team from June 1, 2005 consisting of the Managing Director acting as the President of the Management Team, Chief Financial Officer (CFO), VP Finance, Vice President, Business Development, Director, Drug Development ("Director, Drug Development") and two Research Directors.

The Management Team handles the issues that concern managing to the Company, such as issues related to strategy, budget, interim reports and issues related to drug development programs.

The option rights and shares held by the members of the Management Team have been specified on pages 6 and 7. The Board of Directors of BioTie confirms annually the bonus system for the members of the Management Team.

Auditing

The main function of the statutory auditing is to verify that the financial statements provide true and sufficient information on the group's performance and financial position for the financial year. BioTie's financial year is the calendar year.

The auditor is obliged to audit the correctness of the company's accounting and closing of accounts for the financial year and to give the General Meeting an auditors' report. In addition, the Finnish law requires that the auditor also monitors the lawfulness of the company administration. The auditor gives reports to the Board of Directors at least once a year.

According to the Articles of Association, BioTie has at least one and at most two auditors elected by the Annual General Meeting. The term of an auditor terminates at the close of the Annual General Meeting following the election. At least one of the auditors shall be a firm of auditors authorised by the Central Chamber of Commerce. The auditor of BioTie is Authorised Public Accountants PricewaterhouseCoopers Oy or auditors employed by them.

The 2005 Annual General Meeting of BioTie elected two auditors for the company: APA Johan Kronberg and Authorised Public Accountants PricewaterhouseCoopers Oy, with APA Tomi Moisio as the auditor with principal responsibility. In accordance with the resolution of the 2005 Annual General Meeting, the auditors shall be paid in accordance with their reasonable invoices. Fees paid for auditors in 2005 auditing EUR 33 294 and other services EUR 22 067.

Risk management

Appropriate insurance is taken in case of property damage, consequential loss or liability damage risks arising from business operations.

Financial risk is managed according to Company's financial policy. Foreign exchange exposures are covered with forward contracts. Liquid assets are invested in low risk instruments.

Each drug development project has a project team with project manager reporting to VP, R&D.

Patent and other immaterial rights issues are managed by a specific team reporting to the Management Team of the Company.

BioTie's Board of Directors approves the budget and follows up the financial status of the Company on a monthly basis.

Insider Rules

BioTie's Insider Rules, dated 1 December 2005, observe the Insider Guidelines of the Helsinki Stock Exchange, yet setting somewhat more stringent requirements in certain respects. BioTie's Insider Rules are updated and compliance therewith monitored on a regular basis.

Pursuant to BioTie's Insider Rules, the shareholding data of the so-called Public Insiders is in the public domain and accessible either via the Finnish Central Securities Depository or via BioTie's website. Under the Insider Rules, the following persons belong to the group of Public Insiders: the members of the Board of Directors, the Managing Director, the Auditor and the Chief Auditor. The following persons belong also into the permanent company-specific registered at the Company: the members of the Management Team, the secretary to the Board of Directors, Chief Accountant, HR Manager and Assistants to the Managing Director and the Management Team.

The Public Insiders, together with any other permanent insiders, form the so-called Permanent Insiders of BioTie. Three principal rules govern trading by the Permanent Insiders in BioTie's securities or derivatives. Firstly, trading is generally permitted only during the four-week period following the date of publication of the annual results or of an interim report (the "Open Window"). Secondly, trading may exceptionally be permitted outside of the Open Window upon prior approval to such effect by BioTie's Insider Officer. Thirdly, trading is always prohibited during the two-week period preceding the release of the annual results or of an interim report, and on the date of publication itself (the "Closed Window"). In addition, specific trading restrictions apply to project-specific insiders.

Chairman of the Board of Directors
Juha Jouhki

Born: 1966
Place of residence: Espoo
Education: M.Sc. (Eng.)
Board member as from: 2002
Principal occupation: Managing Director of Thominvest Oy
Principal employment history: Managing Director of Contral Clinics Ltd. (1996–1999), Chairman of the Board of Directors of Contral Pharma Ltd. (1998–2002). In different positions of Finncarriers Oy Ab (1992–1996).
Other simultaneous positions of trust: Member of the Board of Directors at e.g. Thominvest Oy, Dreadnought Finance Oy, Procarbon AB, Neomedit Oy, Alimetrics Oy, Unicrop Oy, Bevesys Oy and Interquest Oy.
Fees in 2005: EUR 34 500
Number of shares held in BioTie:
1 249 970
1 598 416 (through Dreadnought Finance Oy)
937 900 (through Thominvest Oy)
Option rights in BioTie: –

Pauli Marttila

Born: 1958
Place of residence: Helsinki
Education: M.Sc. (Eng.)
Board member as from: March 2005
Principal occupation: Director of the Venture Capital Life Sciences Unit of the Finnish National Fund for Research and Development (Sitra).
Principal employment history: Director, Corporate Finance at Sitra Life Sciences (1999–2004). Since 1983, management positions in several R&D operations and business operations in Neste Corp. (later Fortum Corp.). General Manager of New Developments business unit at Neste Chemicals in Finland (1996–1999). Management of Neste's Noptek Venture Capital Fund in the United States (1993–1995). Assistant Attaché at the Finnish Consulate General in Los Angeles (1984–1985).
Other simultaneous positions of trust: Board memberships: BPM-Group Oy (chairman), Ipsat Therapies Oy, Optatech Oy. Member of five Investment Committees for Bio Fund private equity funds, Advisory Board Member in Next Wave Funds (New York).
Fees in 2005: EUR 13 500
Number of shares held in BioTie: 214
Option rights in BioTie: –

Riku Rautsola

Born: 1954
Place of residence: Maryland, USA
Education: Ph.D. (Econ)
Board member as from: March 2004
Principal occupation: President and CEO of US-based VIRxSYS Corporation
Principal employment history: Management, sales and research positions in Denmark, Germany, the United States and China during a period of over 20 years. President and CEO of Borean Pharma (2003–2004). CEO of Cosmix Molecular Biologicals since 2001. Management positions at Boehringer Ingelheim, Beiersdorf and Fresenius. Founding member and chairman (2000–2001) of Accelerating Access, a public and private initiative of the UN and the pharmaceutical industry.
Other simultaneous positions of trust: Board member, VIRxSYS
Fees in 2005: EUR 42 000
Number of shares held in BioTie: –
Option rights in BioTie: –

Piet Serrure

Born: 1954
Place of residence: Hove, Belgium
Education: M.Sc. (Econ)
Board member as from: March 2004
Principal occupation: Managing Director of Origo Management
Principal employment history: Benevent (venture capital company), 1985. Director and CEO of Parnib (NIB Capital) until 2001. Managing Director of Origo Management since 2001.
Positions at Du Pont de Nemours and Arthur Andersen. Member of the Board of Directors and of the Executive Committee of the European Private Equity and Venture Capital Association (EVCA) until 2004.
Other simultaneous positions of trust: Board member: Capco NV, Recticel NV, EASDAQ NV, Finco NV.
Fees in 2005: EUR 42 000
Number of shares held in BioTie: –
Option rights in BioTie: –

Secretary of the Board of Directors: Mr. Mikko Heinonen from Hannes Snellman Attorneys at Law Ltd.

Review of the financial year

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

Candidate drugs are primarily developed until phase II clinical studies (Proof of Concept) and then licensed to pharmaceutical companies. Research and product development is carried out in cooperation with academic research groups and with contract research organizations and contract manufacturing organizations.

Drug development projects

Nalmefene program

In November 2004 Biotie Therapies Corp. and Somaxon Pharmaceuticals, Inc. signed an exclusive licence agreement of the North-American rights regarding nalmefene. Somaxon paid BioTie USD 3 million as signing fee. The remaining milestone payments may add up to USD 10 million for the lead indication, pathological gambling. Additionally, BioTie will receive royalty on sales. Under the terms of the agreement, BioTie has granted Somaxon an exclusive license in North America to clinically develop, manufacture and market nalmefene for the treatment of impulse control disorders, alcoholism and alcohol abuse as well as nicotine dependence. Somaxon intends to develop nalmefene for the treatment of pathological gambling in the United States.

Somaxon has started a phase II/III clinical study in the US in patients suffering from pathological gambling. Additionally, Somaxon has initiated a pilot phase II clinical study in the treatment of nicotine dependence. Results from these studies are expected late 2006.

BioTie aims next to commercialize the European and Asian rights of Nalmefene.

Recombinant heparin program

BioTie and Aventis (currently sanofi-aventis) signed on March 2004 a commercial research and option agreement covering the joint development of a new oral heparin like product for the prevention and treatment of blood coagulation disorders. Under the terms of the agreement, BioTie granted Aventis the exclusive right to negotiate an exclusive global licensing agreement by March 31, 2005. Based upon the progress of the joint project, BioTie and sanofi-aventis continued negotiations on the extension of the said agreement. However in October 2005, the two companies agreed not to renew the option agreement.

In addition to the signing fee of one million euros, Aventis paid a milestone payment of one million euros when the agreed milestone was reached in 2004. Based on the good technical progress during the collaboration BioTie plans to continue the recombinant heparin program with a new development partner.

Vascular Adhesion Protein-1 (VAP-1)

BioTie's proprietary drug development target, Vascular Adhesion Protein-1 (VAP-1), is a dual-function molecule with enzymatic and adhesion activities. VAP-1 mediates the migration of pro-inflammatory cells into inflamed tissue and the amount of VAP-1 is greatly amplified in inflamed blood vessels. VAP-1 SSAO enzyme contributes to the production of molecules that exacerbate inflammation. Both VAP-1 specific monoclonal antibodies and VAP-1 SSAO small molecule inhibitors have been shown in animal models to be potent inhibitors of inflammatory diseases.

VAP-1 monoclonal antibody program

BioTie has been working with the leading company in fully human antibody technology to develop a product targeting VAP-1 for chronic inflammatory diseases such as rheumatoid arthritis. The first studies with the candidate fully human antibody suggest that the strategy to focus on fully human antibodies has been the right one and pilot scale manufacturing for extended preclinical and clinical studies is ongoing. Co-operation with Seikagaku Corporation proceeded as planned.

VAP-1 SSAO small molecule inhibitor program

In December 2004, F. Hoffmann-La Roche Ltd. (Roche) and BioTie announced a collaboration and option agreement to develop BioTie's proprietary small molecule vascular adhesion protein-1 (VAP-1) SSAO program targeting inflammatory diseases. Preclinical evaluation of lead drug candidates and backup molecules continued during the reporting period.

Under the terms of the agreement, Roche will contribute its expertise to BioTie's development of VAP-1 small molecule inhibitor candidates. At defined stages, Roche will have exclusive option rights to exclusively license any VAP-1 inhibitor candidate worldwide, excluding Japan, Taiwan, Singapore, New Zealand, and Australia. By extending its option right to phase IIb, Roche could pay BioTie EUR 5 million. BioTie will retain all rights to any compounds developed until a license is granted.

$\alpha 2\beta 1$ integrin small molecule inhibitor program

The screening and preclinical development of new $\alpha 2\beta 1$ integrin inhibitors continued in cooperation with the University of Turku, Åbo Akademi University and the University of Helsinki. $\alpha 2\beta 1$ integrin inhibitors provide new methods for preventing thrombosis caused by vascular damage as well as preventing cancer metastasis. Two new patent applications were filed in the EU to strengthen the IP position of the identified compounds.

BTT-1507 program

In January 2005, BioTie announced the signing of an in-licensing agreement covering BTT-1507 (previously BKT104), a small molecule compound developed by Biokine Therapeutics and claimed to be orally bioavailable. The anti-inflammatory properties of BTT-1507 were first isolated and characterized by scientists from the Weizmann Institute of Science in Israel. BTT-1507 is proposed to work via a novel mechanism, which inhibits the production and secretion of TNF-alfa.

During the reporting period the pharmacological properties of BTT-1507 were further investigated by BioTie. Based on the evaluation BioTie decided not to pursue further development of the compound.

Revenues

Revenue for the financial year consisted of periodization of the signing fee of the licensing agreement signed with Seikagaku Corporation in 2003, periodization of the option fee of the Bioheparin option agreement signed with Aventis (sanofi-aventis) in 2004 and periodization of the signing fee of the Nalmefene licensing agreement signed with Somaxon Pharmaceuticals in 2004. The revenue was in total 1.2 million euros and consisted of periodization of existing agreements. No new milestone or signing fees were received in 2005.

Revenue for the reporting period in 2004 was in total 2.3 million euros and consisted of periodization of signing fee of the licensing agreement signed with Seikagaku Corporation in 2003, periodization of the option fee (1 million euros) and milestone payment (1 million euros) of the Bioheparin option agreement signed with Aventis (sanofi-aventis) in 2004 and periodization of the signing fee of the Nalmefene licensing agreement signed with Somaxon Pharmaceuticals in 2004. BioTie received 2 million euros from Aventis and 2.5 million euros from Somaxon Pharmaceuticals during January - December 2004.

