BIOTIE THERAPIES

ANNUAL REPORT 2008

INFORMATION FOR INVESTORS

Basic Share Information

Listed on	NASDAQ OMX Helsinki Ltd
Trading Code	BTH1V
Segment	Small Cap
Industry	Healthcare
Listing date	October 31, 2002
ISIN code	FI0009011571
Number of shares	144,320,560
Share capital	EUR 44,290,678.10
Company market value, December 31, 2008	EUR 37.52 million

Annual General Meeting

The Annual General Meeting of Biotie Therapies Corp. will be held on Friday May 29, 2009 commencing at 10 a.m. at the auditorium of Restaurant Alabama in Turku (Lemminkäisenkatu 14–18, B).

Registration begins at 9.30 a.m.

Shareholders who have been entered on 19 May 2009 as shareholders in the company's shareholders' register kept by the Euroclear Finland Ltd have the right to attend the Annual General Meeting of Shareholders. Shareholders registered in the name of a nominee shall contact their account operators in order to be temporarily registered in the company's shareholders' register on 19 May 2009 for the participation in the Annual General Meeting of Shareholders.

Notifications

Shareholders who wish to attend the Annual General Meeting of Shareholders are requested to notify the company of their attendance no later than on 25 May 2009 at 4 p.m. (Finnish time). The notification can be made by telephone +358 2 274 8911, by telefax +358 2 274 8910, by e-mail to virve.nurmi@biotie.com or by mail to Biotie Therapies Corp./Virve Nurmi, Tykistökatu 6, FI-20520 Turku, Finland.

In case of a proxy, this should be mentioned when notifying the company of the attendance and the proxy is requested to be submitted prior to the end of the notification period to the above-mentioned address.

Financial Reporting 2009

Financial Statements Release 2008	March 27, 2009
Annual Report 2008	Week 18, 2009
Annual General Meeting	May 29, 2009
Interim Report January–March 2009	May 15, 2009
Interim Report January–June 2009	August 7, 2009
Interim Report January–September 2009	October 23, 2009

Investor Information

Biotie Investor Relations aims to providing the markets with accurate and up-to-date information. Biotie´s website, www.biotie.com, offers investor information: stock exchange and press releases, financial reports as well as the largest shareholders and the insiders of the company. Annual Reports and Interim Reports can be ordered from www.biotie.com – Investors – Order releases, or by email virve.nurmi@biotie.com.

Investor Information Contacts:

Investor relations are the responsibility of Thomas Taapken, CFO tel. +358 2 274 8900 or thomas.taapken@biotie.com.

Attendance notifications to General Meetings, inquiries, requests for materials:

Virve Nurmi, tel. +358 2 274 8911
or virve.nurmi@biotie.com.

CONTENTS

BIOTIE IN BRIEF

Biotie is a drug discovery and development company focused on central nervous system and inflammatory diseases. It has a broad range of innovative small molecule and biological drug candidates at different stages of clinical and pre-clinical development. Biotie's products address diseases with high unmet medical need and significant market potential, including addiction and psychotic disorders, rheumatoid arthritis, psoriasis and chronic obstructive pulmonary disease (COPD). The most advanced product, nalmefene for alcohol dependence, is currently in phase III clinical development by licensing partner H. Lundbeck A/S.

The commercial value of the pipeline has been demonstrated through existing alliances with top-tier global pharmaceutical companies such as Lundbeck, Roche and Wyeth. Biotie has operations in Turku, Finland and Radebeul, Germany. The company´s shares are listed on NASDAQ OMX Helsinki Ltd.

Partnering Agreements

Biotie revenue comprises of milestone payments based on the concluded license and other partnering agreements, as well as royalties from sales of launched products in the future.

THE YEAR 2008 IN REVIEW

Main events

- Lundbeck acquired UK and Ireland rights to **nalmefene** and initiated three phase III clinical trials with nalmefene for the treatment of alcohol dependence.
- Biotie´s **VAP-1 antibody program** to proceed to clinical studies in rheumatoid arthritis and psoriasis patients after successful first-in-man study
- Acquisition of German pharmaceutical research and development company **elbion GmbH**

Early in 2008, Biotie's license partner, H. Lundbeck A/S (Lundbeck) acquired the United Kingdom and Ireland rights for **nalmefene** from Britannia Pharmaceuticals (now part of STADA Group, headquartered in Germany). Lundbeck has now worldwide rights for nalmefene, excluding North America, Turkey, and South-Korea.

Late in 2008, Lundbeck initiated three phase III clinical trials with nalmefene for the treatment of alcohol dependence, underlining its commitment to advance the development of this novel treatment option for alcohol dependence.

Two trials, in which patients are treated over a period of six months, primarily aim to demonstrate the efficacy of nalmefene, whilst the objective of the last study, in which patients are treated for 12 months, is particularly to confirm that the compound is well-tolerated. The first data from the trials are expected to be reported in the first half of 2011.

In June 2008, top-line data from the first-in-man study with Biotie's fully human **VAP-1 monoclonal antibody** BTT-1023 have become available. The study was conducted in a clinical pharmacology unit in the United Kingdom and investigated the safety, tolerability and pharmacokinetic characteristics of single intravenous doses of BTT-1023 in healthy volunteers.

The data from the study supports proceeding to clinical studies with repeated doses of the antibody. These studies are expected to be carried out in rheumatoid arthritis and psoriasis patients in 2009.

In Q4 2008, Biotie entered into an agreement with privately held elbion NV to acquire its wholly-owned subsidiary **elbion GmbH**. In exchange Biotie issued 46,802,967 new shares to elbion NV. The subscription price for the shares was paid as contribution in kind by conveying the share capital of elbion GmbH, which became a wholly owned subsidiary of Biotie.

In connection with the transaction, certain shareholders of elbion NV invested EUR 3.3 million into the combined entity by subscribing 7,305,733 newly issued shares of Biotie.

As a result of this business combination, Biotie has significantly broadened the scope of its development pipeline and has gained access to a world-class drug discovery platform focussed on central nervous system and inflammatory diseases. Of the new additions to the pipeline, ELB353 is an orally available selective anti-inflammatory drug in clinical phase I. Buprenorphine Depot is a next generation proprietary formulation of the most widely used drug for the treatment of opioid dependence. The combined product pipeline represents a compelling range of new drugs for diseases with high unmet medical need.

The new management team comprises Timo Veromaa, who continued on as the President and CEO of Biotie, Thomas Taapken, who joins as CFO, Thomas Kronbach, joining from elbion as Chief Scientific Officer and Antero Kallio, previously with Biotie, who assumes the role of Chief Medical Officer. Kai Lähdesmäki serves as a senior business development advisor for the company. elbion's CEO, Bernd Kastler joined the Board of Biotie, along with elbion NV Board members Ann Hanham and Christoph Schröder.

The net loss on a consolidated basis in financial year 2008 was EUR 5.5 million (in 2007, net loss EUR 1.7 million). Cash flow from operating activities was EUR –9.4 million (EUR –5.3 million in 2007).

Revenue for the financial year 2008 was EUR 5.1 million (in 2007, EUR 7.9 million).

The company's liquid assets amounted to EUR 25.2 million (in 2007, EUR 28.2 million) as at December 31, 2008.

PRESIDENT'S REVIEW

2008 was a year of great steps forward for Biotie Therapies Corporation. The acquisition of elbion GmbH, a major German pharmaceutical research and development company, was undoubtedly the event of the year. The post-acquisition integration of business activities has made Biotie stronger as a company and will consequently help us meet the market expectations and rise up to the challenges presented by the current global economic recession.

The acquisition was effected through an exchange of shares and has made Biotie a European leader in the research and development of pharmaceuticals for the treatment of central nervous system diseases and inflammatory conditions. The combination of the expertise of the two companies will generate considerable synergy benefits at every operational level. In order to take full advantage of these benefits, we shall turn this new business entity into an integrated organisation, where different areas of expertise and projects will interact and complement each other across organisational borders.

The significant expansion of our product development portfolio is a concrete example of the benefits generated by the integration of business activities. Together with the projects already in the pipeline Biotie's portfolio contains a broad range of state-of-the-art pharmaceuticals, at various stages of clinical and preclinical development.

Significant progress with key projects

Biotie's main product development projects continued to progress in 2008. Nalmefene, a drug being developed for the treatment of alcohol dependence, took one step closer to the market at the end of the year, when the licence holder Lundbeck announced the launch of additional phase III clinical studies with the product.

Lundbeck's investment in these studies, which are to include approximately 1,800 patients, demonstrates the confidence in the future of nalmefene and how Lundbeck is committed to bringing it to the market as swiftly as possible. Alcohol dependence is one of the most serious health concerns in the Western world, both socially and financially. The unmet medical need for effective treatment is great, and nalmefene offers a completely new and unique solution for this. Orally administered nalmefene aims at helping patients reduce their alcohol consumption. We believe this yields better treatment results than abstinence-oriented programs and also offers a lower threshold for entering treatment.

The transfer of the nalmefene rights to Lundbeck in the UK and Ireland early in 2008 was another piece of good news for us. Lundbeck now controls the entire EU market of nalmefene, which will facilitate the oncoming product registration and promotional activities in the European Union.

The top-line data from the first phase I clinical study of our new VAP-1 antibody drug were relased in the summer of 2008. Based on these results, product development has now proceeded onwards to clinical studies with patients. These studies will primarily evaluate product safety, but preliminary data on the efficacy of the antibody drug will also be collected.

VAP-1 antibody drug is a fully human monoclonal antibody for the treatment of chronic inflammation. Patients with psoriasis and rheumatoid arthritis form the target group of the ongoing clinical studies. A large number of rheumatoid arthritis patients in particular receive unsaticfactory benefit from current pharmaceuticals, so there is a clear unmet medical need for safe and effective treatment alternatives.

VAP-1 antibody is a first-in-class drug, and we believe that it will have a bright future on the rapidly growing market of biological medicinal products. Roche shares our belief and has signed an option agreement with Biotie for exclusive near-worldwide licensing rights of this product.

Promising new innovations in the product pipeline

The acquisition of elbion GmbH lets us in on some promising development projects. A small molecule PDE4 inhibitor ELB353 targeted for the treatment of chronic obstructive pulmonary disease (COPD), is the most advanced of these projects. The global prevalence of COPD is rising rapidly, and the World Health Organization has ranked it as the fourth most common cause of death in the world. Current pharmaceuticals provide only symptomatic relief of COPD so there is a high unmet medical need for new treatments.

Results from the phase I clinical studies of the orally administered ELB353 show fewer adverse effects than other drugs based on the same mechanism of action, which creates a solid foundation for further product development.

An anti-schizophrenia drug with a novel mechanism of action is another new product in our pipeline. We have a licensing and collaboration agreement in place with Wyeth regarding this program. Our third year of collaboration is beginning, and the project is currently in preclinical phase. Wyeth is investing heavily in this project and is funding our activities.

R&D investments continued

Revenue for the financial year 2008 was EUR 5.1 million. Research and development costs for 2008 amounted to EUR 8.7 million and net loss was EUR 5.5 million. Cash and cash equivalents totaled EUR 25.2 million on December 31, 2008.

Looking at the financial results it shoud be considered that it takes almost 15 years to turn a scientific idea into a finished medicinal product that is available from pharmacies. In a drug development biotech company success is measured against the progress of projects from one research phase to another and finally onto the commercial market. Contractual milestone payments and options to licence rights form the lion's share of Biotie's revenue stream at the moment. However, if we look at income formation over the longer term, royalty revenue is expected to play the leading role once we have products on the market.

Biotie is stronger than ever and ready for new challenges

The rapid decline of the global financial situation at the end of 2008 will also affect the field of life sciences. However, the position of Biotie within the field remains comparatively strong. Our cash reserves and the collaboration agreements that we have made with the leading international pharmaceutical companies have secured the continuity of key development projects. Biotie's growth potential is supported by our expanded portfolio which creates new opportunities for success.

I wish to extend my warmest thanks to our partners and stakeholders for their good collaboration. Our shareholders and dedicated personnel deserve credit for their perseverance and continued commitment to our shared goals.

The future not only holds many challenges, but also many opportunities. Let us face them together and build a successful future for us all.

Timo Veromaa
President and CEO

"BIOTIE'S PORTFOLIO CONTAINS A BROAD RANGE OF STATE-OF-THE-ART PHARMACEUTICALS"

RESEARCH AND PRODUCT DEVELOPMENT

PRODUCT	INDICATION	PARTNER
CENTRAL NERVOUS SYSTEM DISORDERS		
Nalmefene	Alcohol dependence	Lundbeck
Buprenorphine Depot	Opioid dependence	
PDE10	Schizophrenia	Wyeth
INFLAMMATION		
ELB353	Chronic Inflammation (such as COPD and psoriasis)	
VAP-1 fully human monoclonal antibody	Inflammatory diseases	Roche, SEIKAGAKU CORPORATION
RESEARCH		
Research programs		Roche, SEIKAGAKU CORPORATION, GILEAD


PRE-CLINICAL
PHASE I
PHASE II
PHASE III
Screening/Lead optimisation
Preclinical
Evaluation of a Candidate Drug for safety, pharmacology and proof of efficacy in non-human models.
Phase I
A clinical trial for safety, pharmacology and dose-determining drug regimen.
Phase II
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 III
Pivotal clinical trial to determine efficacy and safety as primary support for regulatory approval.

CENTRAL NERVOUS SYSTEM DISORDERS

Nalmefene

Biotie's nalmefene is an opioid receptor antagonist that is being developed for the treatment of alcohol dependence.

Nalmefene builds on a novel principle of treating alcohol dependence. Unlike existing therapies, the treatment with nalmefene is not aimed at keeping the patients from drinking. Nalmefene instead removes the desire to drink more, thereby controlling and limiting the intake of alcohol. In addition, nalmefene distinguishes itself by being available as a tablet formulation to be taken only according to need, whereas existing pharmaceuticals must be taken continuously over a longer period of time.

Commercialization agreements

Biotie and H. Lundbeck A/S signed a licensing agreement at the end of 2006 on worldwide rights for nalmefene, excluding North America, Mexico, UK, Ireland, Turkey, and South Korea which had already been licensed. This license agreement entered into force in May 2007.

In the beginning of 2008, nalmefene UK and Ireland rights were acquired by Lundbeck from Britannia Pharmaceuticals and in March 2009 Lundbeck acquired the North-American and Mexican rights from Somaxon Pharmaceuticals. Following this, Lundbeck has worldwide rights for nalmefene, excluding Turkey and South-Korea. Biotie-Lundbeck license agreement terms have been amended due to the transfer of rights. Under the terms of the amended agreement, Biotie is now eligible for up to EUR 84 million in upfront and milestone payments plus royalty on sales. Of the EUR 84 million, Biotie has already received an execution fee of EUR 12 million from Lundbeck.