Aventis and Somaxon withheld 5% withholding tax from the signature fees and milestone payments in 2004. According to the tax treaties between respective countries, BioTie may deduct withholding tax from income tax payable in Finland during the year the payment was made or the following year. The withholding taxes are reported under income tax but are not booked in receivables as BioTie could not utilize them during 2005.

Financial results

The net loss for the financial year was EUR 7.9 million. The corresponding figure for the previous year was EUR –9.6 million. Research and development costs for the period amounted to EUR 7.1 million (in 2004 EUR 9.5 million). Patent costs have been booked as expenses.

Financing

The company raised EUR 6.6 million in an equity offering in June 2005. The share issue cost EUR 0.53 million and these costs were deducted from the share premium fund.

The National Technology Agency (Tekes) granted additional funding EUR 2.5 million for Biotie Therapies' VAP-1 monoclonal antibody program. The R&D funding (loan) granted covers 50 per cent of the drug development costs of the project from May 2005 to April 2007.

The loan will be paid to BioTie after BioTie has presented to Tekes account of the realization of the costs of the project in question and after Tekes has approved the account. EUR 0.7 million of the loan will be paid in advance. In order to receive full amount of granted financing, BioTie must show a total of EUR 5.0 million of expenditure arising out of the program.

BioTie's equity ratio was –219.3% on December 31, 2005 (–177.2% in 2004). Cash and cash equivalents totaled EUR 7.1 million on December 31, 2005 (EUR 7.0 million in 2004).

The company has liquid assets to finance its operations to the end of February 2007 without commercialisation revenue.

Equity

The company had at 31.12.2005 EUR 4.1 million (31.12.2004 EUR 6.0 million) worth of non-capital R&D loans granted by Tekes. According to the decision made by Tekes the loans may be convertible into capital loans. The conversion of each loan requires separate approval from Tekes. Tekes has so far approved the conversion of two loans of 2.6 million euros to capital loan. BioTie's board made decisions in this matter on January 26, 2005 and March 30, 2005. Depending on the development of equity, BioTie may decide to request conversion of other loans to capital loans also.

Investments and cash flow

The company's investments during the financial year amounted to EUR 9 thousand (EUR 142 thousand in 2004). The investments mainly comprised of equipment purchased for research and development operations. Cash flow from operating activities was EUR –7.8 million (EUR –6.1 million in 2004).

Personnel

During the reporting period, the company's personnel was on average 47 (47 in 2004) and at the end of the financial year 45 (46 on 31.12.2004).

Shareholders' meetings held during the reporting period

The Annual General Meeting of Biotie Therapies Corp. was held on 30 March 2005.

The Annual General Meeting of Biotie Therapies Corp. adopted the income statement and balance sheet including the consolidated income statement and balance sheet for the financial year 1 January 2004 - 31 December 2004. The Annual General Meeting resolved that the company shall not distribute dividend from the financial year 2004 and that the parent company's loss of the financial year amounting to EUR 7 083 023.72 shall be transferred to shareholders' equity.

The Board of Directors and auditors

The Annual General Meeting discharged the members of the Board of Directors and the Managing Director from liability for the financial year, which ended on 31 December 2004. The Annual General Meeting resolved that the Board of Directors shall consist of four members and appointed the following persons as members to the Board of Directors: Juha Jouhki, Pauli Marttila, Riku Rautsola and Piet Serrure. Johan Kronberg, Authorised Public Accountant and PricewaterhouseCoopers Oy Authorised Public Accountants were appointed as auditors of Biotie Therapies Corp.

At its organisation meeting, which convened immediately after the Annual General Meeting, the Board of Directors appointed Juha Jouhki as the Chairman of the Board of Directors.

Management

Timo Veromaa, previously Vice President of R&D was appointed President and CEO of Biotie Therapies Corp. effective from May 25, 2005. The previous President and CEO Jari Saarinen continued as the CFO of the company.

Group structure

The parent company of the group is Biotie Therapies Corp. The group has a subsidiary named Biotie Therapies International Ltd., which was not operational during the financial year.

Authorization to increase share capital and dispose own shares

The Annual General Meeting authorised the Board of Directors to resolve, in accordance with the proposal of the Board of Directors, on increase of share capital through new issue by issuing new shares with a book equivalent value of EUR 0.02.

On the basis of the authorisation the company's share capital may be increased in one or more issues so that the company's share capital may increase by the aggregate of EUR 155 000 and the number of shares by 7 750 000 shares at maximum.

The Board of Directors is authorised to resolve on persons entitled to subscribe for new shares. The Board of Directors has the right to deviate from the shareholders' pre-emptive subscription right, provided that a significant financial reason for the deviation for the company exists such as funding an acquisition, acquiring additional funding or establishing incentive programme for the key persons of the company.

The Board of Directors is also authorised to resolve on the grounds for determining the subscription price as well as on the subscription price of the shares to be subscribed in the new issue and other matters and terms relating to the new issue of shares. The subscription price may not, however, be lower than the book equivalent value of the shares. New shares may be subscribed against capital contribution or otherwise on certain terms.

The authorisation shall be in force until the next Annual General Meeting, however not longer than one year from the resolution of this Annual General Meeting.

The Annual General Meeting authorised the Board of Directors to resolve on conveyance of own shares in the company's possession.

The authorisation covers the 819 000 shares with a book equivalent value of EUR 0.02 in the company's possession.

The Board of Directors is authorised to decide to whom and in which order own shares are conveyed. The Board of Directors is authorised to resolve on conveyance of own shares in deviation from the shareholders' pre-emptive right. The own shares that are in the company's possession may also be conveyed in public trading in accordance with the rules of the Helsinki Stock Exchange. The shares may be conveyed as payment for acquisition of assets related to the company's business, as payment in possible acquisitions in a manner and to the extent decided by the Board of Directors, and as part of the company's incentive programme.

The Board of Directors is authorized to resolve on the conveyance price and the grounds for determining the price as well as on other terms and conditions relating to the conveyance. The shares may be conveyed against other remuneration than cash payment.

The authorisation shall be in force until the next Annual General Meeting, however not longer than one year from the resolution of this Annual General Meeting.

Increase of the company's share capital and new issue

The Extraordinary General Meeting of Biotie Therapies Corp. convened on 25 May 2005. The Extraordinary General Meeting resolved, in accordance with the proposal of the Board of Directors, to increase the company's share capital through new issue in deviation from the shareholders' pre-emptive subscription right at minimum by EUR 0.02 and at maximum by EUR 240 000 by issuing at minimum one (1) and at maximum 12 000 000 new shares ("Offering") each with a book equivalent value of EUR 0.02. The subscription price of the new shares is EUR 0.75 per share.

The Board of Directors of Biotie Therapies Corp. approved on June 15, 2005 the share subscription made pursuant to the subscription commitments, which were made during the period of 1 June 2005 - 14 June 2005 in accordance with the terms and conditions of the offering. At the same time also the share subscription made on the basis of the subscription commitments by Finnish Industry Investment Ltd, Finnish National Fund for Research and Development (Sitra), Dreadnought Finance Oy, Juha Jouhki and Thominvest Oy, which the company published on 31 May 2005, were approved. The corresponding increase of share capital was registered with the Finnish Trade Register on 17 June 2005.

The Board of Directors of Biotie Therapies Corp. approved the subscription for shares not subscribed during the primary subscription period of the offering on June 21. The Board of Directors of the company resolved to offer shares not subscribed during the primary subscription period of the offering for the subscription of Juha Jouhki, Thominvest Oy, Dreadnought Finance Oy and BioFund Ventures III Ky. At the same time also the share subscriptions made on the basis of the subscription commitments, which were made during the primary subscription period of the offering but which had not been approved earlier due to the deficiencies of such commitments, were approved. The aggregate of 1 395 805 shares were subscribed pursuant to the subscription commitments made by the afore-mentioned parties, which corresponds to EUR 27 916.10 increase of share capital. The increase of share capital was registered with the Finnish Trade Register as of 28 June 2005.

The aggregate of 8 765 925 shares were subscribed in the offering, representing approximately 73 percent of all the shares offered for subscription. The aggregate subscription price for the subscribed shares is EUR 6 574 443.75 and the corresponding increase of share capital is EUR 175 318.50. As a result of the registration of the increase of share capital the company's registered share capital amount to EUR 1 053 504.42 and the total number of shares to 52 675 221. The aggregate of 753 subscription commitments were made in the offering.

Option programs

Biotie Therapies Corp. has issued option rights by 31.12.2005 pursuant to a total of three different option programs. As a result of these option rights, the share capital of BioTie may be increased by a maximum of EUR 51 125.82, corresponding to 2 556 291 shares.

Adoption of international financial reporting standards

The Group has adopted IFRS reporting standards as from 1 January 2005. The first annual IFRS financial statements have been prepared for the 2005 financial year. Prior to the introduction of IFRS, Biotie Therapies Corp. has prepared its consolidated financial statements in accordance with Finnish Accounting Standards.

As a consequence of the transition to IFRS, Biotie Therapies Group's shareholders' equity has decreased by a total of EUR 15.0 million in the opening balance sheet at 1 January 2004. The decrease in consolidated shareholders' equity is attributable to the transfer of capital loans from equity to interest-bearing non-current liabilities and the interest on capital loans is expensed through profit and loss.

The IFRS standards in force at the time of preparation of the financial statements were applied in preparing the opening balance sheet. The effects of the transition to IFRS-reporting on the consolidated opening balance sheet and shareholders' equity are presented in greater detail in the stock exchange release published on 30 March 2005. Quarterly comparative information in accordance with IFRS for 2004 is presented in Q1 2005 interim report release.

Future outlook

BioTie's most advanced programs are nalmefene for dependence disorders and VAP-1 fully human monoclonal antibody for inflammatory diseases. In the short term, the company aims at commercializing the European and Asian rights of nalmefene and will focus on taking the antibody program to the clinical development phase.

BioTie is in discussions with new potential development partners to continue the recombinant heparin program.

The company does not expect to receive milestone payments from agreements with Seikagaku Corporation and Somaxon Pharmaceuticals during 2006.

The company has liquid assets to finance its operations to the end of February 2007 without commercialisation revenue. BioTie is investigating different options to strengthen its financial position.

The Board of Directors proposal for handling of the loss

The Board of Directors proposes that no dividend from the financial year 2005 will be paid, and that the loss of the financial year EUR –8 819 257.39 will be transferred to shareholders' equity.

Consolidated Income Statement (IFRS)

1000 €	Note	1.1.–31.12.2005	1.1.–31.12.2004
Revenue	4	1 227	2 325
Research and development expenses		–7 149	–9 545
General and administrative expenses		–2 371	–2 951
Other operating income	7	912	1 253
Operating profit/loss		–7 381	–8 918
Financial income	8	148	174
Financial expenses	8	–722	–607
Share of the profit of associated companies	13	13	8
Profit/loss before taxes		–7 941	–9 343
Taxes	9	0	–217
Net income (loss)		–7 941	–9 561
Distribution			
To parent company shareholders		–7 941	–9 561
Earnings per share (EPS) basic and diluted, EUR	10	–0.17	–0.22

The accompanying notes are an integral part of the financial statements.

Consolidated Balance Sheet (IFRS)

1000 €	Note	31.12.2005	31.12.2004
ASSETS			
Non-Current Assets			
Intangible assets	11	1 047	1 353
Property, plant and equipment	12	192	449
Shares and equity interests in associated companies	13	38	25
		1 277	1 827
Current Assets			
Current Receivables	14	571	1 227
Financial assets at fair value through profit or loss	15	6 687	4 255
Cash and cash equivalents		395	2 783
		7 653	8 266
ASSETS, TOTAL		8 930	10 093
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	23	1 054	878
Share premium fund	23	5 881	13
Retained earnings		–18 576	–9 211
Net income (loss)		–7 941	–9 561
Shareholders' equity total		–19 583	–17 881
Long-term liabilities			
Provisions	21	40	18
Interest-bearing liabilities	16	21 276	19 453
Non-interest-bearing liabilities	17	5 169	5 481
		26 485	24 951
Current liabilities			
Provisions	21	16	5
Interest-bearing liabilities	18	42	76
Accounts payable and other debts	19	1 971	2 941
		2 029	3 022
Liabilities total		28 514	27 973
EQUITY AND LIABILITIES TOTAL		8 930	10 093

Statement of Changes in Shareholders' Equity (IFRS)

1000 €	Parent company shareholders' equity: Shares (1000 pcs)	Share capital	Share premium fund	Own shares	Retained earnings	Capital loans	Shareholders' equity total
BALANCE AT 31.12.2003		874	21 899	–15	–27 288	10 958	6 428
Effect of IFRS adoption		0	–734	0	–3 268	–10 958	–14 961
Adjusted balance at 1.1.2004	43 686	874	21 165	–15	–30 556	0	–8 533
Net income (loss) for the period					–9 561		–9 561
Total income and expenses for the period		0	0	0	–9 561	0	–9 561
Share subscription with option rights	221	4	13				17
Options granted					195		195
Transfer from share premium fund			–21 165		21 165		0
	221	4	–21 152	0	21 360	0	213
BALANCE AT 31.12.2004	43 907	878	13	–15	–18 756	0	–17 881
Balance at 1.1.2005	43 907	878	13	–15	–18 756	0	–17 881
Net income (loss) for the period					–7 941		–7 941
Total income and expenses for the period		0	0	0	–7 941	0	–7 941
Share issue	8 768	175	5 868				6 043
Options granted					195		195
	0	175	5 868	0	195	0	6 239
BALANCE AT 31.12.2005	52 675	1 054	5 881	–15	–26 502	0	–19 583

The accompanying notes are an integral part of the financial statements.

Consolidated Cash Flow Statement (IFRS)

1000 €	Note	1.1.–31.12.2005	1.1.–31.12.2004
Cash flow from operating activities	24		
Net income (loss)		–7 941	–9 561
Adjustments:			
Non-cash transactions		755	952
Addition/disposal due to revaluation of financial assets at fair value through profit or loss		–58	–85
Interest expenses and other financial expenses		722	607
Interest income		–148	–174
Taxes		0	217
Change in working capital			
Change in trade and other receivables		716	–152
Change in trade creditors and other liabilities		–1 976	2 557
Change in mandatory provisions		33	–427
Interest paid		–28	–43
Interest received		88	268
Income taxes paid		0	–217
Cash flow from operating activities		–7 837	–6 058
Cash flow from investing activities			
Change in financial assets at fair value through profit or loss	15		
Additions		–5 000	0
Disposals		2 626	5 001
Investments to tangible assets	12	–9	–142
Net cash used in investing activities		–2 383	4 859
Cash flow from financing activities			
Payments from share issue		6 043	17
Proceeds from borrowings		1 890	2 703
Repayment of lease commitments		–101	–95
Net cash from financing activities		7 833	2 624
Increase (+) or decrease (–) in cash and cash equivalents		–2 388	1 426
Cash and cash equivalents at the beginning of the period		2 783	1 357
Cash and cash equivalents at the end of the period		395	2 783

(All figures in the notes to the financial statements have been rounded to thousand euros, unless otherwise stated)

Biotie Therapies is a drug development biotechnology company with a focus on dependence disorders, inflammatory diseases and thrombosis. BioTie's shares are listed on the Helsinki Exchanges. The company is situated in Turku and its registered address is Tykistökatu 6, 20520 Turku, Finland.

1. Accounting principles

A. Basis of preparation

BioTie's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) adopted in the EU on December 31, 2005. The consolidated financial statements have been prepared under the historical cost convention, excluding a few exceptions specified in the accounting principles section below. For example, financial assets at fair value through profit or loss.

The preparation of financial statements under IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and disclosure of contingent assets and liabilities on the date of financial statements and the reported amounts of income and expenses during the reporting period. Although these estimates are based on Group management's best knowledge of current events and actions, actual results may ultimately differ from them. Estimates on items in the balance sheet requiring application of judgement have been made mainly for intangible assets.

The Group has adopted IFRS reporting standards as from January 1, 2005 and has adjusted the comparative data for the year 2004 to comply with IFRS. BioTie has applied IFRS 1 "First-time Adoption of International Financial Reporting Standards" business combination exemption, which relieves the first time adopter of the obligation to apply IFRS rules retrospectively to business combinations occurring prior to the transition date of January 1, 2004. The consequences of the transition to IFRS are specified in Note 27. Prior to the introduction of IFRS, the Group has prepared its consolidated financial statements in accordance with Finnish Accounting Standards (FAS).

BioTie's financial statements have been prepared assuming that the Company will continue as a going concern. BioTie is a drug development company. Candidate drugs are primarily developed until phase II clinical studies (Proof of concept). BioTie has therefore incurred substantial losses and negative cash flows from operating activities as reflected in these financial statements. BioTie has relied primarily upon obtaining equity capital and R&D loans to support its operations. According to revised budget there are funds to finance BioTie's operations until the end of February 2007. BioTie is investigating different options to strengthen its financial position. BioTie has no commitments to obtain any additional funding and there can be no assurance that BioTie will be able to obtain such financing. These financial statements do not reflect any adjustments that might result from the outcome of this uncertainty.

The Board of Directors approved the publication of the financial statements on February 28, 2006.

B. Group accounting

(1). Subsidiaries
Subsidiaries, which are those companies in which the Group has an interest of more than half of the voting rights or otherwise has the power to govern the financial and operating policies are consolidated. Subsidiaries are consolidated from the date on which control is transferred to the Group and are no longer consolidated from the date on which that control ceases. The purchase method of accounting is used to account for subsidiaries of the Group. Intra-Group transactions, balances and unrealized gains on transactions between Group companies are eliminated. Unrealized losses are also eliminated unless the loss is due to impairment.

(2). Associated companies
Investments in associated companies are accounted for using the equity method of accounting and are initially recognised at cost. Associated companies are entities over which the Group has significant influence but no control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of an asset transferred. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(3). Foreign currency translation
The consolidated financial statements are presented in Euro, which is the Company's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement. Translation differences on non-monetary financial assets and liabilities are reported as part of their fair value gain or loss.

C. Revenue Recognition

Revenue of the drug development company consists typically of upfront payments, milestone payments and royalties of the sales, agreed in collaboration agreements.

Recognition of revenue from upfront payments
Non-refundable upfront payments are based on collaboration agreements made with drug companies. They are paid at the inception of the collaboration and there is no performance obligation related to them. Non-refundable upfront payments are reported as deferred income and recognised as income over the estimated period of the development collaboration.

Recognition of revenue from milestone payments
Milestone payments are based on collaboration agreements made with drug companies related to research and development projects of specified products or areas. Milestone payments are recognized as income after achievement of the milestones as defined in the respective agreements.

Due to nature of income and operations of a drug development company being in research phase with all its projects the presentation of cost of sales in profit and loss statement is not applicable and all costs of the research activities are presented under Research and development expenses.

D. Property, plant and equipment

Property, plant and equipment comprise mainly equipment used in research and development. They are stated at historical cost less depreciation less any impairment loss.

The depreciation is calculated as straight-line depreciation in order to depreciate each item's acquisition cost up to residual value during its estimated useful life, which is 4 years.

The residual value and the useful life of an asset are reviewed, and adjusted if appropriate, at each balance sheet date.

Gains and losses on the disposals are included in operating income.

Repair and maintenance expenses for tangible assets are recorded as expenses during the fiscal year of their occurrence.

E. Intangible assets – Goodwill

(1). Goodwill
Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the net identifiable assets of the acquired subsidiary/ associate at the date of the acquisition. Goodwill on acquisition of subsidiaries is included in "Intangible assets". Goodwill on acquisition of associates is included in "investments in associates". Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. The goodwill at the date of transition relates to acquisitions made before January 1, 2004 and corresponds to the book value under previous GAAP used as deemed cost on transition.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units of groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose.

(2). Research and development expenses
Research and development costs include salaries and costs directly attributable to the Company's research and development programmes. Furthermore, salaries and costs supporting the direct research and development, including costs covering rent and leasing, are included under research and development costs. Research costs are expensed as incurred.

An intangible asset arising from development (or from the development phase of an internal project) shall be recognised if, and only if, an entity can demonstrate all of the following:
a) The technical feasibility of completing the intangible asset so that it will be available for use or sale.
b) Its intention to complete the intangible asset and use or sell it.
c) Its ability to use or sell the intangible asset.
d) How the intangible asset will generate probable future economic benefits. Among other things, the entity can demonstrate the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset.
e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.
f) Its ability to measure reliably the expenditure attributable to the intangible asset during its development.

Due to the risk related to development of pharmaceutical products, capitalisation in the balance sheet requires that the development of the product can be completed with sufficient security. When sufficient security is not ensured, the development costs are expensed. So far the company's drug development projects have been at the research phase, and therefore they have not yet met

the IAS 38 requirements for capitalisation as intangible assets.

(3). Other intangible assets
Intangible rights include capitalized costs paid to the bioheparin project's previous technology partner, Inalco and some computer software. The definite useful life and correspondingly the depreciation period for capitalized bioheparin IP-costs is 10 years. Acquired computer software licences are capitalised on the basis of the costs incurred. These costs are amortised using straigh-line depreciation method over their estimated useful lives (four years).

Currently there are no intangible assets with indefinite useful lives.

F. Impairment of non-financial assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date. The increased carrying amount of an asset other than goodwill attributable to a reversal of an impairment loss shall not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

G. Financial assets

The financial asset categories according to IAS 39 are financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets. Financial assets at fair value through profit or loss includes two subcategories: a) financial assets held for trading and b) financial assets designated on initial recognition as one to be measured at fair value with fair value changes in profit or loss.

The Group classifies all its investments at the moment to category b) of the financial assets at fair value through profit or loss. The investments are included in non-current assets, except where the management has expressed intent to keep the investment for a period of less than 12 months from the date of the financial statements or where there is a need to sell the investments in order to obtain working capital required in the company's operation. Such investments are included in current assets.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and not held by the company for trading. Included in this category are the Group's financial assets acquired by transferring money, goods or services to a debtor. They are recorded in the balance sheet at amortized cost and included in the current and non-current financial assets; in the latter if they are due after over 12 months.

The management shall determine the appropriate classification of investments at the moment of acquisition and reassess it regularly.

The Group applies a consistent policy in recognizing an asset based on the trade date, which is the date that the Group commits to buy or sell the asset. Transaction expenses are included in acquisition costs. Unrealized gains and losses arising from changes in the fair value of financial assets at fair value through profit or loss are recognized in the income statement when they occur. An asset's fair value is based on quoted bid prices. Investments include mainly investments to mutual funds.

Loans and receivables will be subject to an impairment test, if there is objective evidence on the impairment of the item. The recoverable amount of the financial assets is either the fair value of the instrument or present value of estimated future cash flows arising from the asset. Financial assets will be derecognized from the balance sheet when the Group has lost its contractual right to cash flow or when it has transferred a significant part of risks and return outside the Group.

H. Leases

Leases of tangible assets where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the finance charge and the reduction of the outstanding liability so as to achieve a constant rate on the finance balance outstanding. Rental obligations are included in current and non-current liabilities net of finance charges. The interest element of the payments is expensed. An asset based on a finance lease will be depreciated over its useful life or within the shorter lease term.

Leases where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as other operating leases. Payments made under operating leases are charged to the income statement on a straight-line basis over the period of the lease.

I. Cash and cash equivalents

Cash comprises cash on hand and demand deposits. Cash equivalents are short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are recognized in the balance sheet at their acquisition cost. Cash and cash equivalents in the cash flow statement consist of cash in hand and bank accounts.

J. Share capital

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

When any Group company purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental costs (net of income taxes) is deducted from equity attributable to the Company's equity holders until the shares are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related income tax effects, is included in the equity attributable to the Company's equity holders.

K. Financial liabilities and expenses for long-term liabilities

Financial liabilities are recognized initially at fair value. Financial liabilities are included in current and non-current liabilities and they can be interest-bearing or non-interest-bearing. After initial recognition financial liabilities are measured at amortised cost using the effective interest method.

The fair value of the liability portion of a convertible bond is determined at inception using a market interest rate for the equivalent non-convertible bond. Based on the fair value calculation there is no separable equity portion in the current convertible bond and the whole bond is presented under liabilities. Tekes loans are valued on undiscounted amount, because Tekes loans at low interest rate are a form of government assistance.

Interest costs are expensed as they occur.

L. Taxes

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences arise primarily from depreciation on property, plant and equipment, and revaluation of certain investments, finance leases, tax losses deducted for subsequent periods and the difference between the fair value and taxable value of net assets resulting from purchase.

Deferred tax assets are recorded up to the amount that represents probable taxable income received in the future and against which temporary differences can be utilized.

Deferred taxes shall be determined using a tax rate enacted by the date of the financial statements or an approved tax rate as announced.

M. Employee benefits

Pensions
BioTie has only contribution-based pension plans. Contributions to the Group's contribution-based pension plans are recognized in the income statement for the corresponding fiscal year.

Equity compensation benefits
The Group has applied IFRS 2 'Share-Based Payments' to all option plans where the options have been granted after November 7, 2002 and the subscription period has not begun before January 1, 2005. Expenses from previous option plans are not recognized in the income statement. Option rights have been measured at their fair value at the grant date, recognized as an expense in the income statement and divided into even increments during the vesting period. The expenses defined at the moment of granting the options are based on the Group's estimate of the quantity of options to which rights are expected to arise at the end of the vesting period. The fair value is defined on the basis of the Black-Scholes option pricing model. The impacts of non-market-based conditions (such as profitability and a certain profit target growth) are not included in the fair value of the options, but they are recognized in the quantity of options to which rights are expected to arise at the end of the vesting period. Each fiscal year, the Group shall update the expected final quantity of options on the date of the financial statements. Changes to estimates are recorded in the income statement. When option rights are exercised, the obtained payments based on share subscriptions (adjusted to reflect possible transaction costs) are recorded to the share capital (nominal value) and to the share premium fund.