Marketing and distribution rights in Turkey and South Korea have been licensed to Eczacıbaşı Ilac Pazarlama A.S., and Whanin Pharmaceutical Co. Ltd., respectively.

Biotie's previously conducted study in 400 alcoholic patients documented nalmefene's ability to significantly limit both the patient's average alcohol intake and the number of days with an intake above five units of alcohol. Previous trials have also shown nalmefene to be well-tolerated and safe.

Based on the earlier Biotie-sponsored trials, Lundbeck in the end of 2008 launched three phase III trials, which will enroll more than 1,800 patients to be randomised into groups receiving nalmefene or placebo. The first two trials, in which patients are treated over a period of six months, primarily aim to demonstrate the efficacy of nalmefene, whilst the objective of the last study, in which patients are treated for 12 months, is particularly to confirm that the compound is well-tolerated. The first data from the trials are expected in the first half of 2011.

Buprenorphine Depot

Buprenorphine is the most widely used drug for substitution therapy of opioid-addicted patients. Biotie is developing its Buprenorphine Depot product with the goal to produce a once-monthly buprenorphine injection, which aims to provide a more effective way to treat opioid dependence than that currently available from existing oral buprenorphine or other products. The product is currently in the preclinical phase of development.

Phosphodiesterase 10 (PDE10) inhibitors, a novel treatment paradigm for Schizophrenia

Schizophrenia is a chronic, severe and disabling disease of the central nervous system which affects 1% of the population. The disease is characterized by hallucinations, social withdrawal, and deficits in cognition and memory. Current treatments are mostly efficacious in the treatment of hallucinations but are riddled with insufficient efficacy for social withdrawal and with intolerable side effects which include weight gain, movement disorders or anxiety disorders. The schizophrenia market is estimated to be larger than USD 11 billion.

PDE10 is a protein which is involved in normal brain function. It has recently been discovered, that PDE10 modulates the transmission of signals of reward and pleasure in a signaling pathway which is altered in schizophrenia. PDE10 is a novel molecular target and Biotie has shown antipsychotic activity of PDE10 inhibitors in animal models. Biotie's PDE10 inhibitors are believed to serve the unmet medical need for novel anti-psychotic drugs with an improved side effect profile and improved efficacy in schizophrenia.

Biotie has special expertise in the discovery and development of phosphodiesterase inhibitors. Its chemical library of more than 150,000 compounds and its capabilities in molecular modeling, drug design, medicinal chemistry, high throughput screening and behavioral pharmacology, provide a platform for the generation of many CNS penetrating drug candidates. Using these technologies, Biotie has developed and refined an efficient, project driven approach to drug discovery and development.

The PDE10 discovery and development program was partnered with Wyeth Pharmaceuticals in December 2006. On the basis of a Research Collaboration and License Agreement between Biotie and Wyeth Pharmaceuticals, scientists of both companies work closely together to profile and develop novel drug candidates.

In total, Biotie is eligible to – depending on the progress of the development candidates – up to USD 110 million in signing fee, milestone payments and research funding. Biotie will in addition be eligible for royalties on sales.

INFLAMMATION

ELB353

ELB353 is a phosphodiesterase 4 (PDE4) inhibitor, with therapeutic potential in chronic inflammatory disorders. The primary area of interest is chronic obstructive pulmonary disease (COPD), a disabilitating disorder with major unmet medical need.

In preclinical testing, ELB353 was a potent disease modifier in animal models of COPD, asthma, psoriasis, atopic dermatitis, rhinitis, rheumatoid arthritis and in cigarette smoke-induced lung inflammation in mice. More importantly, when compared to certain other PDE4 inhibitors in late clinical development, ELB353 treatment was very well tolerated with respect to central nervous system and gastrointestinal side effects, which have posed a significant development hurdle for PDE4 inhibitors until now.

In its first Phase I study, ELB353 was found to be safe and well tolerated after single and multiple dosing and no severe, significant or serious adverse events occurred. Blood plasma profiles of ELB353 showed pronounced and long lasting exposure both after single and multiple doses. The long terminal half life after multiple dosing indicates suitability for once daily dosing.

VAP-1, a key inflammation receptor

Vascular Adhesion Protein-1 (VAP-1) is Biotie's proprietary target and is protected by patents held by the company. VAP-1 has been shown to play a key role in mediating the inflammatory events associated with chronic diseases such as rheumatoid arthritis, psoriasis and diabetes. Blocking VAP-1 function is expected to alleviate inflammatory conditions associated with these and, potentially, other chronic inflammatory diseases for which there is a clear unmet medical need.

VAP-1 function can be blocked by either antibody (biologic) drugs or small molecule drugs which target the enzyme (SSAO) domain of the receptor. Both these approaches are being pursued by Biotie for different therapeutic indications.

VAP-1 Antibody

Sales in novel therapeutics to treat inflammation have, in recent years, been driven by the increased use of biological drugs such as therapeutic monoclonal antibodies. Biologics have been shown to provide greater opportunities to modulate disease progression and alleviate the chronic inflammatory cycle. The growth in monoclonal antibody sales is expected to continue on the basis of their disease modifying efficacy and more widespread use amongst an expanding number of patient groups.

Biotie is developing a fully human monoclonal antibody which blocks VAP-1 function thereby allowing the inflammation to resolve. Biotie completed the first-in-man, single dose, placebo-controlled clinical study with the VAP-1 antibody in the second quarter of 2008. A total of 29 subjects received the antibody which was generally well tolerated. No serious adverse events were reported.

Development activity to support the clinical program has continued throughout the year and multiple dose clinical studies in patients with psoriasis and rheumatoid arthritis are to follow. These studies aim to establish appropriate dosing regimens for subsequent therapeutic studies and provide initial information on the antibody´s therapeutic potential.

Commercialization agreements

Seikagaku Corporation has signed a license agreement for the VAP-1 antibody rights covering Japan, Taiwan, Singapore, New Zealand, and Australia against up to USD 16.7 million in milestone payments plus royalties of sales in the territory. Biotie has already received USD 2.7 million from Seikagaku.

Biotie and Roche have signed an option agreement for Biotie's fully human antibody program targeting VAP-1 in inflammatory diseases. Roche has paid Biotie EUR 5 million, which grants Roche an exclusive option right to an exclusive, worldwide license agreement for Biotie's VAP-1 antibody, excluding Japan, Taiwan, Singapore, New Zealand and Australia. The initial option right will end upon completion of phase I.

Roche and Biotie are further collaborating in order to develop small molecule VAP-1 SSAO inhibitors to Roche specifications. 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. Under the terms of the collaboration and option agreement, Roche may pay Biotie up to EUR 5 million to maintain its exclusive option for rest-of-world rights excluding Seikagaku's territory (Japan, Taiwan, Singapore, New Zealand and Australia).

Biotie and Seikagaku have signed an option agreement for the VAP-1 enzyme inhibitor. The option is covering the same territory as Seikagaku's license for the VAP-1 monoclonal antibody. If Seikagaku exercises its option, Biotie will receive up to USD 16.7 million in milestone payments plus royalties of sales in the territory based on the pre-negotiated licensing agreement. After the opt-in Seikagaku will be responsible for the clinical development of the product in its territory.


BIRTHDAY

RESEARCH

Research Programs

Biotie has research programs for the treatment of inflammatory, central nervous system and cardiovascular diseases. Biotie applies a molecular medicine based approach to drug discovery.

VAP-1 SSAO enzyme inhibitors are small molecule inhibitors which are targeting the enzyme function of VAP-1 and its role in inflammatory processes. Our new brain penetrating PDE inhibitors are targeting anxiety, cognition deficits and depression and the α2ß1 integrin inhibitors and Bioheparin have anti thrombotic potential.

VAP-1 SSAO inhibitor program

An alternative approach to blocking the function of the VAP-1 inflammation receptor is to inhibit the enzyme it contains, VAP-1 SSAO. Biotie is developing small molecule drugs against VAP-1 SSAO in collaboration with its partner Roche. 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. Under the terms of the collaboration and option agreement, Roche may pay Biotie up to EUR 5 million to maintain its exclusive option for rest-of-world rights excluding Seikagaku's territory (Japan, Taiwan, Singapore, New Zealand and Australia). Seikagaku has an option to license a VAP-1 enzyme inhibitor in this territory. If Seikagaku exercises its option, Biotie will receive up to USD 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.

Novel phosphodiesterase (PDE) inhibitors for the treatment of central nervous system diseases

Separate and distinct from the collaboration with Wyeth, in which Biotie and Wyeth jointly discover and develop PDE10 inhibitors for the treatment of Schizophrenia, Biotie has discovered additional, new, potent, brain penetrating, small molecule PDE inhibitors that show pronounced activity in animal models of memory enhancement, anxiety and depression. Biotie has established structure-activity-relationships and has identified numerous additional chemical scaffolds as backups. Biotie is profiling these compounds with respect to their therapeutic potential and as candidate drugs.

Decreased cyclic nucleotide levels in brain have been associated with many diseases of the brain and PDE inhibitors can effectively elevate the levels of cyclic nucleotides. On the basis of the current information, Biotie estimates that new PDE inhibitors can be applied to treat schizophrenia associated memory deficits and other cognition deficits, anxiety disorders and depression.

Biotie has filed patent applications to protect the new compounds and their medical use. The program will be available for partnering.

α2ß1 integrin inhibitors have potential in thrombosis, cancer and inflammation

Biotie is investigating the efficacy of its α2ß1 integrin inhibitors in cancer and inflammatory diseases. Prostate cancer is a leading cause of male cancer death. 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 condition. Positive results in several animal models of inflammation demonstrate significant potential in inflammatory diseases.

Biotie holds several patents, patent applications and other intellectual property rights on integrin α2ß1 and its inhibitors in the U.S., Europe, Japan and in the rest of the world. The program has not been actively offered for partnering at this stage.

Bioheparin

Thrombo-embolic diseases, such as deep vein thrombosis, pulmonary embolism and unstable angina represent a USD 3 billion market for anticoagulant products consisting primarily of animal derived heparin. All currently marketed heparin products are animal derived, predominately using porcine 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 is currently seeking a development partner for the bioheparin program.

PERSONNEL

Biotie has an open working culture in which freedom and responsibilities are combined in a unique way. The goal is to make the company values manifest themselves in the working environment and guide everyday operations and human interaction. Our employees appreciate their co-workers as individuals and as experts. They comply with established guidelines, act openly and efficiently distribute information.

A key factor for Biotie's success is its ability to attract and maintain employees with the appropriate level of skills to develop new pharmaceutical drug candidates to be be out-licensed and commercialized. Biotie closely aligns its human resources policies and personnel development activities with the company's business strategy and goals. Biotie's HR strategy's main emphasis is to have a motivated and dedicated workforce.

Personnel development dialogues are an important tool for human resource management and an essential part of the interaction between managers and employees. Attainment of goals and development of skills are regularly monitored. Development dialogues involve all personnel groups.

Maintaining and developing the personnel's work welfare is a key objective of Biotie's human resource. Biotie invests in extensive and preventive occupational healthcare.

Through the acquisition of German-based pharmaceutical company elbion GmbH in November 2008 the number of employees in the company was roughly doubled. As of December 31, 2008, Biotie employed 80 people, of whom 68 worked in research and development, while 12 worked in other areas of the company. The company operates in Turku, Finland and Radebeul, Germany and employs 35 and 45 people respectively in its two locations. The workforce consists of an optimal mixture of younger and more experienced employees which are all experts in their fields. The average age is 44.7 years. This company merger poses an opportunity for the personnel's ability to embrace change. Combining Finnish and German operational and business culture is seen as a possibility to select the best practices from both and merge them into a new way of working. The integration process will continue during 2009.

Biotie is an equal opportunity employer.

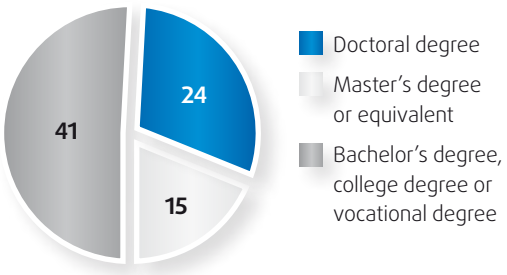
Corporate Responsibility

Drug safety, which provides the basis for patient safety, is at the core of Biotie's corporate responsibility. To ensure the safety of drugs, the highest levels of ethical and scientific quality standards of research and development activities are maintained.

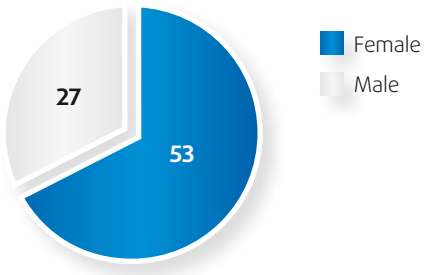
Biotie complies with all applicable rules and legal obligations relating to safety and environmental requirements.

Further information about the personnel

Educational background (person)



Distribution by sex (person)



BOARD OF DIRECTOR'S REPORT AND FINANCIAL STATEMENTS

REPORT OF THE BOARD OF DIRECTORS

The year 2008 in brief

- In January Lundbeck acquired the United Kingdom and Ireland rights for Nalmefene from Britannia Pharmaceuticals.
- In June Biotie announced top-line data from the first-in-man clinical study with its fully human VAP-1 monoclonal antibody.
- In September top-line data were released of the clinical trial with Nalmefene evaluating potential cardiac effects.
- In November Biotie acquired the pharmaceutical discovery and development company elbion GmbH.
- In November Lundbeck initiated three phase III clinical trials with Nalmefene for the treatment of alcohol dependence.
- The net loss in January – December stood at EUR 5.5 million (net loss in 2007 EUR 1.7 million). Cash flow in January – December from operating activities was EUR –9.4 million (EUR –5.3 million in 2007).
- Revenue for January – December stood at EUR 5.1 million (EUR 7.9 million in 2007) and earnings per share was EUR –0.06 (EUR –0.02 in 2007).
- The company's liquid assets amounted to EUR 25.2 million as at December 31, 2008 (EUR 28.2 million as at December 31, 2007).

Events after 2008

- In February and March 2009 Biotie started clinical studies in rheumatoid arthritis and psoriasis patients, respectively, with its fully human VAP-1 monoclonal antibody
- In March 2009 Lundbeck acquired the North-American and Mexican rights for Nalmefene from Somaxon Pharmaceuticals. Following this, Lundbeck has worldwide rights for Nalmefene, excluding Turkey and South-Korea.

Annual General Meeting

Biotie´s Annual General Meeting will be held at the auditorium of Restaurant Alabama in Turku on Friday, May 29, 2009 at 10.00 a.m.

Financial Statements 2008

The Financial Statements 2008 will be published on March 27, 2009.

IFRS and Accounting principles

The 2008 financial statements have been prepared in accordance with IFRS recognition and measurement principles, and applying the same accounting policy as for the 2007 financial statements.

Review of the financial year

General:

Biotie is a drug discovery and development company focused on central nervous system and inflammatory diseases. It has a broad range of innovative small molecule and biological drug candidates at different stages of clinical and pre-clinical development.

Biotie's products address diseases with high unmet medical need and significant market potential, including addiction and psychotic disorders, rheumatoid arthritis, psoriasis and chronic obstructive pulmonary disease (COPD). The most advanced product, Nalmefene for alcohol dependence, is currently in phase III clinical development by licensing partner Lundbeck.

In November 2008, Biotie acquired Radebeul, Germany based drug discovery and development company elbion GmbH through issuance of new shares to its previous owner, elbion NV of Leuven, Belgium. Subsequently, the newly acquired subsidiary was renamed into Biotie Therapies GmbH. Concomitantly, certain investors of elbion NV subscribed to a share offer by Biotie, by which EUR 3.3 million fresh capital were raised.

Together, the combined entity has a broad range of innovative therapeutic products for the treatment of inflammatory and CNS diseases. Biotie has operations in Turku, Finland and Radebeul, Germany.

Drug development projects:

Central nervous system diseases:

Nalmefene, a new treatment paradigm for alcohol dependence

Biotie's Nalmefene is an oral opioid receptor antagonist that is being developed for the treatment of alcohol dependence.

Nalmefene builds on a novel principle of treating alcohol dependence. Unlike existing therapies, the treatment with Nalmefene is not aimed at keeping the patients from drinking. Nalmefene instead removes the desire to drink more, thereby controlling and limiting the intake of alcohol. In addition, Nalmefene distinguishes itself by being available as a tablet formulation to be taken only according to need, whereas existing pharmaceuticals must be taken continuously over a longer period of time.

Biotie and Lundbeck signed a licensing agreement at the end of 2006 on worldwide rights for Nalmefene, excluding North America, Mexico, UK, Ireland, Turkey, and South Korea which had already been licensed. This license agreement entered into force in May 2007. In the beginning of 2008, UK and Ireland rights were acquired by Lundbeck from Britannia Pharmaceuticals and after the reporting period in March 2009 Lundbeck acquired the North-American and Mexican rights from Somaxon Pharmaceuticals. Following this, Lundbeck has worldwide rights for Nalmefene, excluding Turkey and South-Korea. Biotie-Lundbeck license agreement terms have been amended due to the transfer of rights. Under the terms of the amended agreement, Biotie is now eligible for up to EUR 84 million in upfront and milestone payments plus royalty on sales. Of the EUR 84 million, Biotie has already received an execution fee of EUR 12 million from Lundbeck.

Marketing and distribution rights in Turkey and South Korea have been licensed to Eczacıbaşı Ilac Pazarlama A.S., and Whanin Pharmaceutical Co. Ltd., respectively.

Biotie's previously conducted study in 400 alcoholic patients documented Nalmefene's ability to significantly limit both the patient's average alcohol intake and the number of days with an intake above five units of alcohol. Previous trials have also shown Nalmefene to be well-tolerated and safe.

In September top-line data were released of the clinical trial with Nalmefene evaluating potential cardiac effects on 240 healthy volunteers measured using an electrocardiogram. The data from the study indicate that use of Nalmefene does not increase the risk of adverse cardiac effects and that current regulatory requirements for such studies are met.

Based on the earlier Biotie-sponsored trials, Lundbeck in the end of 2008 launched three phase III trials, which will enroll more than 1,800 patients to be randomised into groups receiving Nalmefene or placebo. The first two trials, in which patients are treated over a period of six months, primarily aim to demonstrate the efficacy of Nalmefene, whilst the objective of the last study, in which patients are treated for 12 months, is particularly to confirm that the compound is well-tolerated. The first data from the trials are expected in the first half of 2011. Biotie will participate in financing some of the clinical development costs.

Buprenorphine Depot

Buprenorphine is the most widely used drug for substitution therapy of opioid-addicted patients. Biotie's portfolio includes a depot formulation Buprenorphine product development project. The goal is to produce a once-monthly Buprenorphine injection, which aims to provide a more effective way to treat opioid dependence than that currently available from existing oral Buprenorphine or other products. The project is currently in the preclinical phase of development.

Phosphodiesterase 10 (PDE10) inhibitors, a novel treatment paradigm for Schizophrenia

PDE10 is a novel molecular drug target in schizophrenia and Biotie has shown antipsychotic activity of PDE10 inhibitors in animal models. Biotie's PDE10 inhibitors are believed to serve the unmet medical need for novel anti-psychotic drugs with an improved side effect profile and improved efficacy in schizophrenia.

The PDE10 discovery and development program was partnered with Wyeth Pharmaceuticals in December 2006. On the basis of a Research Collaboration and License Agreement between Biotie and Wyeth Pharmaceuticals, scientists of both companies work closely together to profile and develop novel drug candidates.

In total, Biotie is eligible to - depending on the progress of the development candidates - up to USD 110 million in signing fee, milestone payments and research funding. Biotie will in addition be eligible for royalties on sales.

Inflammatory diseases:

ELB353, an oral PDE4 inhibitor for COPD in clinical development

ELB353 is a phosphodiesterase 4 (PDE4) inhibitor, with therapeutic potential in chronic inflammatory disorders, particularly in chronic obstructive pulmonary disease (COPD), a serious disorder with major unmet medical need.

In preclinical testing, ELB353 is a potent disease modifier in animal models of COPD, asthma, psoriasis, atopic dermatitis, rhinitis, rheumatoid arthritis. More importantly, when compared to certain other PDE4 inhibitors in late clinical development, ELB353 treatment was well tolerated with respect to central nervous system and gastrointestinal side effects, which have posed a significant development hurdle for PDE4 inhibitors until now.

In its first Phase I study, ELB353 was found to be safe and well tolerated after single and multiple dosing and no severe, significant or serious adverse events occurred. Blood plasma profiles of ELB353 showed pronounced and long lasting exposure both after single and multiple doses. The long terminal half life after multiple dosing indicates an excellent suitability for once daily dosing.

VAP-1, a key inflammation receptor

Vascular Adhesion Protein-1 (VAP-1) is Biotie's proprietary target and is protected by patents held by the company. VAP-1 has been shown to play a key role in mediating the inflammatory events associated with chronic diseases such as rheumatoid arthritis, psoriasis and diabetes. Blocking VAP-1 function is expected to alleviate inflammatory conditions associated with these and, potentially, other chronic inflammatory diseases for which there is a clear unmet medical need.

VAP-1 function can be blocked by either antibody (biologic) drugs or small molecule drugs which target the enzyme (SSAO) domain of the receptor. Both these approaches are being pursued by Biotie for different therapeutic indications.

VAP-1 antibody, a high value biologic for inflammatory diseases in clinical development

Biotie is developing a fully human monoclonal antibody which blocks VAP-1 function thereby allowing the inflammation to resolve. Biotie completed the first-in-man, single dose, placebo-controlled clinical study with the VAP-1 antibody in the second quarter of 2008. A total of 29 subjects received the antibody which was generally well tolerated. No serious adverse events were reported.

Development activity to support the clinical program continued throughout the year and after the reporting period in February and March 2009 Biotie started multiple dose clinical studies in rheumatoid arthritis and psoriasis patients, respectively, with its fully human VAP-1 monoclonal antibody. These studies aim to establish appropriate dosing regimens for subsequent therapeutic studies and provide initial information on the antibody´s therapeutic potential.

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

Biotie and Roche have signed an option agreement for Biotie's fully human antibody program targeting VAP-1 in inflammatory diseases in 2006. Roche has paid Biotie EUR 5 million, which grants Roche an exclusive option right to an exclusive, worldwide license agreement for Biotie's VAP-1 antibody, excluding Japan, Taiwan, Singapore, New Zealand, and Australia. The initial option right will end upon completion of phase I.

Seikagaku Corporation has licensed the rights for the product for Japan, Taiwan, Singapore, New Zealand, and Australia against up to USD 16.7 million in milestone payments plus royalties of sales in the territory. Biotie has already received USD 2.7 million from Seikagaku.

Research

VAP-1 SSAO inhibitors

Biotie and Roche collaborate to develop small molecule VAP-1 SSAO inhibitors to Roche specifications. 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. Under the terms of the collaboration and option agreement, Roche may pay Biotie up to EUR 5 million to maintain its exclusive option for rest-of-world rights excluding Seikagaku's territory (Japan, Taiwan, Singapore, New Zealand and Australia).

Seikagaku has an option to license a VAP-1 enzyme inhibitor in this territory. If Seikagaku exercises its option, Biotie will receive up to USD 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.

Novel phosphodiesterase (PDE) inhibitors for the treatment of central nervous system diseases

Biotie has discovered new small molecule PDE inhibitors that show pronounced activity in animal models of memory enhancement, anxiety and depression. Biotie is profiling these compounds with respect to their therapeutic potential and as candidate drugs.

α2ß1 integrin inhibitors have potential in thrombosis, cancer and inflammation

Biotie is profiling its α2ß1 integrin inhibitors with respect to their therapeutic potential and as candidate drugs.

Bioheparin

Biotie's Bioheparin is a non-animal-derived heparin and is produced using technology patented by the company. Biotie is seeking a development partner for the Bioheparin program.

Revenues

Revenue for the financial year 2008 was EUR 5.1 million. Revenue consisted of income from an ongoing research collaboration with Wyeth, periodization of the signing fees of the licensing agreements signed with Seikagaku Corporation in 2003 and with Somaxon Pharmaceuticals in 2004, periodization of the option fee of the option agreement signed with Roche in 2006, periodization of the signing fee received from Wyeth in 2006 as well as periodization of the execution fee of the licensing agreement signed with Lundbeck that entered into force in May 2007.

Revenue for the financial year 2007 was EUR 7.9 million. Revenue consisted of periodization of the signing fees of the licensing agreements signed with Seikagaku Corporation in 2003 and with Somaxon Pharmaceuticals in 2004, periodization of the option fee of the option agreement signed with Roche in 2006 as well as periodization of the execution fee of the licensing agreement signed with Lundbeck that entered into force in May 2007.

Financial results

The net loss for the financial year 2008 was EUR 5.5 million. The corresponding figure for the previous year was EUR 1.7 million. Research and development costs for the period amounted to EUR 8.7 million (in 2007 EUR 9.1 million). Patent costs have been booked as expenses.

Financing

Biotie's equity ratio was 0.3% on December 31, 2008 (–37.0% on December 31, 2007).

Cash and cash equivalents totaled EUR 25.2 million on December 31, 2008 (EUR 28.2 million on December 31, 2007).

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

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

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

In January 2008, The Finnish Funding Agency for Technology and Innovation (Tekes) granted EUR 1.7 million additional funding for Biotie Therapies' integrin α2ß1 inhibitor program for thrombosis. The R&D funding granted covers drug development costs of the project from July 2007 to December 2009.

The funding granted is in the form of loan and it covers 50 per cent of the costs of the project. The loan will be paid to Biotie against reported realized costs. In order to receive the full amount of granted financing, Biotie must show a total expenditure of EUR 3.4 million in the project.

In August 2007, the central development agency for the state of Saxony (SAB, Sächsische Aufbaubank) has awarded a research and technology grant for drug discovery and early development activities to the German subsidiary Biotie Therapies GmbH in the amount of EUR 3.8 million. The money has been awarded as a non refundable grant to be drawn down during the period between August 2007 and July 2010 against reported realized costs. As of 1 January 2009, EUR 2.4 million of this grant are still available to the company. The grant covers 65% of personnel and project related cost, so Biotie Therapies must show a total expenditure of EUR 3.6 million until July 2010 in relation to the project in order to benefit from the full amount still available.

Capital loans

Non-convertible capital loans:

The Finnish Funding Agency for Technology and Innovation (Tekes) has granted capital loans of EUR 19,663 thousand. The total amount has been paid to the company by the end of the financial year. The accumulated unpaid interest of capital loans is EUR 5,828 thousands at December 31, 2008.

The loan period is 8 years and 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 loans have 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 2008.

Convertible capital loans:

The company has convertible capital loans of EUR 1,682 thousand. The subscription period that permits subscription of a total of 828,000 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. The accumulated unpaid interest of convertible capital loans is EUR 2,393 thousand at December 31, 2008.

Two convertible capital loans were converted into shares during 2007. The total of 450,000 new shares were subscribed. The capital loan converted in connection with subscription amounted to EUR 841 thousand.

The company is obliged to pay interest for capital loans 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 of capital loans may be returned only if the restricted equity of the group (FAS) for the financial period last ended is fully covered thereafter.

Capital loans have been specified on Notes to the Consolidated Financial Statements number 24.

Shareholder's equity

The shareholders' equity of the company amounts to EUR 0.1 million.

According to Finnish accounting standards, shareholders' equity is less than half of the company's share capital. The company's share capital is EUR 44.3 million, shareholders' equity is EUR 14.5 million and capital loans stand at EUR 21.3 million. Thus, shareholders' equity plus capital loans add up to EUR 35.8 million. The Company does not have funds that could be used for profit distribution.

The Annual General Meeting was held on March 28, 2008 and the meeting considered pursuant to chapter 20 Article 23 of The Companies Act measures relating to the level of shareholders' equity. It was resolved that no special measures are necessary at this point in time.

The company has in its possession 819,000 of its own shares. In relation to the company's option programs, the company has signed a stock lending agreement with EVLI Bank. Pursuant to this agreement, the number of the company's own shares in its possession may be temporarily less than 819,000.

Investments and cash flow

The cash flow from operations was EUR –9.4 million (in 2007 EUR –5.3 million). During the financial year 2008, the company received in total EUR 0.6 million from ongoing collaborations, grants and partnering agreements. The company's investments during the financial year amounted to EUR 0.1 million (EUR 0.3 million in 2007).

Personnel

During the financial year, the company's personnel was on average 42 (36 in 2007) and at the end of the financial year, 80 (37 on 31.12.2007).