N. Public Grants

Grants are recorded when the right to obtain a grant is final and binding and when the cost to which the grant shall be allocated has been recorded. Grants are recognized in other operating income.

Grants for the acquisition of tangible assets are deducted from the asset's acquisition price.

O. Provisions

Provisions are recognized when BioTie has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made.

BioTie recognizes a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract. The provisions for onerous contracts recognized in the balance sheet are related to leases (subleased premises).

P. Critical accounting estimates and judgements

When preparing the financial statements, estimates and presumptions pertaining to the future need to be made, but their realization may differ from the estimates and presumptions made. Estimates requiring application of judgment have been made mainly to bioheparin capitalization of EUR 988 thousand in intangible assets. If bioheparin project would not represent revenue potential, the item would be impaired. In addition, application of judgment is required when applying the accounting principles of the financial statements.

Q. New IFRS standards, IFRIC interpretations

IASB has published the standards and interpretations below and their application will be obligatory in 2006 or later. The Group has decided not to apply these standards yet and will adopt them during upcoming fiscal years. The Group is examining the effects of the standards on its financial statements. According to a preliminary account, these standards and interpretations will not significantly affect the Group's consolidated financial statements. The essential changes relate to IFRS 7, which will affect mainly the notes to the consolidated financial statements.

- IAS 19 (Amendment), Employee Benefits
- IAS 21 (Amendment), Net Investment in a Foreign Operation
- IAS 39 (Amendment), Cash Flow Hedge Accounting of Forecast Intragroup Transactions.
- IAS 39 (Amendment), The Fair Value Option.
- IAS 39 and IFRS 4 (Amendment), Financial Guarantee.
- IFRIC 4, Determining Whether an Arrangement Contains a Lease.
- IFRS 1 (Amendment), First-time Adoption of IFRS, and IFRS 6 (Amendment), Exploration for and Evaluation of Mineral Resources
- IFRS 6, Exploration for and Evaluation of Mineral Resources
- IFRIC 5, Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds
- IFRIC 6, Liabilities arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment.
- IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies. IFRIC 8, Scope of IFRS 2.
- IFRS 7, Financial Instruments: Disclosures, and a complementary amendment to IAS 1

2. Financial risk management

(1). Categories of financial risk

The operations of the Group expose it to several financial risks caused by, for example, the following factors: changes to market prices in debt and capital markets, fluctuation of exchange rates and interest rates. The Group's global risk management program focuses on the unpredictability of the financial market and aims at minimize any undesired impacts on the Group's financial result.

Risk management is conducted by the BioTie management according to the operational procedures approved by the Board of Directors. The Board of Directors defines the general risk management principles and provides written operational procedures concerning specific areas including but not limited to foreign exchange risk, interest rate risk, credit risk, use of derivatives and investment in additional liquid assets.

(i). Foreign exchange risks
The Group operates internationally and is exposed to foreign exchange risk between several currencies, of which the most important is the US dollar. Secure and significant net positions in foreign currency can be hedged by foreign exchange forward contracts. However, currently and during the financial periods presented here there were no such contracts in use. Foreign exchange risk is mainly related to possible future revenue.

(ii). Interest rate risks
The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group invests liquid assets in low risk securities. The Group's loans from the National Technology Agency (Tekes) are mainly tied to the base rate defined by the Finnish Ministry of Finance. The interest rate of convertible capital loan agreements is fixed. At the end of the fiscal year, 11.8% of loans had a fixed interest rate. BioTie does not cover interest rate risks.

(iii). Credit risks
The Group does not have significant credit risk concentrations. The Group has operational procedures for ensuring that products and services shall only be sold to customers with an appropriate credit rating. Only financial institutions with a high credit rating can constitute parties in derivatives and in cash transactions. The Group's operational procedures limit the credit risk relating to a single financial institution. At the date of the financial statements the company does not have credit risk.

(iv). Liquidity risks
Prudent liquidity risk management implies maintaining sufficient cash and marketable securities and the availability of funding. The financing of the Group's operations consists of income obtained from licensing agreements, R&D financing granted by the National Technology Agency (Tekes) and investments of equity.

(2). Derivative financial instruments

There have been no derivative financial instruments in 2004 and 2005.

3. Segment reporting

The company is managed as one business unit in one geographical market. It is not possible to identify separate business areas for individual drug development candidates of geographical markets. Segment reporting by business segments or on a geographic basis is therefore not relevant.

Operations are located in Finland where also costs occur. The Company is exposed to foreign exchange risk (USD) since main part of the current revenue from international co-operation partners is USD denominated. Possible milestone payments from Somaxon Pharmaceuticals (total agreement EUR 13.2 million) and Seikagaku Corporation (total agreement EUR 33.4 million) are in USD.

4. Revenue

	2005	2004
Aventis collaboration and option agreement	231	1 769
Somaxon licensing agreement	724	283
Seikagaku licensing agreement	272	272
Total	1 227	2 325

The revenue for the financial year consisted of periodization of the upfront payment of the licensing agreement with Seikagaku Corporation, Aventis (sanofi-aventis) and Somaxon Pharmaceuticals. Revenue for the reporting period in 2004 consisted also of milestone payment of one million euros from Aventis. No new milestone or signing fees received in 2005. Currency rate difference is not formed.

5. Personnel costs

	2005	2004
Wages and salaries	2 446	2 281
Other obligatory personnel expenses	126	129
Other voluntary personnel expenses	107	92
Pension expenses - contribution-based pension plans	393	351
Options granted	195	195
Total	3 267	3 050

The average number of personnel in 2005 was 47 (in 2004: 47).

6. Depreciation

	2005	2004
Depreciation by asset		
Intangible assets	307	317
Machinery and equipment	267	448
Total	573	765
Depreciation by operation		
Research and development	556	732
Administration	17	33
Total	573	765

7. Other operating income

	2005	2004
Research and development subsidies from		
The National Technology Agency (Tekes)	598	891
Research and development subsidies of EU	41	94
Ministry of Trade and Industry	12	7
Rent	256	250
Other	4	11
Total	912	1 253

Leases from subleased premises, (cf. Accounting principles, O. Provisions, Note 21)

8. Financial income and expenses

	2005	2004
Financial income:		
Interest income	90	274
The fair value changes of assets recorded at fair value in the profit and loss account	58	–101
Total	148	174
Financial expenses:		
Interest on Tekes loans	–467	–350
Interest on finance leases	–2	–4
Interest on convertible capital loan agreements	–252	–252
Total	–722	–607

9. Taxes

	2005	2004
Withholding taxes on income from foreign countries	0	–217

BioTie has 2004 received upfront-payments and milestone payments of EUR 4.3 million of which has been deducted a withholding tax in USA (EUR 117 thousand) and in Germany (EUR 100 thousand). This tax is deductable in Finland in 2 years time against taxable profit. However, it is not probable that the company will make profit and be able to deduct the paid withholding tax in near future.

10. Earnings per share

Basic earnings per share is calculated by dividing the net profit attributable to shareholders by the weighted average number of ordinary shares in issue during the year, excluding ordinary shares purchased by BioTie and held as treasury shares.

	2005	2004
Net profit attributable to shareholders (€ 000)	–7 941	–9 561
Weighted average number of shares in issue (thousands)	47 870	43 045
Earnings per share (basic) (€ per share)	–0.17	–0.22
Earnings per share (diluted) (€ per share)	–0.17	–0.22

In the calculation of diluted earnings per share, the weighted average number of shares is established taking into account the dilution effect obtained if all potential diluted shares were changed into shares.

The Group has two kinds of diluted instruments augmenting the number of common shares: stock options and convertible capital loan agreements. Shares subscribed with options and convertible capital loan agreements have not been included in the diluted earnings per share, as they have a strengthening effect on the presented periods. The subscription price for shares subscribed with options and convertible capital loan agreements exceeds the market value of the share at the date of the financial statements, December 31.

Instruments with a possible dilution effect to earnings per share:		
Adjustments: - presumed modification of convertible capital loan agreements (thousands)	1 278	1 278
- stock options (thousands)	2 516	2 706
Total	3 794	3 984

11. Intangible assets

	Intangible rights
Fiscal year ending on 31.12.2004	
Book value on 1.1.	1 645
Additions	25
Depreciation	–317
Book value on 31.12.	1 353
31.12.2004	
Acquisition cost	4 209
Accumulated depreciation	–2 856
Book value	1 353
Fiscal year ending on 31.12.2005	
Book value on 1.1.	1 353
Depreciation	–307
Book value on 31.12.	1 047
31.12.2005	
Acquisition cost	4 209
Accumulated depreciation	–3 162
Book value	1 047

Intangible rights consist mainly, EUR 988 thousand, of capitalized acquisition costs for the bioheparin IP-rights paid to bioheparin project's previous technology partner, Inalco. The depreciation period for capitalized expenses is 10 years, and the depreciation time currently remaining is 3 to 6 years. The remaining amount, EUR 58 thousand, includes mainly software.

12. Property, plant and equipment

	Machinery and equipment
Fiscal year ending on 31.12.2004	
Book value on 1.1.	780
Additions	117
Depreciation	–448
Book value on 31.12.	449
31.12.2004	
Acquisition cost	2 170
Accumulated depreciation	–1 720
Book value	449
Fiscal year ending on 31.12.2005	
Net book value on 1.1.	449
Additions	9
Depreciation	–267
Book value on 31.12.	192
31.12.2005	
Acquisition cost	2 179
Accumulated depreciation	–1 987
Net book value at the end of the period	192

Assets include approximately EUR 2.0 million of completely depreciated assets still in use. Additions include EUR 0 thousand (2004: EUR 88 thousand) of leased property through finance lease (Group as lessee). The table includes assets the Group has leased through finance lease, comprising equipment used in research and development as follows:

	2005	2004
Acquisition cost – capitalized on the basis of finance lease	1 070	1 070
Accumulated depreciation	–941	–788
Book value	129	281

Finance lease agreements are made for 3 to 5 years. Monthly lease payment is a fixed sum. The finance leases include options for redemption, which corresponds approximately one months lease payment.

13. Investments in associated companies and subsidiaries

2005		2004
Associated companies	Country	Share of ownership %
Biovian Ltd., Tykistökatu 6 B, Turku	Finland	9.9%
Contral America Inc., with no activities	USA	25.0%
At the beginning of the period	25	17
Share of profit/loss before taxes	18	11
Share of taxes	–5	–3
Share of profit/loss after taxes	13	8
At the end of the period	38	25

Biotie Therapies Corp. has the right to occupy one seat on the Board of Directors of Biovian Ltd., which is why it has been treated as an associated company.

Biovian Ltd.	2005	2004
Assets	1 002	764
Liabilities	614	512
Revenue	1 471	1 155
Net income for the period	136	81

Subsidiaries

	Country
Biotie Therapies International Ltd.	Finland

The subsidiary is owned 100% and the ownership has remained unchanged during the period.

14. Receivables and advance payments

	2005	2004
Interest-free receivables:		
VAT receivables	124	159
Other receivables	86	155
Prepaid expenses and accrued income	361	914
Total	571	1 227

Other receivables include EUR 6 thousand for rental guarantees and a collateral of EUR 80 thousand for lease limit.

15. Financial assets at fair value through profit or loss

	2005	2004
Money market funds	6 687	4 255
Long term	0	0
Short term	6 687	4 255

Financial assets held for trading, consisting mainly of investments to money market funds are measured at their fair value.

Investments are classified as non-current assets unless they are expected to be sold during the twelve months following the date of the financial statements or unless they must be sold in order to obtain working capital. All BioTie's financial assets at fair value through profit or loss have been classified as current.

16. Non-current interest-bearing liabilities

	2005	2004
Non-convertible capital loans from Tekes	14 591	10 813
Long-term liabilities to Tekes	4 146	6 033
Convertible capital loan agreements	2 523	2 523
Lease liabilities	17	83
Total	21 276	19 453

The loans include a total of EUR 17 thousand (2004: EUR 83 thousand) of secured debts (leasing debts). Leasing debts are actually secured, as in the case of default on a payment the rights to the leased property are transferred back to the lessor. The value of debts on the balance sheet is considered to reflect their fair value, because the discount rate used is considered as remaining unchanged after the loans have been granted. This is due to the structure of the company's external loan which consists solely on capital loans and loans from Tekes.