Changes in Management Team

Since the acquisition of elbion GmbH, the management of the company is comprised of the following individuals:

Name	Position in the company
Timo Veromaa	Chief Executive Officer
Antero Kallio	Chief Medical Officer
Thomas Kronbach	Chief Scientific Officer
Thomas Taapken	Chief Financial Officer

Kai Lähdesmäki serves as a senior business development advisor for the company.

REPORT OF THE BOARD OF DIRECTORS

Biotie's Extraordinary General Meeting of Shareholders, held on November 14, 2008 appointed Ann Hanham, Bernd Kastler and Christoph Schroeder as additional new members of the Board of Directors of Biotie.

Group structure

The parent company of the group is Biotie Therapies Corp. The domicile of the Company is Turku, Finland. After the acquisition of elbion GmbH in November 2008, Biotie has an operative subsidiary, Biotie Therapies GmbH, located in Radebeul, Germany.

The group also has a non-operational subsidiary named Biotie Therapies International Ltd in Finland and an associated company with no activities, Contral USA which is domiciled in Delaware USA.

Corporate Governance

Biotie complies with the recommendations of the Finnish Corporate Governance Code. Possible deviations from the Corporate Governance Code are presented in connection with each subject in the Annual Report. Biotie's Corporate Governance statement is available on company's website at www.biotie.com/investors and also will be published in the Annual Report.

Shareholders' meetings held during the financial year

Decisions taken at Annual General Meeting

The Annual General Meeting of Biotie Therapies Corp. was held on March 28, 2008.

The General Meeting of Shareholders adopted the income statement and balance sheet and the consolidated income statement and balance sheet for the financial year 1 January 2007–31 December 2007. The General Meeting of Shareholders resolved pursuant to the proposal of the Board of Directors that the loss of the financial year, EUR 1,624,388.72 shall be transferred to the company's equity.

The General Meeting of Shareholders discharged the members of the Board of Directors and the President and CEO from liability concerning the financial year from 1 January–31 December 2007.

The Board of Directors and Auditors

The number of the members of the Board of Directors was resolved to be five. Juha Jouhki, Pauli Marttila, Riku Rautsola and Piet Serrure were re-elected as the members of the Board of Directors and Mr. Krish Krishnan was appointed as a new Board member.

Janne Rajalahti, Authorized Public Accountant, and PricewaterhouseCoopers Oy, Authorized Public Accountants, were elected as auditors of Biotie Therapies Corp.

At the organization meeting of the new Board of Directors, which convened immediately after the Annual General Meeting, Juha Jouhki was elected as the Chairman of the Board of Directors and Pauli Marttila as the deputy chairman.

Authorization of the Board of Directors to resolve on a share issue and granting of option and other specific rights entitling to the shares

The Annual General Meeting authorized the Board of Directors to resolve on one or more share issues, which contains the right to issue new shares or dispose of the shares in the possession of the company and to issue options or other specific rights to the shares pursuant to chapter 10 of the Finnish Companies Act. The authorization consists of up to 18,000,000 shares in the aggregate. A maximum of 819,000 own shares in the possession of the company may be conveyed.

The authorization does not exclude the Board of Directors' right to decide on a directed share issue. The authorization is used for possible material arrangements from the company's point of view, such as financing or implementing business arrangements or investments or for other such purposes determined by the Board in which case a weighty financial reason for issuing shares, options or other specific rights and possibly directing a share issue would exist. However, the authorization could not be used to create new share-based incentive schemes. The authorization shall remain effective until 30 June 2009.

Issuance of new stock options

The Annual General Meeting decided to issue up to 3,000,000 stock options in the aggregate which would entitle to subscribe for up to 3,000,000 new shares in the company.

The Extraordinary General Meeting resolved to revoke the option program approved by the Annual General Meeting of Shareholders on 28 March 2008 and based on which program no option rights had been allocated.

Resolutions of the Extraordinary General Meeting

The Extraordinary General Meeting of Biotie Therapies Corp. was held on November 14, 2008. The Meeting resolved to approve all proposals by the Board.

To complete the transaction regarding elbion GmbH, the General Meeting of Shareholders of Biotie resolved, in deviation from the shareholders' pre-emptive subscription right, to offer: (i) 46,802,967 new shares to elbion NV as consideration for total share capital of elbion GmbH and (ii) up to 7,305,733 new shares to be subscribed by certain funds held or managed by Burrill & Company, TVM Capital and AGF Private Equity.

The subscription price for the shares was set at EUR 0.4517 per share. The subscription price had been determined by calculating the trade weighted average of the Company's share price during the 20 trading days prior to and including 22 October 2008.

The subscription price was recorded in the company's share capital (FAS). In IFRS accounting share capital increase was recorded at the fair value of the shares at the date of transaction which was EUR 0.29 per share and it was based on the published price at the date of exchange.

Authorization to the Board of Directors to resolve on a share issue and granting of option and other specific rights entitling to the shares

The Extraordinary General Meeting authorized the Board of Directors to resolve on one or more share issues which contains the right to issue new shares or dispose of the shares in the possession of the company and to issue options or other specific rights to the shares pursuant to chapter 10 of the Companies Act. The authorization consists of up to 7,000,000 shares in the aggregate. A maximum of 819,000 own shares in the possession of the Company can be conveyed.

The authorization does not exclude the Board of Directors' right to decide on a directed share issue. The authorization can be used for material arrangements from the company's point of view, such as financing or implementing business arrangements or investments or for other such purposes determined by the Board of Directors in which case a weighty financial reason for issuing shares, options or other specific rights and possibly directing a share issue would exist. Further, the authorization can be used to create new share-based incentive schemes. The authorization shall be effective until 1 April 2010.

The Extraordinary General Meeting resolved to revoke the option program approved by the Annual General Meeting of Shareholders on 28 March 2008 and based on which program no option rights had been allocated.

Election of new Board Members

The Extraordinary General Meeting elected Ann Hanham, Bernd Kastler and Christoph Schroeder to the Board of Directors in addition to the present members of the Board of Directors.

Option programs

By 31 December 2008 Biotie Therapies Corp. had issued option rights pursuant to two different option programs (2004 and 2006 option rights). At the beginning of the financial year the number of 2004 option rights was 2,000,000 and 2006 option rights was 2,768,800. During the financial year 2007 a total of 231,200 new shares in Biotie Therapies Corp. were subscribed for by exercising a portion of the 2006 option rights of the company's option scheme. During the financial year 2008 no new shares were subscribed under the existing option programs.

The remaining outstanding Biotie 2004 and 2006 option rights entitle their holders to subscribe for a total of 4,768,800 new shares of the company.

Share capital and Shares

Biotie's shares are listed on the NASDAQ OMX Helsinki Oy (Small cap, Healthcare).

Biotie Therapies has 144,320,560 shares and the share capital amounts to EUR 44,290,678.10 (under Finnish Accounting Standards, FAS). All the company´s shares are of the same series and have equal rights. All the shares are freely transferable and contain one voting right each.

For a more detailed description of the shareholders, please see section “Shares and Shareholders” in the annual accounts.

At the end of the financial year the share price was EUR 0.26. The highest price for Biotie´s share during the financial year was EUR 0.94 and the lowest was EUR 0.24. The average share price was EUR 0.51. Biotie´s market capitalization at the end of the financial year was EUR 37.52 million (2007: EUR 68.56 million).

In accordance with the acquisition of elbion GmbH and based on the Extraordinary General Meeting held on November, during 2008 the company’s share capital increased by EUR 24,440,899.79 (FAS) and the total number of shares outstanding now amounts to 144,320,560. In IFRS accounting share capital amounts to EUR 36,360,868.43. The difference is caused by different treatment of subscription price in FAS and IFRS accounting.

During the financial year 2008, 15,350,613 (2007: 35,093,743) Biotie shares were traded corresponding to a turnover of approximately EUR 7.92 million (2007: EUR 34.15).

At the end of the financial year 2008 the company had 6,580 shareholders compared to 6,340 at the end of 2007.

Shares and options held by management

At the end of financial year 2008 the amount of company’s shares held by the Board of Directors and CEO and their controlled companies is totally 6,537,886 shares and 1,134,400 option rights.

Changes in ownership

During the period under review, the company became aware of two notices of change in ownership exceeding the disclosure threshold. Information on notices of change in ownership is available on the company´s website at www.biotie.com/investors.

In connection with the acquisition of elbion GmbH, elbion NV became holder of 32.43% of all shares in Biotie. The Finnish financial supervision authority granted an exemption for the duty to make a mandatory tender offer for all shares of Biotie.

Short-term risks and uncertainties

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

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

Significant financial resources are required to advance the drug development programs into commercialised pharmaceutical products. The Group relies on its ability to fund the operations of the Group through three major sources of financing. Entering into commercialization, collaboration and licensing agreements with

larger pharmaceutical companies entitles the Company and its subsidiaries to receive up-front, milestone dependant and royalty payments from these partners. In addition, the Company relies on different sources of research and development grants and loans. These funds, which are provided through regional, national or EU level institutions with the aim of fostering economic and technological progress in the region in which the Group operates, have been historically available to Biotie at substantial levels. Availability of such funds in the mid- to long term future cannot be guaranteed and thus this poses a potential risk to the income situation of the Group in the future. Furthermore, the Company relies on capital market to raise equity and debt financing from time to time. There can be no assurance that sufficient financing can be secured in order to permit the Company to carry out its planned activities. To protect the continuity of Biotie's operations, sufficient liquidity and capital has to be maintained and the Company and its subsidiaries. The Group aims to have cash funds to finance at least one year's operations at all times. The Group can influence the amount of capital by adapting its cost basis according to the financing available. Management monitors the capital and liquidity on the basis of the amount of equity and cash funds. These are reported to the Board on a monthly basis.

Please see note 33 (financial risk management) of the IFRS consolidated financial statements for additional information on financial risk management by the Company.

Agreements relating to the company`s business

Commercialisation agreements for the drug development projects are approved in the Biotie Board. Customary to the sector these are typically long term arrangements and include clauses relating to changes both in the project itself and changes from external causes. Also, customary to the sector many agreements contain termination clauses relating to possible change-of-control in Biotie.

Future outlook

- During 2009, Biotie will provide support to its license partner Lundbeck for the ongoing phase III studies with Nalmefene in alcohol dependence.
- Biotie will perform two clinical studies with its proprietary VAP-1 antibody in psoriasis and rheumatoid arthritis patients in the course of 2009. Results of these studies will become available in the first half of 2010.
- The company intends to initiate a clinical trial for its proprietary, small molecule PDE-4 inhibitor ELB353 with the aim to obtain proof of pharmacodynamic activity in humans, corroborate the safety profile and establish dose ranges for further therapeutic studies.
- In its collaboration with Wyeth on the discovery and development of novel PDE10 inhibitors for the treatment of psychiatric disorders, Biotie and its partner intend to identify development candidates.
- Completion of the integration of operations of the recently acquired German subsidiary Biotie Therapies GmbH.

The Board of Directors proposal for handling of the loss

The Board of Directors proposes that no dividend from the financial year 2008 will be paid, and that the loss of the parent company for the financial year EUR –6.3 (FAS) million will be transferred to shareholders´ equity.

Financial situation

1 000 €	2008	2007	2006
Revenue	5,127	7,895	1,118
Operating profit	–5,121	–1,769	–8,361
Operating profit, % of revenue	–99.9	–22.4	–747.6
Equity ratio %	0.3	–37.0	–46.5
Personnel			
Average number of personnel	42	36	37
Number of personnel, end of period	80	37	35
Personnel costs (wages and salaries)	2,257	1,575	2,052

Key Figures are presented more detailed on page 56.

INCOME STATEMENT

1 000 €	Note	1.1.–31.12.2008	1.1.–31.12.2007
Revenue	4	5 127	7 895
Research and development expenses	5,6,8	–8 730	–9 053
General and administrative expenses	6,7,8	–2 020	–1 655
Other operating income	9	502	1 044
Operating profit / loss		–5 121	–1 769
Financial income	10	1 432	860
Financial expenses	10	–1 864	–817
Profit / loss before taxes		–5 553	–1 726
Taxes	11	76	0
Net income / loss		–5 477	–1 726
Distribution to			
Parent company shareholders		–5 477	–1 726
Earnings per share (EPS) basic & diluted, EUR	12	–0,06	–0,02

The notes are an integral part of these consolidated financial statements.

BALANCE SHEET

1 000 €	Note	31.12.2008	31.12.2007
ASSETS			
Non-current assets			
Intangible assets	13	10 352	747
Goodwill	3,13	379	0
Property, plant and equipment	14	2 792	332
Financial assets at fair value through profit or loss	20	0	14 938
		13 523	16 017
Current assets			
Prepaid expenses	16	2 400	0
Available for sale investment	17	131	0
Investments held to maturity	18	18 500	0
Accounts receivables and other receivables	19	1 512	753
Financial assets at fair value through profit or loss	20	0	13 000
Cash and cash equivalents	21	6 738	305
		29 281	14 058
Total assets		42 804	30 075
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	22	36 361	19 850
Reserve for invested unrestricted equity	22	980	980
Retained earnings		–31 754	–30 220
Net income / loss		–5 477	–1 726
		110	–11 117
Non-current liabilities			
Provisions	23	121	14
Non-current financial liabilities	24	24 930	23 603
Pension benefit obligation	25	574	0
Other non-current liabilities	26	5 881	4 930
Non-current deferred revenues	27	2 966	5 168
Deferred tax liabilities	28	1 859	0
		36 331	33 715
Current liabilities			
Provisions	23	641	20
Pension benefit obligation	25	10	0
Current financial liabilities	29	144	104
Current deferred revenues	30	3 501	5 741
Accounts payable and other current liabilities	31	2 067	1 612
		6 363	7 477
Total liabilities		42 694	41 192
Total equity and liabilities		42 804	30 075

The notes are an integral part of these consolidated financial statements.

STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

		Attributable to equity holders of the parent company					
1 000 €	Note	Shares (1000 pcs)	Share capital	Reserve for invested unrestricted equity	Own shares	Retained earnings	Shareholders' equity total
Balance at 1.1.2007		89 531	19 850	0	–15	–30 641	–10 807
Net income / loss for the period						–1 726	–1 726
Options granted	22					437	437
Share subscription with convertible capital loans	24	450		841			841
Share subscription with option rights	22	231		139			139
		681	0	980	0	–1 289	–310
Balance at 31.12.2007		90 212	19 850	980	–15	–31 930	–11 117
Net income / loss for the period						–5 477	–5 477
Options granted	22					193	193
Share issue		54 109	16 873				16 873
Cost of share issue			–362				–362
		54 109	16 511	0	0	–5 285	11 227
Balance at 31.12.2008		144 321	36 361	980	–15	–37 215	110

CASH FLOW STATEMENT

1 000 €	Note	1.1.–31.12.2008	1.1.–31.12.2007
Cash flow from operating activities	32		
Net income / loss		–5 477	–1 726
Adjustments:			
Non-cash transactions		–4 303	–3 452
Addition/disposal (–) due to revaluation of financial assets at fair value through profit or loss	20	0	–644
Interest expenses and other financial expenses		1 863	817
Interest income		–1 431	–216
Taxes		–76	0
Change in working capital			
Change in accounts receivables and other receivables		446	–190
Change in accounts payable and other liabilities		–277	96
Change in mandatory provisions		–152	10
Interest paid		–29	–40
Interest received		66	57
Cash flow from operating activities		–9 370	–5 288
Cash flow from investing activities			
Acquisition of subsidiary, net of cash acquired		1 881	0
Change in financial assets at fair value through profit or loss	20		
Additions		0	–4 500
Disposals		27 685	5 280
Change in investments held to maturity	18		
Additions		–46 300	0
Disposals		28 321	0
Investments	14	–34	–23
Net cash used in investing activities		11 553	757
Cash flow from financing activities			
Payments from share issue	22	3 300	139
Share issue costs		–362	0
Proceeds from borrowings	24	1 374	874
Repayment of loans		–40	–40
Repayment of lease commitments		–21	–23
Net cash from financing activities		4 250	950
Change in cash and cash equivalents		6 433	–3 581
Cash and cash equivalents at the beginning of the period		305	3 886
Cash and cash equivalents at the end of the period		6 738	305

The notes are an integral part of these consolidated financial statements.

NOTES

1. Accounting principles

A. General information

Biotie Therapies is a drug development biotechnology company with a focus on discovery and development of therapeutics for central nervous system (addiction, psychotic disorders) and inflammatory diseases (e.g. rheumatoid arthritis, psoriasis and COPD). Biotie's shares are listed on the NASDAQ OMX, Helsinki Ltd. The company has operations in Turku and in Radebeul Germany. The parent company Biotie Therapies Corp has its registered address is Tykistökatu 6, 20520 Turku, Finland.

B. 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, 2008. New principles applied for the first time in the financial period have not had a significant effect on the Group financial statements. The consolidated financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at fair value through profit and loss. In these financial statements the presented amounts are rounded to thousands Euros (KEUR), unless otherwise stated. Rounding differences may lead to immaterial differences.

The preparation of financial statements under IFRS requires 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 as well as 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. Management's estimates are explained more in detail in paragraph Q.

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 relied primarily upon obtaining equity capital and R&D loans and receiving payments from partners to support its operations as well as generating revenue from research collaboration agreements, license agreements and grants.

The Board of Directors approved the publication of the financial statements on March 26, 2009.

The Group will apply the following standards and interpretations as of 2009 or later. These have not yet been applied in the present Financial Statements.

- IAS 1 (Revised), 'Presentation of Financial Statements'. Effective as of the financial period beginning January 1, 2009.
- IAS 23 (Amendment), 'Borrowing Costs'. Effective as of the financial period beginning January 1, 2009.
- IAS 32 (Amendment), 'Financial Instruments: Presentation' and IAS 1, 'Presentation of Financial Statements' –Puttable Financial Instruments and Obligations Arising on Liquidation. Effective as of the financial period beginning January 1, 2009.
- IAS 27 (Revised), 'Consolidated and separate financial statements'. Effective as of the financial period beginning January 1, 2010.
- IAS 39 (Amendment), 'Financial instruments: Recognition and measurement – Eligible Hedged Items'. Effective as of the financial period beginning January 1, 2010.
- IFRS 1 (Amendment) 'First time adoption of IFRS', and IAS 27 'Consolidated and separate financial statements'. Effective as of the financial period beginning January 1, 2009.
- IFRS 2 (Amendment), 'Share-based payment'. Effective as of the financial period beginning January 1, 2009.
- IFRS 8, 'Operating Segments'- new standard. Effective as of the financial period beginning January 1, 2009.
- IFRS 3 (Revised), 'Business combinations'. Effective as of the financial period beginning January 1, 2010.
- IFRS 5 (Amendment), 'Non-current assets held-for-sale and discontinued operations' (and consequential amendment to IFRS 1, 'First-time adoption'). Effective as of the financial period beginning January 1, 2010.
- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'. Effective as of the financial period beginning January 1, 2009.
- IFRIC 12, 'Service Concession Arrangements'. Effective as of the financial period beginning January 1, 2010.
- IFRIC 13, 'Customer Loyalty Programmes'. Effective as of the financial period beginning January 1, 2009.
- IFRIC 14, 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction'. Effective as of the financial period beginning January 1, 2009.
- IFRIC 15, 'Agreements for the Construction of Real Estate'. Effective as of the financial period beginning January 1, 2009.
- IFRIC 16, 'Hedges of a Net Investment in a Foreign Operation'. Effective as of the financial period beginning January 1, 2009.
- IFRIC 17, 'Distributions of non-cash assets to owners'. Effective as of the financial period beginning January 1, 2010.

The management of the Group is assessing the impact of these new standards, amendments and interpretations on the financial statements of the group.

C. 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 as-

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sociates 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 translation of monetary assets and liabilities denominated in foreign currencies at year-end exchange rate, are recognized in the income statement. Foreign exchange gains and losses are related to operative operations and are therefore recognized above the operating profit. The Group does not have non-monetary assets or liabilities in foreign currencies.

D. Revenue recognition

Revenue of the company consists of upfront and milestone payments agreed in collaboration agreements.

(1) Recognition of revenue from upfront and option 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 revenue and recognised as income over the estimated period of the development collaboration.

(2) 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.

E. Property, plant and equipment

Property, plant and equipment comprise mainly land, buildings and equipment used in research and development. They are stated at historical cost less depreciation and 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. Land is not depreciated.

The estimated useful lives are:

Machinery and technical equipment	4–12 years
Other equipment	4–8 years
Buildings	3–20 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 profit/loss.

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

F. Intangible assets

(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.

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.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units of the group 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, all the following can be demonstrated:

(a) the technical feasibility of completing the intangible asset so that it will be available for use or sale.

(b) the intention to complete the intangible asset and use or sell it.

(c) the ability to use or sell the intangible asset.

(d) the probability that the intangible asset will generate probable future economic benefits.

(e) The availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset.

(f) the 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. Costs expensed during prior accounting periods can not be activated in retrospect. The activated development costs are amortized on a straight-line basis during the period as future economic benefit will be expected, beginning from the start of commercial production. 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 capitalization as intangible assets.

In-process research and development projects, which are acquired in connection with business combinations or purchased from third parties, are capitalised with their fair value at the date of acquisition. They are amortised as from the date of market launch. Assets that are not subject to amortisation are tested annually for impairment.

(3) Other intangible assets

Intangible assets include purchased in process research and development projects, purchased licenses, capitalized costs for production licences purchased patents and similar rights and computer softwares. These are capitalised on the basis of the costs incurred and amortised using straight line depreciation over their estimated useful lives.

Depreciation periods are:

Production licences	17–20 year
Computer softwares	3–4 years
Purchased patents and similar rights	8–17 years

G. Impairment of tangible and intangible assets

Assets that are subject to amortisation are reviewed at every financial closing for impairment and whenever events or changes in circumstances indicate that the carrying amount may not be recoverable, new recoverable amount is estimated.

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. The value in use represents the discounted future net cash flows expected to be derived from an asset or cash-generating unit. The discount interest used is interest before tax that reflects markets' time value for money as well as risk premium regarding the asset. 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, other than goodwill, 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.

H. Financial assets

The group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, held-to-maturity financial assets and available for sale. The classification depends on the purpose for which the financial assets were acquired and they are classified at initial recognition.

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. Financial assets are initially recognised at fair value. Transaction costs are included in the fair value unless the asset is recognised at fair value through profit or loss.

The financial asset is classified as at fair value through profit and loss, when it is either a) acquired for trading purposes or b) the management classifies it initially as at fair value through profit or loss on basis of so called fair value option. Financial assets are classified as held for trading if acquired principally for the purpose of selling in the short-term. The Group's derivatives are also categorised as held for trading as Biotie does not apply hedge accounting. Gains and losses from derivatives are included in general and administrative costs in the income statement. Assets held for trading are classified as current assets. During the financial period Biotie has had foreign exchange forward contracts but on the balance sheet date the Group does not have any financial assets held for trading.

All other group's financial assets in this category are included in group b). Financial assets at fair value through profit and loss are measured and managed based on fair value. The fair values are based on quoted bid prices. Financial assets at fair value through profit or loss are investments in money market funds. However, at the balance sheet date the Group does not have any such investments anymore.

Realized and 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 in financial items when they occur.

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. Accounts receivables and other receivables are included in this category. These are initially measured at cost. Impairment is made for doubtful receivables based on individual assessment of potential identified credit risk as described below.

Held-to-maturity financial assets are non-derivative financial assets with fixed or determinable payments and fixed maturities that the group's management has the positive intention and ability to hold to maturity. Financial assets in this category are valued at cost.

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any other categories. Available-for-sale financial assets are recognised at fair value or when the fair value is not reliably measured, at cost. Changes in fair value of securities classified as available for sale are recognised in equity. When securities classified as available for sale are sold or impaired, the accumulated fair value adjustments in equity are included in income statement.

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Available-for-sale financial assets are investment funds that were pledged to employees in early retirement programs in order to secure their claims in case of insolvency (Biotie GmbH, required by German legislation). Sales of investments are allowed only in accordance with sales schedule, which matches the payments to employees, or with the consent of the respective employee.

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.

The Group assesses at each balance sheet date whether there is objective evidence that a financial assets or group of financial assets have impaired. Impairment test is made for loans and receivables and available-for-sale financial assets if there is objective evidence that the value of these items has been decreased. The cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss – is removed from equity and recognised in the income statement. Impairment losses recognised in the income statement on equity instruments are not reversed through the income statement.

A provision for impairment of trade receivables is established when there is objective evidence that the group will not be able to collect all amounts due according to the original terms of the receivables. Credit losses are recognized in the income statement.

I. Leases – Group as a lessee

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 financial 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.

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.

J. Cash and cash equivalents

Cash and cash equivalents 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. The original maturities of cash and cash equivalents are less than 3 months.

Cash and cash equivalents are recognized in the balance sheet at their cost.

K. 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.

L. 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 nominal amount, because Tekes loans at low interest rate are a form of government assistance.

Interest costs are expensed as they occur.

M. Taxes

Income tax expense consists of current and deferred taxes. The income tax effects of items recognized directly in equity are similarly recognized in equity. The current income tax charge is calculated on the basis of the tax laws enacted in the countries where the company's subsidiaries operate and generate taxable income.

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.

However, the deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

N. Employee benefits

(1) Pensions

The group has both defined benefit and defined contribution plans. A defined contribution plan is a pension plan under which the group pays fixed contributions into a separate entity. The group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. A defined benefit plan is a pension plan that is not a defined contribution plan. Typically defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation.

The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to income statement in the period in which they arise.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

For defined contribution plans, the group pays contributions to publicly or privately administered pension insurance plans on a mandatory, contractual or voluntary basis. The group has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

(2) Share-based payments

Option rights
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 vest at the end of the vesting period. The fair value is defined on the basis of the Black-Scholes option pricing model. Option rights are accounted for as equity-settled share-based payments.

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. Option rights that were exercised before the new Companies Act (21.7.2006/624) was in force are recorded to share capital and to the share premium fund whereas option rights exercised after the new Companies Act are recognised completely to the reserve for invested unrestricted equity.

Other share-based payments (Stock appreciation rights "SAR")
For cash-settled share-based payment transactions (SAR) pursuant to IFRS 2, the fair value of such a SAR, spread over the service period, is to be carried as a personnel expense for which an appropriate accrual must be recorded. The fair value of the SAR must be re-measured at every balance sheet date.

O. 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.

P. Provisions and contingent liabilities

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).

Restructuring provision is recognised when the group has prepared detailed restructuring plan and has started to carry out the restructuring measures or has announced its intentions to carry out restructuring. The group does not recognise provision from continuing operations.

Contingent liability is possible obligation that arises from past events and whose existence will be confirmed only by occurrence or non-occurrence of uncertain future event not wholly within the control of the group. Contingent liability is also a present obligation that arises from past event but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability. Contingent liability is disclosed.

Q. Critical accounting estimates and judgments of the management

(1) Critical accounting estimates and assumptions

The management of the group makes estimates and assumptions concerning the future. These affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period.

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Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Although these estimates are based on management's best knowledge of the amount, event or actions, actual results may ultimately differ from those estimates. Some of these policies require a high level of judgement, either because the areas are especially subjective or complex.

Estimates and assumptions that have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Revenue recognition
The revenues of biotechnology and drug development companies comprise of upfront payments, milestone payments and royalties from the sales of products agreed on in cooperation agreements. Non-refundable upfront payments and option fees totalled EUR 237 thousand in 2008 and EUR 4 million in 2007. Non-refundable upfront payments and option fees are based on collaboration agreements made with drug companies. Non-refundable upfront payments and option fees are reported as deferred income and recognised as income over the estimated period of the development collaboration. Any changes in the estimated development period may lead to an adjustment of the financial statements. In case the estimated development schedule were to be delayed, the annual income would lessen since the amount of the total revenue would be divided into a longer period of time. 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 recognised as income after achievement of the milestones as defined in the respective agreements. Due to the nature of the revenues and the development phase of the projects of the drug development company, the presentation of costs corresponding to the sold products in the income statement is not purposeful. All costs of the drug development have been presented in the research and development costs.

Share-based payments
Option rights have been measured at their fair value at the grant date, recognized as an expense in the income statement and recognised over 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. Expenses recognized for the year ended 31 December 2008 amounted to EUR 193 thousand. Each fiscal year, the Group shall update the expected final quantity of options on the date of the financial statements. Possible changes to estimates are recorded in the income statement.

In-process RD
The value of in-process RD acquired in context of restructuring of elbion group have been determined by management under arm's length principles. The fair value of Biotie GmbH development projects not recognized in Biotie GmbH single IFRS financial statements but identified in PPA has been estimated by carrying out a discounted cash flow calculation.

In-process RD are annually tested for impairment. Should it be required to recognize impairments due to the impairment testing, it would have a material effect on the Company's results and balance sheet position.

(2) Critical judgments in applying the entity's accounting policies

Capitalisation of production license
The group has capitalized costs related to production license to its intangible assets. The useful life of production license is estimated to be 20 years. The group tests with DCF-model annually whether the license has suffered any impairment. DCF-calculations require management to make certain estimates and assumptions as to future events and circumstances, in particular, regarding the future sales volume. Any such estimates and assumptions may change as new information becomes available.