Non-convertible capital loans from Tekes
The Finnish National Technology Agency (Tekes) has granted capital loans of EUR 18 850 thousand. EUR 15 291 thousand has been paid to the company by the end of the financial year. The amount includes EUR 700 thousand which will be booked as capital loans as soon as the approved expenses are accrued and settlement concerning expenses has been approved. The loan period is 8 years. The interest rate is base rate set by The Ministry of Finance minus 1%, however, at least 3%. The loans are instalment-free for four to five years, after that loans will be paid in equal shares. Capital loan has been granted to a definite product development project and the loan covers a contract-based share of the project's R&D expenses. Capital loans have been drawn between 1998 and 2005.

Convertible capital loan agreements
The company had convertible bonds of EUR 2 523 thousand. The subscription period that permits subscription of a total of 1 278 000 company shares began on June 1, 2000, and will end on December 31, 2005. Or provided that the loan capital will not be paid by then, until the loan capital has been paid or converted into shares of the company. Par value of the shares is in total EUR 26 thousand. The interest rate is 10% pa.

The Group has calculated the fair value of the capital loan agreement at the moment of its drawing and discovered that no share of equity is to be separated from the loan but the loan is defined entirely as liabilities. Amounts from the capital loan agreements have been drawn on various occasions between May 13, 1998 and June 15, 1999.

Non-convertible and convertible capital loans
The company is obliged to pay interest only if the amount can be used in profit distribution as defined in the most recent adopted group balance sheet (FAS) of the Company. The capital may be returned only if the restricted equity of the group (FAS) for the financial period last ended is fully covered thereafter.

In case of bankruptcy or liquidation of the loan principal and interest have the lowest priority, i.e. they are paid only after all debtors have received their receivables. No payments of principal or interest have been made since inception of the loans. In the consolidated financial information accrued interest expenses have been recognised.

Long-term liabilities
At the end of the fiscal year, BioTie had EUR 4 146 thousand of R&D loans granted by Tekes.

R&D loan has been granted to a definite product development project and the loan covers a contract-based share of the project's R&D expenses.

The weighted average of effective interest rates at the date of the financial statements was as follows:	2005	2004
Non-convertible capital loans	3%	3%
Convertible capital loans	10%	10%
Long-term liabilities	1%	1%
Lease liabilities	3.7%	3.4%

Capital loans and R&D loans are due as follows:	2005	2004
Under 1 year	6 932	5 333
1–5 years	9 951	8 035
Over 5 years	4 377	6 001
Total	21 260	19 369

All loans due under 1 year are capital loans, which cannot be paid according to a restrictive condition that the capital may be returned only if the restricted equity of the group (FAS) for the financial period last ended is fully covered thereafter. All loans are therefore classified as long-term debt.

17. Non-current non-interest-bearing liabilities

	2005	2004
Interest debts	3 355	2 670
Upfront payments of license agreements	1 813	2 810
Total	5 169	5 481
Current value of upfront payments of license agreements	1 762	2 736

Interest debts include mainly unpaid interest debts from capital loans. The interest on capital loans shall only be paid if the payable amount can be used in profit distribution as per the company's, or if the company is the parent company, the Group's, adopted balance sheet for the most recently ended fiscal year.
The signing fees on licensing agreements include amortizations of received payments for the entire duration of the contract. The duration is revaluated annually.

18. Current interest-bearing liabilities

	2005	2004
Lease liabilities	42	76

Finance lease debts - minimum lease payments	2005	2004
Under 1 year	42	76
1–5 years	17	83
Total	59	160
Finance charges from leases to be accrued in the future	2	4
Current value of finance lease debts	57	154

Current value of finance lease debts is due as follows:	2005	2004
Under 1 year	41	74
1–5 years	16	81
Total	57	154

Credit facilities

The Group's available credit lines are as follows:	2005	2004
With floating rate:		
Leasing line	213	213
Available credit line	156	59

The company has a leasing line of indefinite duration with collateral of a fixed-term investment account of EUR 80 thousand.

19. Accounts payable and other debts

	2005	2004
Accounts payable	295	766
Debts to associated companies	35	0
Debts related to social security costs and to other tax-like charges	74	256
Accrued expenses and prepaid income	571	451
Upfront payments of license agreements	997	1 228
Other debts	0	241
Total	1 971	2 941
Current value of upfront payments of license agreements	970	1 199

Accrued expenses and prepaid income include mainly a provision for vacation pay EUR 268 thousand (2004: EUR 314 thousand) and amortization of research expenses EUR 209 thousand (2004: EUR 116 thousand). Other liabilities from the year 2004 EUR 241 thousand consist mainly of EU accounts not transferred to other participants of the EU project.

20. Deferred taxes

Deferred tax assets are recorded up to the amount that is estimated as probably available to use in the future based on future profits.

The Group has deferred tax assets (2005: EUR 20 668 thousand, 2004: EUR 19 051 thousand) in relation to losses confirmed or to be confirmed in taxation. Furthermore, the Group has deferred tax assets in terms of depreciation in accounting but not in taxation (2005: EUR 504 thousand, 2004: EUR 394 thousand).

The Group has deferred tax liabilities because of the measurement of the financial assets at fair value through profit or loss (2005: EUR 37 thousand, 2004: EUR 22 thousand).

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income taxes relate to the same fiscal authority.

The Group has recorded a deferred tax debt or EUR 37 thousand (2004: EUR 22 thousand) and also a tax asset of EUR 37 thousand (2004: EUR 22 thousand):

	2005	2004
Deferred tax assets	37	22
Deferred tax liabilities	37	22

In the balance sheet the deferred tax has no value, because the amounts has been offset.

The gross movement on the deferred income tax in income statement is as follows:	2005	2004
Change in tax assets	15	–32
Change in tax liabilities	–15	32

Other deferred tax assets have not been recorded, as their utilization remains uncertain.

Losses confirmed in taxation

		Expires
Loss for the fiscal year 1997	350	2007
Loss for the fiscal year 1998	2 443	2008
Loss for the fiscal year 1999	7 976	2009
Loss for the fiscal year 2000	10 691	2010
Loss for the fiscal year 2001	16 177	2011
Loss for the fiscal year 2002	25 465	2012
Loss for the fiscal year 2003	10 171	2013
Loss for the fiscal year 2004	6 219	2014
	79 493	

Postponed depreciation – depreciation in taxation is of lesser value than in accounting	
Fiscal year 2000	109
Fiscal year 2001	115
Fiscal year 2002	696
Fiscal year 2003	593
Fiscal year 2004	425
	1 938

21. Provisions

	Unprofitable leases	Other	Total
January 1, 2005	22	1	23
Additions to provisions	41	0	41
Reversals of unused provisions	0	–1	–1
Used during the fiscal year	–8	0	-8
December 31, 2005	55	0	55

Division of total provisions:	2005	2004
Long term	40	18
Short term	16	5
Total	55	23

Unprofitable leases relating to subleased premises in Pharmacity. Lease of 1 410 m^2 premises until Nov. 30, 2011 that are subleased until Aug. 31, 2009 and until Nov. 30, 2011. The rent for these premises amounts to EUR 263 thousand in 2005 (EUR 259 thousand in 2004). The minimum rent for the subleases concluded amounts to EUR 246 thousand in 2005 (EUR 250 thousand in 2004). The Group has a provision of EUR 55 thousand for these subleases.

22. Contingent liabilities

Operating lease commitments - Group as lessee
Minimum rent based on non-cancelable operating leases is as follows:

	2005	2004
Under 1 year	115	116
1–5 years	63	128
Total	177	244

The Group leases motor vehicles, machines and equipment with leases of 3 to 5 years. The leases do not include options for redemption or for extension.

23. Common shares, share premium fund, treasury shares and stock options

	Number of shares (thousands)	Common shares EUR 000	Share premium fund EUR 000	Total EUR 000
January 1, 2004	43 686	874	21 899	22 772
Share issue – stock option plan	221	4	13	17
Transfer from the share premium fund	0	0	–21 899	–21 899
December 31, 2004	43 907	878	13	891
Share issue	8 768	175	6 399	6 574
- share issue expense			–531	–531
December 31, 2005	52 675	1 054	5 881	6 934

The parent company of the Group possesses 819 000 own shares at EUR 0.53 per share, the market value of the shares was EUR 434 thousand. The par value of the shares is EUR 0.02 per share. The company has received the shares in the merger with Contral Clinics in 2001. The acquisition price of the purchased shares was EUR 15 thousand and it is recognized as deduction in shareholders' equity.

The management and personnel have been given stock options. The changes to the number of outstanding stock options are as follows (thousands):

	2005	2004
At the beginning of the period	2 484	537
Given	0	2 000
Exercised	0	–51
Expired	–480	–2
At the end of the period	2 005	2 484

On the basis of the option rights exercised for share subscription by December 31, 2005 (December 31, 2004) 1 860 new shares were issued (2004: 221 039 shares) at a price of EUR 0.02 per share (2004: EUR 0.02/0.35 per share). This resulted in the receipt of the following amounts EUR 37.20 (2004: EUR 17 203.66) from which transaction costs adjusted for deferred taxes have been deducted.

Outstanding stock option rights (thousands) at the end of the fiscal period are in force as follows:

Expiry date	Subscription price	2005	2004
1.5.2005	6.78		5
31.12.2005	4.32	0	349
31.12.2005	10.74	0	126
1.10.2006	6.78	5	5
31.12.2009	0.90	800	800
31.12.2009	0.98	600	600
31.12.2009	1.07	600	600
Total		2 005	2 484

Options expired at the date of the financial statements are not included in the option rights. Some options include the right to subscribe more than one share. The fair value of the option rights granted in 2004 is calculated using the Black-Scholes option pricing model. According to the calculation, the fair value of EUR 467 thousand is amortized as an expense to the vesting period, i.e. years 2004–2006.

Type of arrangement	Share option plan	
	Options 2004	Options 2002 I
Date of grant	14.1.2004	1.3.2002
Number granted (thousands)	2 000	5
Subscription price, EUR	0.90/0.98/1.07	6.78
Share price at grant date, EUR	0.84	
Expiry date	31.12.2009	1.10.2006
Vesting conditions	1–3 years service	3 years service
Method of settlement	Shares	Shares
Expected volatility	58.70%	n/a
Contractual life (years)	5.97	n/a
Risk-free interest rate	2.50%	n/a
Expected dividends	0.00%	n/a
Estimated reductions of personnel (at the date of grant)	10.00%	n/a
The estimated fair value, EUR	0.44	n/a
Pricing model	Black-Scholes	n/a

24. Adjustment of cash flow from operating activities

	2005	2004
Net income (loss)	–7 941	–9 561
Adjustments:		
Non-cash transactions		
Depreciation	573	765
Options granted	195	195
Share of the profit of associated companies	–13	–8
Addition/disposal due to revaluation of financial assets at fair value through profit or loss	–58	-85
Interest expenses and other financial expenses	722	607
Interest income	–148	–174
Taxes	0	217
Changes to working capital:		
Change in trade and other receivables	716	–152
Change in trade creditors and other liabilities	–1 976	2 557
Change in mandatory provisions	33	–427
Interest paid	–28	–43
Interest received	88	268
Income taxes paid	0	–217
Net cash flow from operating activities	–7 837	–6 058

25. Transactions with related party

The following transactions were realized with related party:

i) Sale of goods and services	2005	2004
Biovian Ltd. (associated company)	4	5

ii) Purchase of goods and services	2005	2004
Purchase of services:		
Biovian Ltd.	819	924

iii) Receivables and debts owing from the sale/purchase of goods/services	2005	2004
Receivables from related party:		
Biovian Ltd.	0	50
Debts to related party:		
Biovian Ltd.	35	0

The pricing of goods/services between the company and Biovian Ltd. is based on market prices.

iv) Loans from related party	2005	2004
Loan from Dreadnought Finance Ltd. (other related party)	1 163	1 096

The loan from Dreadnought Finance Ltd. is a convertible bond. The repayment conditions are stated under section 16; interest rate is 10%. EUR 336 thousand was drawn from the loan on May 13, 1998 and EUR 336 thousand on January 26, 1999. The interest on the loan has been recorded in non-current non-interest-bearing liabilities and is included in the table above. Dreadnought Finance Ltd. is controlled by the member of the board.

v) Management Benefits	2005	2004
Salaries and other short-term employee benefits	535	542
Share-based payments (share of management in the option expenses)	100	100
Termination benefits, payment-based	179	145
Total	814	787

As of June 1, 2005, BioTie's Management Group has comprised the President and CEO, acting as the President of the Management Group; CFO; Vice President (Business Development); Drug Development Manager and two Research Managers. Until June 1, 2005, the Management Group was formed of three members: the President and CEO, the CFO and the Vice President (Business Development).

vi) Stock options given to management

The total number of stock options given to the company's management during 2005 was 0 (2004: 1 020 000). The option rights were given under the same conditions and expiry dates as the option rights given to other company personnel. At the end of the fiscal year, the number of outstanding options granted to management was 1 020 000 (at the end of the fiscal year 2004: 1 020 000).

26. Transactions after the date of the financial statements

No substantial transactions.

27. Adoption of IFRS Reporting

As stated under 'Accounting principles' in 'Notes to the financial statements', the present financial statements are the first financial statements prepared according to the IFRS principles. Prior to the introduction of IFRS, the Biotie Group has prepared its financial statements in accordance with Finnish Accounting Standards.

The transition to IFRS reporting has changed the reported financial statements, notes to them and the accounting principles in comparison with prior financial statements. The accounting principles presented under 'Accounting principles' in 'Notes to the financial statements' have been applied in preparing the financial statements for the fiscal year ending on December 31, 2005, the key figures for the fiscal year ending on December 31, 2004 and the opening IFRS balance sheet for January 1, 2004.

The reconciliations and accounts below describe the differences between IFRS reporting and the Finnish Accounting Standards (FAS) from the year 2004 and to IFRS from the transition date of January 1, 2004.

Summary of the effects of IFRS on equity at January 1, 2004 and December 31, 2004

1000 €	Note	1.1.2004	31.12.2004
Equity, FAS		6 428	1 739
Adjustments:			
IAS 17 Lease liabilities	5)	192	122
IAS 36 Consolidation goodwill	3)	–626	0
IAS 39 Financial instruments	4)	186	85
IAS 18 Income recognition from license fees	1)	–1 906	–4 038
IAS 16 Tangible assets	2)	96	26
IAS 32 Inclusion of capital loans as liabilities	7)	–10 958	–13 336
IAS 32 Interest on capital loans	8)	–1 952	–2 494
IAS 28 Investments in associates	10)	7	15
Equity, IFRS		**–8 533**	**–17 881**

The adoption of IFRS has affected Biotie's previously reported financial results for the fiscal year ending on December 31, 2004 as follows:

INCOME STATEMENT 1000 €	Note	FAS 1.1.–31.12.2004	IFRS 1.1.–31.12.2004	Adjustments
Revenue	1)	4 457	2 325	–2 132
Research and development expenses	2,5)	–9 244	–9 545	–301
General and administrative expenses	6)	–2 919	–2 951	–31
Goodwill depreciation	3)	–626	0	+626
Other operating income		1 253	1 253	0
Operating profit/loss		**–7 080**	**–8 918**	**–1 838**
Financial income and expenses	4,8)	214	–433	–647
Share of the profit of associated companies		0	8	8
Profit (loss) before appropriations and taxes		**–6 866**	**–9 343**	**–2 477**
Taxes		–217	–217	0
Net income (loss)		**–7 083**	**–9 561**	**–2 477**

IFRS balance sheet reconciliation, January 31, 2004

BALANCE SHEET		FAS	IFRS	
1000 €	Note	31.12.2004	31.12.2004	Adjustments
Assets				
Fixed assets and other long-term investments				
Intangible assets	2)	1 347	1 353	+7
Tangible assets	2,5)	149	449	+300
Investments	10)	10	25	+15
		1 505	1 827	+322
Current assets				
Current receivables		1 147	1 227	0
Securities	4)	4 170	4 255	+85
Cash in hand at banks		2 863	2 783	0
		8 180	8 266	+85
Total		9 686	10 093	+408
Equity and liabilities				
Shareholders' equity				
Share capital		878	878	0
Share premium fund		13	13	0
Retained earnings	1,2,3,4,5,6,8,10)	–5 404	–9 211	–3 807
Net income (loss)	1,2,3,4,5,6,8,10)	–7 083	–9 561	–2 477
Capital loans	7)	13 336	0	–13 336
		1 739	–17 881	–19 619
Liabilities				
Provisions		23	23	0
Long-term liabilities	1,5,7,8)	6 210	24 933	+18 723
Current liabilities	1,5)	1 714	3 017	+1 304
		7 947	27 974	+20 027
Total		9 686	10 093	+408

The transfer from FAS to IFRS has not had other significant changes to the preparation of the cash flow statement but the fact that financial assets at fair value through profit or loss are transferred from financial assets under investments.

SUMMARY OF THE MOST SIGNIFICANT CHANGES IN ACCOUNTING PRINCIPLES OF BIOTIE THERAPIES CORP. ON ADOPTION OF THE INTERNATIONAL FINANCIAL REPORTING STANDARDS

Income recognition

1) Non-refundable upfront payments are based on collaboration agreements made with drug companies. They are paid at the inception of the collaboration and there is no performance obligation related to them. Non-refundable upfront payments are reported as deferred income and recognised as income over the estimated period of the development collaboration. Under FAS the upfront payments have been recognized as revenue when received. Milestone payments are based on collaboration agreements made with drug companies related to research and development projects of specified products or areas. Milestone payments are recognized as income after achievement of the milestones as defined in the respective agreements. This corresponds to the practice under FAS.

Tangible assets

2) Tangible assets have been recorded in the balance sheet at their direct acquisition cost, allowing for depreciation according to plan. Depreciation is based on estimated useful life of various assets. In accordance with FAS, computer programs and equipment used in R&D are fully depreciated during the year they are acquired. In accordance with IFRS, these items are recorded as assets and depreciated over 4 years.

Goodwill

3) The consolidation goodwill in the FAS financial statements consists of intangible rights of projects transferred from Carbion Inc., a company acquired by the parent company in 2002. The Group goodwill has been amortized on a systematic basis using the straight-line method over three years (2002 to 2004), in accordance with FAS.

Impairment tests for Goodwill
In accordance with IFRS 1 goodwill has been tested for impairment at the date of transition, 1 January 2004 by applying IAS 36. The impairment test was based on conditions at the date of transition to IFRS.
The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use cash flow projections based on financial budgets approved by the management covering a three-year-period. Cash flows beyond the three-year period are extrapolated using the estimated growth rate of 0%. The growth rate does not exceed the long-term average growth rate for the drug development business in which th CGU operates. The pre tax discount rate used is 12%.

The whole goodwill of EUR 626 thousand existing at the date of transition relates to Carbion Ltd. merger in October 2002. For impairment testing goodwill was allocated to research projects and tangible assets that were received in the merger and which together formed a cash generating unit. As a result of the goodwill impairment testing an impairment loss of EUR 626 thousand was booked in the opening IFRS balance sheet against retained earnings. The Carbion Ltd. research projects were at very early research phase at the time of the merger. Therefore, it was not possible to reliably estimate the future projected cash flows from the projects. At the date of the transition, however, the projects have been interrupted and it has become evident that there are no positive future cash flow expectations related to them. The carrying value of the tangible assets (mainly laboratory equipment) related to Carbion projects was close to zero at the date of transition and has now been written off.

Financial assets at fair value through profit or loss

4) Financial assets are measured at fair value, whereas under FAS they were measured at acquisition cost or a lower probable disposal cost.

Leases

5) Finance leases are recognized at the commencement of the lease term at amounts equal to the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the finance charge and the reduction of the outstanding liability so as to achieve a constant rate on the finance balance outstanding. Rental obligations are included in current and non-current interest-bearing liabilities. The interest portion of the payments is expensed over the lease term. Property, plant and equipment acquired by way of a finance lease are depreciated over the shorter of the lease term and its useful life.

Lease agreements, where substantially all the risks and rewards incidental to ownership of an asset remain with the lessor, are accounted for as operating leases. Lease payments under an operating lease are recognized as an expense on a straight-line basis over the lease term.
The net book value of assets acquired by way of finance lease at the opening balance sheet at January 1, 2004 was EUR 447 thousand (31.12.2004: EUR 281 thousand). Lease liabilities at January 1, 2004 were EUR 99 thousand of non-current liabilities and EUR 156 thousand of current liabilities (December 31, 2004: non-current liabilities EUR 83 thousand, current liabilities EUR 76 thousand). Under FAS all lease contracts have been accounted for as other operating leases and the lease payments charged to the income statement on a straight-line basis over the period of lease.

Stock options

6) Biotie Therapies Corp. applies IFRS 2, Share-Based Payment, to its stock options granted after November 7, 2002 and whose subscription period has not begun before January 1, 2005. Such options are measured at fair value on the date of their granting and recognized as expenses during the vesting period.

Capital loans

7) In accordance with FAS, capital loans are included in equity. In the IFRS balance sheet at January 1, 2004, the item has been transferred to interest-bearing non-current liabilities in accordance with IAS 32.

8) In addition, in accordance with IFRS, the interest on capital loans is expensed through profit and loss and recorded as a liability in the balance sheet. Under FAS, the interest liability has not been recorded as a liability, but shown as a commitment in the notes.

Share issue costs

9) Share issue costs EUR 734 thousand are deducted from the share premium fund under IFRS, and not expensed in the period (FAS). These costs refer to an adjustment in opening equity (IFRS) between different equity items.

Investments in associates

10) Investments in associated companies are consolidated using the equity method. Associated companies are entities in which the Group holds substantial influence, 20–50% of ownership and votes, but no control. The investor company's share of the associated company's gains or loss and the book value of the investments must be presented separately.
The Group's share of ownership at Biovian Ltd. is 9.9%. The Group has the right to occupy a seat on the Board of Directors. According to IFRS, Biovian Ltd. is therefore considered as an associated company and it has been consolidated to the IFRS balance sheet using the equity method.

Parent Company Income Statement (FAS)

1000 €	Note	1.1.–31.12.2005	1.1.–31.12.2004
Revenue	1	0	4 457
Cost of sales		0	0
Gross profit		0	4 457
Research and development expenses		–6 921	–9 244
General and administrative expenses		–2 333	–2 921
Merger goodwill		0	–624
Other operating income	4	912	1 253
Other operating expenses	5	–531	0
Operating profit (loss)		–8 874	–7 080
Financial income and expenses	6	55	214
Profit (loss) before extraordinary items		–8 819	–6 866
Extraordinary items +/–		0	0
Profit (loss) before appropriations and taxes		–8 819	–6 866
Taxes		0	–217
Net income (loss)		–8 819	–7 083

Parent Company Balance Sheet (FAS)

1000 €	Note	31.12.2005	31.12.2004
ASSETS			
Fixed assets and other long-term investments			
Intangible assets	7	1 043	1 347
Tangible assets	7	62	149
Investments	8	19	19
		1 124	1 514
Current assets			
Current receivables	9	571	1 147
Securities	10	6 543	4 170
Cash in hand at banks		386	2 854
		7 501	8 172
Total		8 625	9 686
EQUITY AND LIABILITIES			
Shareholders' equity	11		
Share capital		1 054	878
Share premium fund		6 412	13
Retained earnings		–12 487	–5 404
Net income (loss)		–8 819	–7 083
Capital loans		17 114	13 336
		3 273	1 740
Mandatory provisions	13	55	23
Liabilities			
Long-term liabilities	14	4 322	6 210
Current liabilities	16	974	1 714
		5 296	7 923
Total		8 625	9 686

1000 €	Note	31.12.2005	31.12.2004
Cash flow from operating activities			
Operating profit		−8 874	−7 080
Depreciation	3	400	1 067
Taxes		0	−217
Change in mandatory provisions		33	−427
Change in working capital		−163	389
Financial income and expenses	6	55	214
Net cash from operating activities		−8 550	−6 055
Cash flow from investing activities			
Capital expenditure	7	−9	−54
Cash flow from investing activities		−9	−54
Cash flow before financing activities		−8 559	−6 109
Cash flow from financing activities			
Share issue	11	6 574	17
Change in long-term debt		1 890	2 703
Cash flow from financing activities		8 465	2 720
Increase (+) or decrease (−) in cash and cash equivalents		−94	−3 390
Cash and cash equivalents at the beginning of the period		7 024	10 414
Cash and cash equivalents at the end of the period		6 930	7 024

Accounting Principles

Biotie Therapies Corporation's financial statements have been prepared in accordance with Finnish legislation (Finnish Accounting Standards, FAS), which in all material respects is based on the provisions of EU Directives 4 and 7.

Research and development expenses
Research and development costs are charged as expenses during the year in which they occur.

Fixed assets
Fixed assets have been recorded in the balance sheet at their direct acquisition cost, allowing for depreciation according to plan. Depreciation is based on estimated useful life of various assets as follows:

	Useful life (years)	Depreciation method
Machinery and equipment	4	Straight-line depreciation
Computer programs	4	Straight-line depreciation
Patents	10	Straight-line depreciation
Merger goodwill	3	Straight-line depreciation

Computer programs and equipment used in R&D are fully depreciated during the year they are acquired in accordance with the Act on Taxation of Business Income.

Leasing
Leasing payments are charged to rental expense. The company has no significant lease contracts. Leasing commitments are disclosed in the notes to the financial statements.

Mandatory provisions
Mandatory provisions in the balance sheet are defined as commitments related to the current or prior fiscal years which on the balance sheet are certain or likely to materialize, but with regard to which there is uncertainty as to the amount or the timing of the obligation. The estimated provisions are based on information available on the balance sheet date.