Revenue recognition
The group uses all information available to assess which is the most probable period for the development collaboration. This information is used to determine the periods over which revenue is recognized.

Borrowings
The fair value of the liabilities of the convertible bonds will be determined at the moment of its drawing by using a market value of a corresponding loan without a drawing right. Based on the fair value calculation, the proportion of equity has not been separated from the convertible bond and the entire capital has been presented in the long-term liabilities. The loans from Tekes have been valuated at their book value since the interest of the loans is low due to the fact that it is a question of a public funding.

2. Segment reporting

A business segment is a group of assets and operations engaged in providing products or services that are subject to risks and returns that are different from those of other business segments. A geographical segment is engaged in providing products or services within a particular economic environment that are subject to risk and returns that are different from those of segments operating in other economic environments.

Biotie operates in a single business segment, which is the discovery and development of pharmaceutical products. Geographically, its research and development activities are carried out at the company's locations within the European Union, more precisely in its two sites in Turku, Finland and Radebeul, Germany. The consolidated financial statements do not contain any segment information as no reportable business or geographical segments could be identified. Biotie's assessment is that Groups' operations comprise one segment since business areas and revenues comprise an integrated operation with similar risks and opportunities.

3. Business combination

On November 14, 2008 the group acquired total share capital of CNS and inflammation specialist elbion GmbH. The purchase consideration was 14,418 thousand euros and it was paid by issuing 46,802,967 new shares. The fair value of the shares at the date of transaction was 0.29 euros per share and it is based on the published price at the date of exchange. The purchase consideration includes the fees for lawyers and other specialists of 845 thousand euros.

	Note	Thousand euros
Fair value of shares issued	22	13 573
Direct costs related to the acquisition		845
Total purchase consideration		14 418

A goodwill is regarded to arise from the expected synergy benefits in the different areas of drug development as well as from the competent personnel and the integration of functions. Expected synergy benefits will be gained from the possibility to create new drug development projects corresponding to the needs of international pharmaceutical companies and from the possibility to utilise new knowledge and new technologies for the development of the existing business.

elbion GmhH's net loss is 255 thousand euros from November 14, 2008 to December 31, 2008 and that is included in the group's income statement for 2008. If the acquisition had occurred on January 1, 2008, group revenue would have been 7,911 thousand euros, and loss would have been 7,175 thousand euros. These amounts have been calculated using the group's accounting principles.

The assets and liabilities as of November 14, 2008, arising from the acquisition are as follows:

1 000 €	Note	Fair value	Acquiree's carrying amount
Property, plant and equipment	14	2 550	2 550
In process research and development (incl. Intangible assets)	13	9 615	3 115
Other intangible assets	13	52	52
Prepaid expenses (4AZA)	16	2 400	2 400
Accounts receivables and other receivables	19	1 112	1 112
Cash and cash equivalents	21	2 726	2 726
Total assets		**18 455**	**11 955**
Deferred tax liabilities	28	1 935	0
Provisions	23	803	803
Pension benefit obligation	25	661	661
Accounts payable and other liabilities	31	1 017	1 017
Total liabilities		**4 416**	**2 481**
Net assets		**14 039**	**9 474**
Purchase consideration		14 418	
Goodwill	13	**379**	
Cash flow on acquisition			
Cash and cash equivalents in subsidiary acquired		2 726	
Direct costs relating to the acquisition		845	

Above described acquired property, plant and equipment assets' fair value is not considered to differ materially from the book value and is therefore used as a approximation of the fair value.

Intangible assets acquired in connection with the business combination are recognised at fair value separately from goodwill at the date of exchange, in case the fair value can be reliably measured. The group has acquired in process research and development projects and licenses. Acquired in process research and development projects' and licenses' fair value is measured based on lenght arms principle and discounted cash flow calculation.

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4. Revenue

	2008	2007
H Lundbeck license agreement	1 785	5 423
F. Hoffman La Roche option agreement	2 425	1 651
Wyeth research collaboration	447	0
Wyeth license agreement	237	0
Somaxon license agreement	78	554
Seikagaku license agreement	122	235
Marketing and distribution agreements	33	32
Total	5 127	7 895

The revenue for the financial year 2008 consisted of income from an ongoing research collaboration with Wyeth, periodization of the signing fees of the licensing agreements signed with Seikagaku Corporation in 2003 and with Somaxon Pharmaceuticals in 2004, periodization of the option fee of the option agreement signed with Roche in 2006, periodization of the signing fee received from Wyeth in 2006 as well as periodization of the execution fee of the licensing agreement signed with Lundbeck that entered into force in May 2007. In addition periodization of upfront payment of marketing and distribution agreements was booked as revenue.

The revenue for the financial year 2007 consisted of periodization of the execution fee of the licensing agreement signed with Lundbeck, of the option fee of the option agreement signed with Roche as well as periodization of the licensing agreements signed with Seikagaku Corporation and with Somaxon Pharmaceuticals. In addition periodization of upfront payment of marketing and distribution agreements was booked as revenue.

5. Research and development expenses

	2008	2007
Outsourced services	4 446	5 774
Internal research and development expenses	1 901	1 198
Personnel costs	2 152	1 963
Depreciation	231	118
Total	8 730	9 053

6. Personnel costs

	2008	2007
Wages and salaries	2 257	1 575
Other obligatory personnel expenses	79	75
Other voluntary personnel expenses	53	107
Pension expenses - contribution-based pension plans	273	246
Pension expenses - benefit-based pension plans	–74	0
Options granted	193	437
Total	2 781	2 440
Personnel costs by operation		
Research and development personnel costs	2 152	1 963
Administration personnel costs	629	477
Total	2 781	2 440

The average number of personnel in 2008 was 42 (2007:36).

The stock options are reviewed in more detail in note 22 and management benefits in note 35.

7. Auditors' fees

	2008	2007
Statutory audit	83	36
Costs related to acquisition of elbion	283	0
Tax services	4	0
Other services	3	8
Total	373	44

8. Depreciation

	2008	2007
Depreciation by asset		
Intangible assets	59	38
Buildings	20	0
Machinery and equipment	168	80
Total	247	118
Depreciation by operation		
Research and development	219	118
Administration	28	0
Total	247	118

9. Other operating income

	2008	2007
Grants from SAB	267	0
Research and development subsidies from The National Technology Agency (Tekes)	0	805
Rent	164	158
Other	71	75
Research and development subsidies of EU	0	6
Total	502	1 044

Rent from subleased premises, (cf. Accounting principles, P. Provisions, Note 23).

10. Financial income and expenses

	2008	2007
Financial income		
Interest income from overnight and fixed term deposits	784	0
Realized gains from assets recorded at fair value in profit and loss account	599	139
Unrealized gains from assets recorded at fair value in profit and loss account	0	644
Other financial income	48	77
Total	1 432	860
Financial expenses		
Interest on Tekes loans	–781	–622
Loss from sale of money market funds	–24	0
Interest on finance leases	–19	–2
Interest on convertible capital loan agreement	–168	–193
Unrealized gains from assets recorded at fair value in profit and loss account	–872	0
Total	–1 864	–817

11. Taxes

	2008	2007
Deferred tax	76	0
Total	76	0
Loss before tax	–5 553	–1 726
Tax calculated at domestic tax rates applicable to profits/losses in the respective countries	1 454	449
Tax effects of:		
Expenses not deductible for tax purposes	–1	0
Tax losses for which no tax asset was recognised	–1 377	–449
Tax charge	76	0

12. 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.

	2008	2007
Net profit attributable to shareholders (1 000 €)	–5 477	–1 726
Weighted average number of shares (thousands)	96 735	90 003
Earnings per share (basic) (€ per share)	–0,06	–0,02
Earnings per share (diluted) (€ per share)	–0,06	–0,02

Share options have a dilution effect only when the fair value of the share is higher than the subscription price of the option. Dilutive effect is the number of shares that is issued without a consideration as the proceeds from the use of share options do not allow the Group to issue an equal number of shares at fair value.
The Group has two kinds of diluted instruments augmenting the number of common shares: stock options and convertible capital loan agreements. At the end of 2008 the stock options did not have dilutive effect due to the fact that average market price of ordinary shares was below the exercise price of the options.

Instruments with a possible dilution effect to earnings per share:

Adjustments:	2008	2007
- convertible capital loan agreements (thousands)	828	828
- stock options (thousands)	4 769	4 769
Total	5 597	5 597

NOTES

13. Intangible assets & Goodwill

	In process R&D projects	Purchased licenses & options	Patents & similar rights	Production licenses	Software	Goodwill	Intangible rights total
Financial year ending on 31.12.2007							
Book value on 1.1			29	758	12		801
Depreciation			–8	–38	–6		–54
Book value on 31.12.	0	0	21	720	6	0	747
31.12.2007							
Acquisition cost			4 058	762	150		4 970
Accumulated depreciation			–4 037	–42	–144		–4 223
Book value	0	0	21	720	6	0	747
Financial year ending on 31.12.2008							
Book value on 1.1			21	720	6		747
Acquisition of subsidiary	8 535	1 058	74		10	379	10 056
Depreciation	0	–11	–15	–38	–8	0	–72
Book value on 31.12.	8 535	1 047	80	682	8	379	10 731
31.12.2008							
Acquisition cost	8 535	1 058	4 132	762	160	379	15 026
Accumulated depreciation	0	–11	–4 052	–80	–152	0	–4 295
Book value	8 535	1 047	80	682	8	379	10 731

Acquired In-process research and development consists of one ongoing development projects (Buprenorphine depot) acquired from elbion Products NV on November 11, 2008 and two ongoing projects (PDE 10 and elb 353) recognized in Group's balance sheet. The acquired project is intangible asset which is not yet available for use and therefore not yet subject to regular amortization, but tested for impairment annually. The fair value at balance sheet date can be assumed to be unchanged since acquisition, since no major changes in the development and commercialization plan were made. Therefore, no impairment losses have been recognized. The impairment test will take place annually.

14. Property, plant and equipment

	Machinery and equipment	Buildings
Financial year ending on 31.12.2007		
Book value on 1.1	109	
Additions	288	
Depreciation	–64	
Book value on 31.12.	332	
31.12.2007		
Acquisition cost	2 525	
Accumulated depreciation	–2 192	
Book value	332	
Financial year ending on 31.12.2008		
Book value on 1.1	332	
Additions	116	
Disposals	–1	
Acquisition of subsidiary	792	1 747
Depreciation	–174	–21
Book value on 31.12.	1 066	1 726
31.12.2008		
Acquisition cost	3 432	1 747
Accumulated depreciation	–2 366	–21
Book value	1 066	1 726

Additions of the year 2008 include EUR 82 thousand (2007: EUR 264 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:

	2008	2007
Acquisition cost – capitalized on the basis of finance lease	1 453	1 371
Accumulated depreciation	–1 178	–1 076
Book value	275	295

Finance lease agreements are made for 2 to 3 years. Monthly lease payment is a fixed sum.
The finance leases include options for redemption, which corresponds approximately one months lease payment.

15. Investments in associated companies and subsidiaries

Subsidiaries:	Country	Share of ownership %
Biotie Therapies GmbH	Germany	100,0 %
Biotie Therapies International Ltd	Finland	100,0 %
Associated companies:		
Contral America Inc., with no activities	USA	25,0 %

16. Prepaid expenses

	2008	2007
Option for the acquisition of 4AZA IP NV	2 400	

Biotie GmbH has a call option over the shares of 4AZA IP NV. Biotie GmbH has the opportunity to acquire the shares of 4 AZA IP NV by 31 March 2009.

17. Available for sale investment

Available for sale investment is comprised of restricted investments of 131 KEUR on December 31, 2008.

At 1 January	1.1.2008	1.1.2007
Additions	2	
Acquisition	129	
At 31 December	131	

Fair values of available for sale financial assets are based on market prices at the balance sheet date.

18. Investments held to maturity

Investments held to maturity consist of fixed-period deposits in solid financial institutions with A ratings.
The maturities of the deposits are less than one year.

	2008	2007
Fixed-period deposits	18 500	0

Fair values of the deposits correspond to their carrying values, as the effect of discounting is not considered material due to short maturity.

19. Accounts receivables and other receivables

	2008	2007
Accounts receivable	32	9
Receivables from Wyeth research collaboration	447	0
VAT receivables	230	106
Income tax receivable	38	0
Other grant receivable	153	0
Other receivables	83	80
Prepaid expenses and accrued income	529	558
Total	1 512	753

Other receivables include a collateral of EUR 83 thousand for lease limit.

Fair values of current accounts receivables and other receivables correspond to their carrying values, as the effect of discounting is not considered material due to short maturity.

NOTES

20. Financial assets at fair value through profit or loss

	2008	2007
Money market funds		
Long term	0	14 938
Short term	0	13 000
Total	0	27 938

Financial assets at fair value through profit and loss, consisting mainly of investments to money market funds are measured at their fair value.

Fair values of financial assets at fair value through profit and loss are based on quoted bid prices at the balance sheet date.

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.

The Group invested its liquid assets into bank deposits during the second quarter 2008. Deposits are reported in the group investment held to maturity and in cash and cash equivalents if the maturity is less than three months.

21. Cash and cash equivalents

	2008	2007
Bank accounts	3 238	305
Short term fixed deposits	3 500	0
Total	6 738	305

The carrying amounts are the best approximation of their maximum credit risk. There are no significant credit risk concentrations.

22. Equity and stock options

EQUITY

In November 2008, Biotie Therapies Corp. issued 46,802,967 new shares to elbion NV for the contribution in kind of all outstanding share of its subsidiary elbion GmbH. Furthermore certain shareholders of elbion NV subscribed to 7,305,733 newly issued shares at a price of EUR 0.4517 per share.

Biotie Therapies has one share series. Under Biotie Therapies' Articles of Association the company's share does not have a par value. The share capital of the company may be increased or reduced without amending the Articles of Association.

Reserve for invested unrestricted equity is credited with other equity inputs as well as that part of the subscription price of the shares that according to the explicit decision is not to be credited to the share capital.

Until year 2005 the share premium fund was credited with share subscription price of the shares to the extent that was not credited to the share capital.

The parent company of the Group possesses 819,000 own shares at EUR 0.26 per share, the market value of the shares was EUR 213 thousand. 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. Relating to the company's option programs, the company has signed a stock lending agreement with EVLI Bank. Pursuant to this program, the number of the company's own shares in its possession may be temporarily less than 819,000.