Pension expenses
The pension plan has been arranged with external insurance companies. Pension costs are included in personnel costs.

Subsidies
R&D subsidies are presented in other operating income or in the balance sheet.

Foreign currency
Receivables and liabilities in foreign currencies have been valued to Finnish currency at the average rate quoted by the Bank of Finland at the balance sheet date.

1000 €	1.1.–31.12.2005	1.1.–31.12.2004

1. Revenue

Aventis collaboration and option agreement	0	2 000
Somaxon licensing agreement	0	2 457
Total	0	4 457

2. Personnel costs

Wages and salaries	2 446	2 281
Pension expenses	393	351
Other personnel expenses	232	222
Total	3 072	2 854
Salary to president and remuneration of board members	328	263
The average number of personnel	47	47
Personnel at the end of period	45	46

3. Depreciation

Intangible rights	304	310
Merger goodwill	0	626
Intangible rights, R&D	0	1
Machinery and equipment	96	115
Machinery and equipment, R&D	0	15
Total*)	400	1 067
*) of which related to R&D computer programs and equipment	0	17

4. Other operating income

Research and development subsidies from The National Technology Agency (Tekes)	598	891
Research and development subsidies of EU	41	94
Ministry of Trade and Industry	12	7
Rents	256	250
Other	4	11
Total	912	1 253

5. Other operating expenses

Costs from the share issues	531	0
Total	531	0

6. Financial income and expenses

Interest income	90	274
Interest expenses	–35	–60
Total	55	214

7. Intangible and tangible assets

1000 €	Other long-term investments	Intangible assets	Intangible assets R&D	Machinery and equipment
Historical costs on 1.1.2005	1 098	3 074	25	673
Capital expenditure on 1.1.–31.12.	0	0	0	9
Historical costs on 31.12.2005	1 098	3 074	25	682
Accumulated depreciation	–1 098	–1 727	–25	–524
Total before depreciation	0	1 347	0	158
Depreciation	0	–304	0	–96
Net book value on 31.12.2005	0	1 043	0	62

	Machinery and equipment R&D	Merger goodwill	Total
Historical costs on 1.1.2005	343	1 431	6 644
Capital expenditure on 1.1.–31.12.	0	0	9
Historical costs on 31.12.2005	343	1 431	6 653
Accumulated depreciation	–343	–1 431	–5 148
Total before depreciation	0	0	1 505
Depreciation	0	0	–400
Net book value on 31.12.2005	0	0	1 105

1000 €	1.1.–31.12.2005	1.1.–31.12.2004

8. Group companies

Biotie Therapies International Ltd, Turku	Book value 9 100%	100%
Ownership in partner companies		
Contral America Inc., USA	25%	25%
Biovian Ltd.	Book value 10 9.9%	9.9%

9. Current receivables

VAT receivables	124	159
Other receivables	86	75
Prepaid expenses and accrued income*)	361	914
Total	571	1 147
*) of which R&D subsidy	297	544

10. Securities

Market value	6 687	4 255
Book value	6 543	4 170
Difference	144	85

1000 €	1.1.–31.12.2005	1.1.–31.12.2004

11. Shareholders' equity

Share capital at the beginning of the period	878	874
Share subscription with option rights	0	4
Share issue	175	
Share capital at the end of the period	1 054	878
Share premium fund at the beginning of the period	13	21 899
Transfer from the share premium fund		–21 899
Share subscription with option rights		13
Share issue	6 399	
Share premium fund at the end of the period	6 412	13
Retained earnings at the beginning of the period	–12 487	–27 302
Transfer from the share premium fund		21 899
Retained earnings at the end of the period	–12 487	–5 404
Net income (loss)	–8 819	–7 083
Capital loans at the beginning of the period	13 336	10 958
Change during period	3 778	2 377
Capital loans at the end of the period	17 114	13 336
Shareholders' equity	3 273	1 740
Distributable funds at the end of the period	–21 306	–12 487

Changes in numbers of shares and share capital

Measure	Par value/ Accounting value (EUR)	Sub-scription price (EUR)	Number of shares before	Number of shares after	Change in share capital (EUR)	New share capital (EUR)	Registered[1)]
Foundation	1.68	1.68	0	20 000	33 638	33 638	11.5.1998
New issue	1.68	67.28	20 000	25 500	9 250	42 888	6.5.1999
New issue	1.68	84.10	25 500	27 100	2 691	45 579	8.10.1999
Split 1:10	0.17	–	27 100	271 000	–	45 579	12.6.2000
Share subscription with option rights	0.17	0.17	271 000	320 600	8 342	53 921	15.8.2000
Merger compensation	0.17	0.17	320 600	686 755	61 583	115 504	21.2.2001
New issue	0.17	100.00	686 755	761 755	12 614	128 118	29.5.2001
Share subscription with option rights	0.17	0.17	761 755	762 375	104	128 222	29.5.2001
New issue	0.17	101.00	762 375	801 978	6 661	134 883	10.1.2002
Bonus issue	0.18	–	801 978	801 978	9 473	144 356	3.6.2002
Split 1:9	0.02	–	801 978	7 217 802	–	144 356	3.6.2002
Share subscription with option rights	0.02	0.02	7 217 802	7 648 722	8 618	152 974	3.6.2002
Conversion of interest debt	0.02	5.60	7 648 722	7 704 072	1 107	154 082	8.10.2002
New issue, Institutional Offering	0.02	5.60	7 704 072	10 401 922	53 957	208 038	8.10.2002
Consolidation of BioTie	0.02	2.38	10 401 922	17 033 722	132 636	340 675	31.10.2002
Consolidation of Carbion	0.02	2.38	17 033 722	17 459 559	8 517	349 191	31.10.2002
Share subscription with option rights	0.02	0.02	17 459 559	17 474 559	300	349 491	30.4.2003
New issue	0.02	0.40	17 474 559	43 686 397	524 237	873 728	26.6.2003
Share subscription with option rights	0.02	0.02	43 686 397	43 850 497	3 282	877 010	6.2.2004
Share subscription with option rights	0.02	0.35	43 850 497	43 889 233	775	877 785	8.9.2004
Share subscription with option rights	0.02	0.02	43 889 233	43 907 436	364	878 149	29.12.2004
Share subscription with option rights	0.02	0.02	43 907 436	43 909 296	37	878 186	23.2.2005
New issue	0.02	0.75	43 909 296	51 279 416	147 402	1 025 588	17.6.2005
New issue	0.02	0.75	51 279 416	52 675 221	27 916	1 053 504	28.6.2005

1) Date refers to date of registration in the Trade Register maintained by the National Board of Patents and Registration

Non-convertible capital loans
The National Technology Agency (TEKES) has granted capital loans of EUR 18 850 thousand. EUR 15 291 thousand has been paid to the company by the end of the financial year. EUR 14 591 thousand has been recorded as capital loans and EUR 700 thousand as long-term liabilities. The amount recorded as long-term liabilities will be booked as capital loans as soon as the approved expenses are accrued and settlement concerning expenses has been approved.

The loan period is 8 years. The interest rate is the base rate set by the Ministry of Finance minus 1%, however, at least 3%. The loans are instalment-free for 4 or 5 years, after that loans will be paid in equal shares. Accumulated interest on capital loans is recorded as expenses in the financial statement and as increase of long-term liabilities in the balance sheet until the end of the year 2001.

Convertible capital loans
The company had convertible bonds of EUR 2 523 thousand. The subscription period that permits subscription of a total of 1 278 000 company shares began on June 1, 2000, and will end on December 31, 2005. Or, provided that the loan capital will not be paid by then, until the loan capital has been paid or converted into shares of the company.
The interest rate is 10% pa. Par value of the shares is in total EUR 26 thousand. Accumulated interest of convertible bonds, EUR 1 781 thousand, is not recorded in the financial statements.

The repayment of interest on capital loans and on capital is controlled by a restrictive condition, according to which interest shall be paid only if the amount to be paid can be used in profit distribution as per the adopted consolidated balance sheet for the most recently ended fiscal year. The loan shall also yield interest from the fiscal years in which the financial statements to be adopted do not present funds available for profit distribution.

	31.12.2005	31.12.2004
Accumulated interest on capital loans	3 179	2 494
Recorded as expenses	176	176
Total	3 355	2 670

12. Options

1. Options 2002 I

Number of option rights, total	12 000
Subscribed	12 000, of which 3 000 renounced
Shares subscribed	0
Option rights remaining	9 000
Entitlement to subscribe a total of 81 000 shares	
Of which the company possesses	9 000
Subscription period	C-series (4500): 1.5.2004–1.5.2005 D-series (4500): 1.10.2005–1.10.2006
Subscription terms	9 shares for one option right 1 share for EUR 6.78

2. Options 2002 III

Number of option rights, total	475 291
Subscribed	475 291
Shares subscribed	0
Option rights remaining	475 291
Entitlement to subscribe a total of 475 291 shares	
Of which the company possesses	358 118
Subscription period	A-series (178 721): 1.11.2002–31.12.2005 B-series (170 087): 1.1.2003–31.12.2005 C-series (63 241): 1.1.2003–31.12.2005 D-series (63 242): 1.1.2004–31.12.2005
Subscription terms	1 share for one option right A and B series: 1 share for EUR 4.32 C and D series: 1 share for EUR 10.74

3. Options 2004

Number of option rights, total	2 000 000
Subscribed	2 000 000
Shares subscribed	0
Option rights remaining	2 000 000
Entitlement to subscribe a total of 2 000 000 shares	
Of which the company possesses	422 000
Subscription period	A-series (800 000): 1.1.2005–31.12.2009 B-series (600 000): 1.1.2006–31.12.2009 C-series (600 000): 1.1.2007–31.12.2009
Subscription terms	1 share for one option right A-series: 1 share for EUR 0.90 B-series: 1 share for EUR 0.98 C-series: 1 share for EUR 1.07

1000 €	1.1.–31.12.2005	1.1.–31.12.2004

13. Mandatory provisions

Provision for social costs, option program	0	1
Rent for unutilized premises	55	22
Total	55	23

14. Long-term liabilities

Loans from The National Technology Agency (Tekes)	4 146	6 033
Interest on capital loans	176	176
Total	4 322	6 210

15. Instalment on capital loans and long-term liabilities

	Capital loans	Long-term liabilities	Total
Due next fiscal year	6 932	0	6 932
Due next 2–5 years	7 702	2 249	9 951
Due after 5 years	2 480	1 897	4 377
Total	17 114	4 146	21 260

1000 €	1.1.–31.12.2005	1.1.–31.12.2004

16. Current liabilities

Advances received	0	23
Accounts payable	330	766
Other debts	74	473
Accrued expenses and prepaid income*)	571	451
Total	974	1 714
*) of which accrued vacation pay	268	314

17. Contingent liabilities

Due next year	169	211
Due later on	80	201
Total	249	411

18. Deferred tax liabilities and assets

Deferred tax assets arising from previous years' losses are not recorded in the balance sheet.

19. Own shares

The parent company of the Group possesses 819 000 own shares at EUR 0.53 per share, the market value of the shares was EUR 434 thousand at the end of the financial period. The par value of the shares is EUR 0.02 per share. The company has received the shares in the merger with Contral Clinics. The shares are not recorded in the balance sheet.

Signatures, Report from the Board of Directors and Financial statements

Proposal to the Annual General Meeting

The Board of Directors proposes to transfer the loss EUR –8 819 257.39 of the period to retained earnings.

Helsinki, February 28, 2006

Juha Jouhki
Chairman of the Board

Timo Veromaa
President and CEO

Pauli Marttila

Riku Rautsola

Piet Serrure

Auditor's Report

To the shareholders of Biotie Therapies Corp.

We have audited the accounting records, the financial statements and the administration of Biotie Therapies Corp. for the period 1.1.–31.12.2005. The Board of Directors and the President and CEO have prepared the report of the Board of Directors and the consolidated financial statements prepared in accordance with International Financial Reporting Standards as adopted by the EU and the parent company's financial statements prepared in accordance with prevailing regulations in Finland, that include the parent company's income statement, balance sheet, cash flow statement and the notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, the parent company's financial statements and on the administration of the parent company.

We have conducted the audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by the management as well as evaluating the overall financial statement presentation. The purpose of our audit of administration is to examine that the members of the Board of Directors and the President and CEO of the parent company have complied with the rules of the Companies' Act.

Consolidated financial statements

In our opinion the consolidated financial statements give a true and fair view, as referred to in the International Financial Reporting Standards as adopted by the EU and defined in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position. The consolidated financial statements can be adopted.

Parent company's financial statements and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other rules and regulations governing the preparation of financial statements in Finland. The financial statements give a true and fair view, as defined in the Finnish Accounting Act, of the parent company's result of operations as well as of the financial position. The financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the result for the period is in compliance with the Companies' Act.

Turku, February 28, 2006

PricewaterhouseCoopers Oy
Authorised Public Accountants

Johan Kronberg
APA

Tomi Moisio
APA

Biotie Therapies Corp. published a total of 24 stock exchange releases or announcements in 2005. Short summaries of the most significant releases are given below.
BioTie's stock exchange releases are posted in full on the company's website at www.biotie.com.

30 March, 2005
BioTie and sanofi-aventis agreed to negotiate an extension covering the research, development and collaboration agreement to develop a new heparin-like drug for blood coagulation disorders

Under the terms of the agreement, BioTie granted sanofi-aventis the exclusive right to negotiate an exclusive global licensing agreement by 31.3.2005.

Based upon the progress of the joint project, BioTie and sanofi-aventis have agreed to negotiate the extension of the said agreement.

25 May, 2005
Timo Veromaa appointed president and CEO of BioTie Therapies Corp.

Timo Veromaa, Vice President of R&D appointed President and CEO of Biotie Therapies Corp. effective from May 25, 2005. The current President and CEO Jari Saarinen will continue as the CFO of the company.

25 May, 2005
The resolutions of the extraordinary general meeting of BioTie Therapies Corp. which convened on 25 May 2005

The Extraordinary General Meeting of Biotie Therapies Corp. convened on 25 May 2005. The Extraordinary General Meeting resolved, in accordance with the proposal of the Board of Directors, to increase the company's share capital through new issue in deviation from the shareholders' pre-emptive subscription right at minimum by EUR 0.02 and at maximum by EUR 240 000 by issuing at minimum one (1) and at maximum 12 000 000 new shares ("Offering") each with a book equivalent value of EUR 0.02. The subscription period for the subscription of the new shares commenced on 1 June 2005 at 9.00 a.m. and terminated on 14 June 2005 at 4.00 p.m. The subscription price of the new shares was EUR 0.75 per share.

22 June, 2005
Final subscriptions of the offering of BioTie Therapies Corp.

The Board of Directors of Biotie Therapies Corp. approved the subscription for shares not subscribed during the subscription period of the offering. The Board of Directors of the company resolved to offer shares not subscribed during the subscription period of the offering for the subscription of Juha Jouhki, Thominvest Oy, Dreadnought Finance Oy and BioFund Ventures III Ky. At the same time also the share subscription made on the basis of the subscription commitments, which were made during the subscription period of the offering but which had not been approved earlier due to the deficiencies of such commitments, was approved. The aggregate of 1 395 805 shares were subscribed pursuant to the subscription commitments made by the aforementioned parties, which corresponds to EUR 27 916.10 increase of share capital.

The aggregate of 8 765 925 shares were subscribed in the offering, representing approximately 73 percent of all the shares offered for subscription. The aggregate subscription price for the subscribed shares is EUR 6 574 443.75 and the corresponding increase of share capital is EUR 175 318.50. As a result of the registration of the increase of share capital the company's registered share capital will amount to EUR 1 053 504.42 and the total number of shares to 52 675 221. The aggregate of 753 subscription commitments were made in the offering.

October 17, 2005
BioTie and sanofi-aventis have agreed not to renew the option agreement

Biotie Therapies and sanofi-aventis agreed not to renew the option agreement that ended on March 31, 2005. Based on the good technical progress during the collaboration BioTie plans to continue the recombinant heparin program with a new development partner.

21 November, 2005
The National Technology Agency (Tekes) finances BioTie's VAP-1 monoclonal antibody program with EUR 2.5 million

The National Technology Agency (Tekes) granted additional funding EUR 2.5 million for Biotie Therapies' VAP-1 monoclonal antibody program. The R&D funding granted covers drug development costs of the project from May 2005 to April 2007.

The loan granted covers 50 per cent of the costs of the project. The loan will be paid to BioTie after BioTie has presented to Tekes account of the realization of the costs of the project in question and after Tekes has approved the account. EUR 0.7 million of the loan will be paid in advance. In order to receive full amount of granted financing, BioTie must show a total of EUR 5.0 million of expenditure arising out of the program.

Key Figures

Consolidated Company	IFRS	IFRS	IFRS	FAS	FAS	FAS
	1.1.2005–31.12.2005	1.1.2004–31.12.2004	1.1.2003–31.12.2003	1.1.2004–31.12.2004	1.1.2003–31.12.2003	1.1.2002–31.12.2002
1000 €	12 months	12 months	12 months	12 months	12 months	12 months
Business development						
Revenue	1 227	2 325		4 457	2 243	153
Personnel on average	47	47	66	47	66	115
Personnel at the end of the period	45	46	55	46	55	112
Research and development expenses	7 149	9 545		9 244	11 888	21 541
Capital expenditure	9	142		54	57	1 090
Profitability						
Operating profit (loss)	–7 381	–8 918		–7 080	–12 395	–26 256
as percentage of revenue, %	–601.30	383.60		–158.90	–552.60	–17 177.50
Profit (loss) before extraordinary items				–6 866	–12 215	–25 916
as percentage of revenue, %				–154.10	–544.50	–16 954.80
Profit (loss) before taxes	–7 941	–9 343		–6 866	–12 215	–26 236
as percentage of revenue, %	–647.00	–401.90		–154.10	–544.50	–17 164.70
Balance sheet						
Cash and cash equivalents	7 082	7 038	10 608	7 033	10 422	8 691
Shareholders' equity	–19 583	–17 881	–8 540	1 739	6 428	5 706
Balance sheet total	8 930	10 093	14 133	9 686	14 030	13 520
Financial ratios						
Return on equity, %	–	–	–	–	–	–
Return on capital employed, %	–426.7	–173.8	–	–66.8	–103.9	–288.5
Equity ratio, %	–219.3	–177.2	–60.4	–119.7	–32.3	–19.1
Gearing, %	–72.7	–69.4	–73.9	–106.4	–138.0	–181.0
Per share data						
Earning per share (EPS), €	–0.17	–0.22		–0.16	–0.40	–2.49
Shareholders' equity per share, €	–0.37	–0.41	–0.20	–0.26	–0.10	–0.13
Dividend per share, €	–	–	–	–	–	–
Pay-out ratio, %	–	–	–	–	–	–
Effecting dividend yield, %	–	–	–	–	–	–
P/E ratio	–	–	–	–	–	–
Share price						
- Lowest share price, €	0.49	0.72	0.40	0.72	0.40	0.67
- Highest share price, €	1.06	1.50	1.61	1.50	1.61	2.66
- Average share price, €	0.75	1.14	0.71	1.14	0.71	1.13
- 31.12. share price, €	0.53	0.92	0.80	0.92	0.80	0.67
Market capitalization, € mill.	27.9	40.4	34.9	40.4	34.9	11.7
Trade of shares						
- Number of shares traded	9 003 598	17 561 900	12 189 112	17 561 900	12 189 112	446 478
- As percentage of all shares, %	17.1	40.0	27.9	40.0	27.9	2.6
Adjusted weighted average number of shares during the period	48 689 328	43 864 315	31 116 906	43 864 315	31 116 906	10 376 551
Adjusted weighted average number at the end of the period	52 675 221	43 907 436	43 686 397	43 907 436	43 686 397	19 399 508
Adjusted weighted average number of shares during the period, fully diluted				47 784 186	33 336 433	9 574 876
Adjusted weighted average number at the end of the period, fully diluted				47 891 127	45 905 924	17 559 570

Formulas for the Calculation of the Financial Ratios

In the following formulas capital loans are included in interest bearing liabilities and not in shareholders' equity.

Return on equity, %

$$\frac{\text{Profit (loss) before extraordinary items – taxes}}{\text{Shareholders' equity – capital loan}} \times 100$$

Return on capital employed %

$$\frac{\text{Profit (loss) before taxes + interest expenses and other financial expenses}}{\text{Balance sheet total – non-interest bearing liabilities}} \times 100$$

Equity ratio %

$$\frac{\text{Shareholders' equity}}{\text{Balance sheet total – advanced received}} \times 100$$

Gearing %

$$\frac{\text{Interest bearing liabilities – cash and cash equivalents}}{\text{Shareholders' equity}} \times 100$$

Earnings per share (EPS)

$$\frac{\text{Profit before extraordinary items, appropriations and taxes – minority interest – taxes}}{\text{Adjusted average number of outstanding shares during the period}}$$

Shareholders' equity per share

$$\frac{\text{Shareholders' equity}}{\text{Adjusted average number of shares at the end of the period}}$$

Dividend per share

$$\frac{\text{Dividends paid for the fiscal year}}{\text{Adjusted average number of shares at the end of the period}}$$

Pay-out ratio

$$\frac{\text{Dividends paid for the fiscal year}}{\text{Profit before taxation – income taxes – minority interests}} \times 100$$

Effective dividend yield

$$\frac{\text{Dividend per share}}{\text{Average share price at the end of the period}} \times 100$$

P/E ratio

$$\frac{\text{Average share price at the end of the period}}{\text{Earnings per share (EPS)}}$$

Glossary

Adhesion
Adhering, clinging together.

Angiogenesis
Formation of new blood vessels (e.g. in cancerous tumors).

Antibody
A protein which is produced by the immune system of humans and higher animals and which binds to a specific antigen (e.g. a microbe).

Antigen
A foreign substance that stimulates an immune response.

Autoimmune disease
A disease where an individual's immune system attacks its own tissues. Tissues under such an attack are damaged in the process. E.g. rheumatoid arthritis.

Bioheparin
Biotechnologically produced heparin.

Biotechnology
The application of biological research techniques for the development of products which improve human health, animal health and agriculture.

Collagen
The most important structural protein of the body. Gives the tissues their structural strength.

Crohn's disease
An inflammatory bowel disease where the inflammation goes through the entire bowel wall in a certain region of the intestine (regional ileitis).

Endothelium
The thin layer of specialized epithelial cells that line the cavities of the heart and the blood and lymph vessels.

Enzyme
A protein that facilitates a biochemical reaction in a cell. In general, these biochemical reactions cannot occur unless the enzyme is present.

Heparin
A drug that prevents the blood from clotting. Structurally, heparin is a linear sulfated polysaccharide.

Inflammation
A reaction focused on a physical, chemical or biological damage, characterized by increased blood flow and increased permeability of blood vessel walls. Clinical symptoms include redness, swelling and pain.

Inflammatory Bowel Disease (IBD)
Inflammatory Bowel Disease, for example, ulcerative colitis and Crohn's disease.

Immune defense
A defense system of the body that eliminates intruders with the purpose to protect the body from pathogens (see autoimmune disease).

Impulse control disorders (ICD)
These disorders include e.g. pathological gambling, kleptomania and pyromania.

Indication
The purpose of use of a drug or the disease for which the drug is used.

Infection
Invasion of the body by pathogens such as bacteria or viruses resulting in an infectious disease. For example, influenza, viral infection of the respiratory tract marked by fever.

Inhibitor
Blocker; a factor that inhibits or slows down e.g. an enzymatic reaction or physiological functions.

Integrin
Intercellular receptor.

Leukocyte
White circulating blood cells, the common name for granulocytes, lymphocytes and monocytes in the blood and connective tissue.

Monoclonal antibody
An antibody produced by identical, cloned cells.

Nalmefene
Studied and used for the treatment of alcoholism, nalmefene acts by blocking opioid receptors in the central nervous system.

Opioid receptor
A receptor in the central nervous system, into which e.g. beta-endorphin binds. Changes in opioid receptor -mediated neurotransmission are important in the development of dependence disorders.

Polysaccharide
Chain formed by sugar rings.

Protein
A biological molecule consisting of many amino acids chained together by peptide bonds. The sequence of amino acids in a protein is determined by the sequence of nucleotides in a DNA molecule.

Proof of Concept
That stage of drug development confirming that the findings of animal tests are also applicable in humans.

Psoriasis
A chronic skin disease marked by faster than normal growth of keratinocytes. The symptoms include reddish, distinctive lesions covered with scales.

Receptor
A protein usually found on the surface of a cell. It transmits messages into the cell from, e.g. hormones, growth factors or neurotransmitters.

Rheumatoid arthritis
A chronic, autoimmune disease of the joints marked by destruction of tissues particularly in the synovial membranes. Often leads to disability.

Small molecule drugs
Drug substances that have a low molecular weight. Small molecules penetrate cell membranes and the blood brain barrier more easily than larger molecular weight compounds such as proteins, peptides and carbohydrates. They can usually be administered orally.

SSAO
Semicarbazide-sensitive amine oxidase. The SSAO enzyme of the VAP-1 molecule produces substances that amplify the inflammatory reaction, e.g. hydrogen peroxide.

Synthesis
Manufacture of compounds, e.g. drug substances.

Thrombosis
Blood clot.

VAP-1
Vascular Adhesion Protein-1. An adhesion molecule that mediates white blood cell adhesion and migration from the blood into tissues. VAP-1 also produces substances that amplify the inflammatory reaction through its SSAO enzyme activity. Target for the company's anti-inflammatory drugs.

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