Changes in shareholders' equity during the period are shown in the statement of changes in shareholders' equity and relate mainly to share issue and the acquisition of the german subsidiary.

STOCK OPTION RIGHTS

Biotie had two option plans in operation during the period. The plans were approved by Biotie annual general shareholders' meetings in 2004 and 2006 as part of the Company's incentive scheme. The stock options have a term up to 6 years from the grant date. The options are forfeited if the employee leaves the Group before the options vest. After expiration of a 2 to 3 year waiting period, the options may be freely transferred or exercised. In 2008 no options were exercised by subscribing Biotie shares. The total number of Biotie stock options outstanding 31 December 2008 was 4,768,800, of which the Company held 890,540. Dilution effect of the new shares potentially subscribed with all outstanding stock options the after share capital increase amounted to 3.2%, at maximum. Dilution effect of those options not in possession of the Company on 31 December 2008 amounted to a maximum of 2.62%.

Biotie has applied IFRS 2 to all grants after 7 November 2002 and that were unvested as of January 2005. The fair value of the options is determined at the grant date by using Black & Scholes valuation method and expensed over the vesting period. Key characteristics and terms of Biotie option schemes are listed in the table below.

Options	Option Plan 2004			Option Plan 2006				Weighted average exercise
2008	2004A	2004B	2004C	2006A	2006B	2006C	Total	price
31.12.2008								
The General Meeting of Shareholders date	29.4.2003	29.4.2003	29.4.2003	30.3.2006	30.3.2006	30.3.2006		
Grant date	14.1.2004	14.1.2004	14.1.2004	30.3.2006 21.9.2007	30.3.2006 21.9.2007	30.3.2006 21.9.2007		
Maximum number of stock options	8 00 000	600 000	600 000	1 000 000	1 000 000	1 000 000	5 000 000	
The number of shares subscribed by one option	1	1	1	1	1	1		
Initial exercise price, € *	0.90 €	0.98 €	1.07 €	0.60 €	0.66 €	0.71 €		
Premium	10 %	20 %	30 %	10 %	20 %	30 %		
Dividend adjustment	Yes	Yes	Yes	Yes	Yes	Yes		
Exercise price Dec. 31, 2008, €	0.90 €	0.98 €	1.07 €	0.60 €	0.66 €	0.71 €		
Beginning of exercise period, date (vesting)	1.1.2005	1.1.2006	1.1.2007	1.1.2007	1.1.2008	1.1.2009		
End of excercise period, date (expiration)	31.12.2009	31.12.2009	31.12.2009	31.12.2011	31.12.2011	31.12.2011		
Maximum life as of grant date	6.0	6.0	6.0	5.8	5.8	5.8		
Remaining contractual life Dec. 31, 2008, years	1.0	1.0	1.0	3.0	3.0	3.0		
Number of persons Dec. 31, 2008	no longer binding	no longer binding	no longer binding	no longer binding	no longer binding	9		
Vesting conditions	Service until beginning of the exercise period			Service until beginning of the exercise period				

* Subscription price for option rights 2004 is the weighted average price of Biotie Therapies share in 2003 added with a premium.
Subscription price for option rights 2006 is the weighted average price of Biotie Therapies share from January 1st 2006 to March 31st 2006 added with a premium.

	Option Plan 2004			Option Plan 2006				
Transactions during the period 2008	2004A	2004B	2004C	2006A	2006B	2006C		
Number of options at Jan. 1, 2008								
Granted	643 000	470 000	336 000	1 000 000	857 230	857 230	4 163 460	0.76 €
Returned	0	1 000	0	0	151 100	151 100	303 200	0.69 €
Invalidated	0	0	0	0	0	0	0	–
Exercised	0	0	0	231 200	0	0	231 200	0.60 €
Outstanding	643 000	469 000	336 000	768 800	857 230	857 230	3 931 260	0.77 €
Non-distributed	157 000	131 000	264 000	0	142 770	142 770	837 540	0.89 €
Exercisable	800 000	600 000	600 000	768 800	1 000 000	1 000 000	4 768 800	0.79 €
Changes during the period								
Granted	0	0	0	0	0	0	0	–
Returned	0	0	0	0	0	53 000	53 000	0.71 €
Invalidated	0	0	0	0	0	0	0	–
Exercised	0	0	0	0	0	0	0	–
Weighted average price of share during the exercise period, €	0.51 €	0.51 €	0.51 €	0.51 €	0.51 €	–	–	–
Expired	0	0	0	0	0	0	0	–
Number of options at Dec. 31, 2008								
Granted	643 000	470 000	336 000	1 000 000	857 230	804 230	4 110 460	0.76 €
Returned	0	1 000	0	0	151 100	204 100	356 200	0.69 €
Invalidated	0	0	0	0	0	0	0	–
Expired	0	0	0	0	0	0	0	–
Exercised	0	0	0	231 200	0	0	231 200	0.60 €
Outstanding	643 000	469 000	336 000	768 800	857 230	804 230	3 878 260	0.77 €
Non-distributed	157 000	131 000	264 000	0	142 770	195 770	890 540	0.88 €
Exercisable	800 000	600 000	600 000	768 800	1 000 000	1 000 000	4 768 800	0.79 €

NOTES

	Option Plan 2004			Option Plan 2006				Weighted average exercise
Transactions during the period 2007	2004A	2004B	2004C	2006A	2006B	2006C	Total	price
Number of options at Jan. 1, 2007								
Granted	643 000	470 000	336 000	675 200	675 200	675 200	3 474 600	0.79 €
Returned	0	1 000	0	0	0	0	1 000	0.98 €
Invalidated	0	0	0	0	0	0	0	–
Exercised	0	0	0	0	0	0	0	–
Outstanding	643 000	469 000	336 000	675 200	675 200	675 200	3 473 600	0.79 €
Non-distributed	157 000	131 000	264 000	324 800	324 800	324 800	1 526 400	0.78 €
Exercisable	800 000	600 000	600 000	1 000 000	1 000 000	1 000 000	5 000 000	0.78 €
Changes during the period								
Granted	0	0	0	324 800	333 130	333 130	991 060	0.66 €
Returned	0	0	0	0	151 100	151 100	302 200	0.69 €
Invalidated	0	0	0	0	0	0	0	–
Exercised	0	0	0	231 200	0	0	231 200	0.60 €
Share price at the exercise period, €	–	–	–	1.01 €	–	–	–	–
Weighted average price of share during the exercise period, €	0.98 €	0.98 €	0.98 €	0.98 €	–	–	–	–
Expired	0	0	0	0	0	0	0	–
Number of options at Dec. 31, 2007								
Granted	643 000	470 000	336 000	1 000 000	857 230	857 230	4 163 460	0.76 €
Returned	0	1 000	0	0	151 100	151 100	303 200	0.69 €
Invalidated	0	0	0	0	0	0	0	–
Expired	0	0	0	0	0	0	0	–
Exercised	0	0	0	231 200	0	0	231 200	0.60 €
Outstanding	643 000	469 000	336 000	768 800	857 230	857 230	3 931 260	0.77 €
Non-distributed	157 000	131 000	264 000	0	142 770	142 770	837 540	0.89 €
Exercisable	800 000	600 000	600 000	768 800	1 000 000	1 000 000	4 768 800	0.79 €

The Extraordinary General Meeting on November 14, 2008 authorised the Board of Directors to resolve on one or more share issues which contains the rights to issue new shares or dispose of the shares in the possession of the company and to issue options or other specific rights to the shares pursuant to chapter 10 of the Companies Act. The authorization consists of up to 7,000,000 shares in the aggregate. The authorization shall be effective until 1 April 2010.

The extraordinary General Meeting resolved to revoke the option program approved by the Annual General Meeting of Shareholders on 28 March 2008 and based on which program no option rights had been allocated.

Determination of fair value

No stock options were granted during the period. The options granted prior to 2008 were valued to their fair value determined at grant date and recognised to personnel expenses during the vesting period. Stock options 2006C were still unvested during the period and their effect on the Company's earnings was EUR 193,036. The fair value of stock options have been determined by using Black–Scholes valuation model. The most significant inputs used to estimate the fair value of the stock options expensed during the period are presented on the table below.

	Granted 2007
Option plan	2006C
Share price at grant date	1.00 €
Subscription price	0.71 €
Volatility *	45.00 %
Maturity, years	4.28
Interest rate	4.26 %
Expected dividends	0
Valuation model	BS
Option fair value, €	0.53 €
Effect on earnings 2008, €	193 036

* Expected volatility was determined by calculating the historical volatility of the Group's share using monthly observations over corresponding maturity

STOCK APPRECIATION RIGHTS (SAR)

Based on the program from June 2003, SAR were issued to the Group's german subsidiary employees in three tranches from 2003 to 2005. The terms and conditions can be summarized as follows:

- The rights have a maturity of 5 years.
- The rights are settled in cash only in case of exercise.
- The rights are forfeited if an employee terminates his or her contract of employment.
- The rights can and will be exercised solely and automatically in the event of an IPO or a trade sale of the company for a minimum company value of EUR 20 million.
- The exercise price is zero, i.e. the amount payable in cash to the employee per option in the event that it is exercised corresponds to the value per share at the time of exercise.
- The exercise revenues per employee are capped as a function of their salary.

Number of SAR:

	2008
SAR outstanding on January 1st	5,845
SAR forfeited during the period	1,370
SAR outstanding on December 31st	4,475
Weighted average of remaining contractual life on December 31st (Years)	1,5

Since triggering events did not occur, no SAR has been exercised.

Pursuant to IFRS 2, the fair value of such a SAR, spread over the service period, is to be carried as a personnel expense for which an appropriate accrual must be recorded. The fair value of the SAR must be re-measured at every balance sheet date. As of December 31, 2006, the company concluded that a triggering event at the level of the company would not be likely. Due to this assessment, Biotie GmbH derecognized the accrued liability in connection with the remaining SARs as of December 31, 2006. The recent merger on November 14, 2008 with Biotie Corp. did also not incur a triggering event given the company value during the trade sale was below EUR 20 million.

23. Provisions

	Unprofitable leases	Restructuring	Additional social benefits	Other	Total
January 1, 2008	34				34
Used during the fiscal year	20				20
Acquisition of subsidiary		55	128	566	748
December 31, 2008	14	55	128	566	762

Division of total provisions:	2008	2007
Long term	121	13
Short term	641	20
Total	762	34

The provision for additional social benefits relates to agreements with the works council of Biotie GmbH. The present value of additional social benefit obligations is calculated assuming an interest rate of 6.00% for 2008.

In other Provisions, the maximum repayment obligation of KEUR 566 arising from the capital investment subsidies is recognized as current provision, since the company might potentially be in violation of the granting conditions after reduction of its workforce.

Unprofitable leases relating to subleased premises in Pharmacity. Lease of 758 m^2 (1 410 m^2 until 30.6.2006) premises until Nov. 30, 2011 that are subleased until Aug. 31, 2009. The rent for these premises amounts to EUR 155 thousand in 2008 (EUR 145 thousand in 2007). The minimum rent for the subleases concluded amounts to EUR 130 thousand in 2008 (EUR 125 thousand in 2007). The Group has a provision of EUR 14 thousand for these subleases.

24. Non-current financial liabilities

	2008	2007
Non-convertible capital loans from Tekes	19 663	19 127
Long-term R&D loans from Tekes	3 439	2 641
Convertible capital loan agreements	1 682	1 682
Lease liabilities	146	153
Total	24 930	23 603

The loans include a total of EUR 146 thousand (2007: EUR 153 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 Funding Agency for Technology and Innovation (Tekes) has granted capital loans of EUR 19,663 thousand. The total amount has been paid to the company by the end of the financial year. 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 2008.

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Convertible capital loan agreements

The company has convertible capital loans of EUR 1,682 thousand. The subscription period that permits subscription of a total of 828,000 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.

Two convertible capital loans were converted into shares during 2007. The total of 450,000 new shares were subscribed. The capital loan converted in connection with subscription amounted to 841 thousand euros.

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 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 bankcruptcy or liquidation of the company 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.

R&D loans

At the end of the financial year, Biotie had EUR 3,479 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 projects R&D expenses.

Capital loans and R&D loans are due as follows:	2008	2007
Under 1 year	12 766	9 621
1–5 years	10 351	12 397
Over 5 years	1 707	1 472
Total	24 824	23 490

12,727 thousand euros of the 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 capital loans are therefore classified as long-term debt.

Lease liabilities

Finance lease debts - minimum lease payments		
Under 1 year	105	64
1–5 years	146	153
Total	251	217
Finance charges from leases to be accrued in the future	21	19

The carrying amounts of finance leases are reasonable approximations of their fair value.

25. Pension benefit obligations

Pension benefit obligations are recognized for certain employees in Biotie GmbH, who qualify in accordance to an agreement with the works council.

Calculations are based on the Heubeck Mortality Charts RT 2005G. Pension expenses are expensed directly and are assigned to research and development expenditure as well as to SG&A costs.

Liabilities in the balance sheet are determined as follows:

1 000 €	2008	2007
Present value of unfunded obligations	584	
Net liability in the balance sheet	584	

Personnel costs recognised in the income statement from defined benefit obligations is determined as follows:

1 000 €	2008	2007
Current service cost	2	
Interest on obligation	5	
Net actuarial gains/(losses) recognised	–83	
Total	–76	

Changes in the present value of the defined pension obligation are as follows:

1 000 €	2008	2007
Opening defined pension obligation	661	
Service cost	2	
Interest cost	5	
Actuarial losses/(gains)	–83	
Benefits paid	–1	
Closing defined pension obligation	584	

The principal actuarial assumptions used 31.12. were as follows:

	2008	2007
Discount rate	6.0 %	
Future salary increases	1.1 %	
Future pension increases	2.0 %	
Rate of fluctuation of employees	2.0 %	

For the year 2009 pension expenses of KEUR 39 are expected, there of KEUR 5 for service costs.

26. Other non-current liabilities

	2008	2007
Interest debts	5 828	4 930
Obligations from early retirement agreements	48	0
Payroll and related accrued expenses	5	0
Total	5 881	4 930

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 carrying values of other non-current liabilities are reasonable approximation of their fair values.

27. Non-current deferred revenues

	2008	2007
Deferred revenues from upfront payments of license agreements	2 966	5 168

The signing fees on licensing agreements are recorded as revenue during the entire duration of the contract.
The duration is revaluated annually.

NOTES

28. Deferred taxes

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 assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis. The offset amounts are as follows:

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) during the period is as follows:

Deferred tax assets 2008	1.1.	Charged/credited to the income statement	Charged directly to equity	Acquisition of subsidiaries	31.12.
Revenue recognition	247	–312		72	7
Pension benefit obligations		–31		61	30
Grant receivables		–2		40	39
Finance lease	56	9			65
Tax loss carry-forwards		150			150
Total	**304**	**–186**	**0**	**174**	**291**

Deferred tax liabilities 2008	1.1.	Charged/credited to the income statement	Charged directly to equity	Acquisition of subsidiaries	31.12.
Intangible assets		0	0	1 950	1 950
Fair valuation of financial assets	227	–227			0
Valuation of patents		–1		6	5
Finance lease	77	–5			72
Other accruals		–29		153	123
Total	**304**	**–262**	**0**	**2 109**	**2 150**

Deferred tax assets 2007	1.1.	Charged/credited to the income statement	Charged directly to equity	Acquisition of subsidiaries	31.12.
Periodization of license agreement signing fee	70	177			247
Finance lease	10	46			56
Total	**80**	**224**	**0**	**0**	**304**

Deferred tax liabilities 2007	1.1.	Charged/credited to the income statement	Charged directly to equity	Acquisition of subsidiaries	31.12.
Fair valuation of financial assets	59	168			227
Finance lease	21	56			77
Total	**80**	**224**	**0**	**0**	**304**

Deferred income tax assets are recognised to the extent that the realisation of the related tax benefit through future taxable profits is probable. The group did not recognise deferred income tax assets of EUR 23,476 thousand (2007: EUR 24,662 thousand) in respect of losses amounting to EUR 90,292 thousand (2007: EUR 94,852 thousand) that can be carried forward against future taxable income. Losses expire in 2009–2016. The Group did not recognise deferred tax asset of EUR 2,521 thousand in respect of costs deducted in bookkeeping but not in taxation amount to EUR 9,697 thousand.

29. Current financial liabilities

	2008	2007
Tekes, R&D loans	40	40
Lease liabilities	104	64
Total	144	104

Fair values of current financial liabilities correspond to their carrying values, as the effect of discounting is not considered material due to short maturity.

30. Current deferred revenues

	2008	2007
Deferred revenues from upfront payments of license agreements	3 501	5 741

31. Accounts payable and other current liabilities

	2008	2007
Accounts payable	790	273
Debts related to payroll, social security costs and to other tax-like charges	376	63
Accrued expenses and prepaid income	901	1 276
Total	2 067	1 612

Fair values of accounts payables and other current liabilities correspond to their carrying values, as the effect of discounting is not considered material due to short maturity.

32. Adjustment of cash flow from operating activities

	2008	2007
Net income (loss)	–5 477	–1 726
Adjustments:		
Non-cash transactions		
Deferred revenue	–4 680	–3 895
Depreciation	165	118
Options granted	193	437
Other adjustments	20	–112
Addition/disposal (–) due to revaluation of financial assets at fair value through profit or loss	0	–644
Interest expenses and other financial expenses	1 863	817
Interest income	–1 431	–216
Taxes	–76	0
Changes to working capital:		
Change in accounts receivable and other receivables	446	–190
Change in accounts payable and other liabilities	–277	96
Change in mandatory provisions	–152	10
Interest paid	–29	–40
Interest received	66	57
Income taxes paid	0	0
Net cash flow from operating activities	–9 370	–5 288

33. Financial risk management

(1). Principles and processes of financial risk management

The operations of the Company and its subsidiaries expose them 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.
Biotie's risk management program focuses on the unpredictability of the financial market and aims at minimizing any undesired impacts on the Group's financial result. The Board of Directors defines the general risk management principles and provides operational guidelines concerning specific areas including but not limited to foreign exchange risk, interest rate risk, credit risk, use of derivatives and investment of the Group's liquid assets.

(2). Market risk

(i) Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risks between several currencies and the Euro, in which the Group reports its financial statements. Exposure to the US dollar is the most important, but there is also certain exposure to the Pound Sterling and to the Swiss Frank. Management follows considerable foreign currency positions regularly. Significant net positions in foreign currency may be hedged by foreign exchange forward contracts if needed. Hedged positions are approved by the Board.

The table below shows the accounts payables of the Group by currency as of 31.12.2008 (31.12.2007).

Currency (1 000 €)	31.12.2008	1.1.2007
EUR	770	238
USD	17	6
GBP	3	29
Accounts payable total	790	273

The table below shows the accounts receivables of the Group by currency as of 31.12.2008 (31.12.2007).

Currency (1 000 €)	31.12.2008	1.1.2007
EUR	32	9
USD	447	0
Accounts receivable total	479	9

NOTES

(ii) Interest rate risk

The Group´s income and operating cash flows are substantially independent of changes in market interest rates. Biotie´s loans from 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. Management follows the interest rate positions regularly and uses interest rate derivates if necessary. Considerable interest rate fluctuations affecting the Company or its subsidiaries are reported to the Board.

It must be taken into account that interest may be returned only if the amount can be used in profit distribution as defined in the most recent adopted group balance sheet (FAS) of the Company. See note 24.

(iii) Sensitivity analysis

Due to the nature of its operations the Group is exposed to risks delineated above. The following sensitivity analysis table describes the impact that exchange rate and interest rate changes have to Group´s income statement. Changes do not impact the equity. The financial instruments that are sensitive to these risks are: cash and cash equivalents, accounts receivable, financial liabilities as well as accounts payable.

The following assumptions were made when calculating the sensitivity to changes in EUR/USD and EUR/GBP exchange rate:
- the variation EUR/USD and EUR/GBP is assumed to be +/–10%
- the position includes cash and cash equivalents and receivables in USD as well as liabilities i.e. in practice accounts receivable, accounts payable and currency bank accounts

The following assumptions were applied when calculating the sensitivity to changes in interest rate:
- the variation of interest rate is assumed to be 1%
- position includes financial liabilities with floating interest rate

Sensitivity to market risks arising from financial instruments	2008	2007
10%:n change in EUR/USD exchange rate	+204/–167	0
10%:n change in EUR/GBP exchange rate	0	+/–4
+1% change in base rate	–175	–191
–1% change in base rate	152	24

It must be taken into account that interest may be returned only if the amount can be used in profit distribution as defined in the most recent adopted group balance sheet (FAS) of the Company. See note 24.

(3). Capital risk management and liquidity risks

Significant financial resources are required to advance the drug development programs into commercialised pharmaceutical products. The Group relies on its ability to fund the operations of the Group through three major sources of financing. Entering into commercialisation, collaboration and licensing agreements with larger pharmaceutical companies entitles the Company and its subsidiaries to receive up-front, milestone dependent and royalty payments from these partners. Activities in the area of business development are targeted at securing such agreements. These activities are integral part of the duties of the Management and are monitored by the Board of Directors, which ultimately decides on entering into such agreements.

In addition, the Group relies on different sources of research and development grants and loans. These funds, which are provided through regional, national or EU level institutions with the aim of fostering economic and technological progress in the region in which the Group operates, have been historically available to the Group at substantial levels. Biotie and its subsidiaries strictly comply with all rules and legal obligations pertaining to these funding programs and is in regular contact with the funding agencies providing these. Availability of such funds in the mid- to long term future cannot be guaranteed and thus this poses a potential risk to the income situation of the Group in the future.

In addition to the sources of funding described above, funding of the Groups's operations are largely based on equity financing of its parent company Biotie. Although historically, equity financing from the capital markets and by institutional investors has been available to the Company, the current financial market situation and the repercussions to the overall investor's sentiment poses a severe risk of not being able to secure additional financing in the future. To manage this risk and to identify possibilities of securing additional equity financing, Biotie's management is in constant dialogue with financial investors, investment banks and other market participants.

There can be no assurance that sufficient financing can be secured in order to permit the Company to carry out its planned activities. To protect the continuity of the Groups's operations, sufficient liquidity and capital has to be maintained for the Company and its subsidiaries. The Group aims to have cash funds to finance at least one year's operations at all times. The Group can influence the amount of capital by adapting its cost basis according to the financing available. Management monitors the capital and liquidity on the basis of the amount of equity and cash funds. These are reported to the Board on a monthly basis.

Biotie's Board of Directors approves the operational plans and budget. The Board follows up the implementation of these plans, and the financial status of the Group on a monthly basis.

The Group had low risk securities, fixed period deposits and bank accounts as follows:

	2008	2007
Low risk securities	0	27 938
Fixed period deposits	22 000	0
Bank deposits	3 238	305
Total	25 238	28 243

As of December 31, 2008 the contractual maturity of loans and interests was as follows:

	2009	2010	2011	2012-	Total
Capital loans					
- repayment of loans	–12 727	–3 839	–3 513	–1 266	–21 345
- interest expenses	–5 996	–191	–51	–25	–6 263
R&D loans					
- repayment of loans	–40	–40	–530	–2 869	–3 479
- interest expenses	–69	–68	–58	–120	–315
Financial leasing					
- repayment of loans	–105	–110	–36		–251
- interest expenses	–14	–7	–1		–22

As of December 31, 2007 the contractual maturity of loans and interests was as follows:

	2008	2009	2010	2011-	Total
Capital loans					
- repayment of loans	–9 581	–3 145	–3 661	–4 422	–20 809
- interest expenses	–5 118	–263	–144	–71	–5 596
R&D loans					
- repayment of loans	–40	–40	–63	–2 539	–2 682
- interest expenses	–33	–33	–32	–69	–167
Financial leasing					
- repayment of loans	–63	–75	–79		–217
- interest expenses	–9	–7	–3		–19

When analyzing the cash flows it must be taken into account that interest may be returned only if the amount can be used in profit distribution as defined in the most recent adopted group balance sheet (FAS) of the Company. See note 24.

(4.) Credit risk

Trade receivables as well as deposit and securitity receivables from the banks expose the Group to credit risk.
Biotie and its subsidiaries preferentially work with partners with good credit ratings. Management monitors the sufficiency of the liquid assets and exposure to credit risk regularly.

Biotie and its subsidiaries currently derive a significant proportion of their collaborative income from a small group of partners. This risk of concentration of creditors is partly mitigated by the fact that the Group's collaboration partners are typically large and internationally reputable pharmaceutical companies which are financially solid. These collaborations are governed by contractual relationships that typically address and describe remedies for situations in which interests of Biotie and the partner are not longer in line. In addition, the Group aims to collaborate on different development programs with as many partners as possible in order to spread the risk of creditor concentration.

The Company's revenues, grants and accounts receivable are subject to credit risk as a result of customer concentrations. Furthermore, such grant revenue is recognized, based on management's reasonable assessment that the conditions of the grant are met and that the grants will be received. Revenues from research collaborations were predominately derived from one customer, Wyeth.

Analysis of trade receivables by age at closing date

	2008	2007
Undue receivables	479	9
Trade receivables 1–30 days overdue	0	0
Total	479	9

Banks used by the Group for its deposits are among Europe's most reputable financial institutions.
The group invests liquid assets in low risk securities and interest bearing bank accounts.

NOTES

34. Contingent liabilities

	2008	2007
Operating lease commitments	123	159
Due within a year	64	60
Due later	59	99
Rent commitments	532	652
Due within a year	233	223
Due later	299	429
Total	655	811

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.

Rent commitments include Pharmacity premises until 30 November 2011. These premises have been subleased until 31 August 2009.

The company has received significant subsidies for several research projects. In addition, the company has also received capital investment subsidies. All these subsidies are subject to various terms and conditions. If these conditions are subsequently not met by the company, future repayment obligations could arise. The amount and timing of potential repayments can presently not be estimated. Currently, the company has no indication that any claims by the granting authorities will be made.

According to the German employee inventor's law (Arbeitnehmererfindergesetz), employees based in Germany are eligible to receive compensation derived from future income related to intellectual property invented partly or in total by these employees. This could amount up to a maximum of 2.5% of the income generated by the respective invention.

The Finnish Act on the Right to Employees' Inventions entitles the employees in Finland to receive compensation for any of their inventions belonging under the scope of the Act.

Commitments
On December 31, 2008 Biotie had outstanding purchase obligations, primarily for contract research work services, totalling EUR 5,602 thousand.

35. Transactions with related party

i) Loans from related party	2008	2007
Loan from Dreadnought Finance Ltd. (other related party)	673	673
Interest accrued on loans	692	624
Total	1 365	1 297

The loan from Dreadnought Finance Ltd is a convertible bond. The repayment conditions are stated under section 24; 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 other long term liabilities and is included in the table above. Dreadnought Finance Ltd is controlled by one member of the board.

ii) Management Benefits	2008	2007
Salaries and other short-term employee benefits	475	391
Share-based payments (share of management in the option expenses)	181	392
Termination benefits, payment-based	106	156
Total	762	939

Biotie has a Management Team consisting of the Managing Director acting as the President of the Management Team, Chief Financial Officer, Chief Scientific Officer, Chief Medical Officer, and Chief Business Officer.

iii) Stock options given to management

Stock options were not given to management during 2008. The total number of stock options given to the company's management during 2007 was 916 thousand. At the end of the fiscal year, the number of outstanding options granted to management was 1,846,580 (at the end of the fiscal year 2007: 2,593,060).

iv) Managing Director

Compensation paid to the Managing Director is presented in the table below:

Salaries and other short-term employee benefits	160	94
Share-based payments (share of management in the option expenses)	71	162
Termination benefits, payment-based	38	99
Total	269	355

The managing director contract may be terminated by six month's notice and by Managing Director by three month's 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 month's salary.

v) Board of Directors

Compensation paid to Board of Directors is presented in the table below:

Juha Jouhki	36 000	36 000
Ann Hanham	3 000	0
Krish Krishnan	27 000	0
Bernd Kastler	3 000	0
Pauli Marttila	18 000	18 000
Riku Rautsola	36 000	36 000
Christoph Schröder	3 000	0
Piet Serrure	36 000	36 000

36. Transactions after the date of the financial statements

In February and March 2009 Biotie started clinical studies in rheumatoid arthritis and psoriasis patients, respectively, with its fully human VAP-1 monoclonal antibody.

In March 2009 Lundbeck acquired the North-American and Mexican rights for nalmefene from Somaxon Pharmaceuticals. Following this, Lundbeck has worldwide rights for nalmefene, excluding Turkey and South-Korea.

KEY FIGURES

Consolidated company	IFRS 1.1.2008 –31.12.2008	IFRS 1.1.2007 –31.12.2007	IFRS 1.1.2006 –31.12.2006	IFRS 1.1.2005 –31.12.2005	IFRS 1.1.2004 –31.12.2004
1 000 €	12 months	12 months	12 months	12 months	12 months
Business development					
Revenue	5 127	7 895	1 118	1 227	2 325
Personnel on average	42	36	37	47	47
Personnel at the end of the period	80	37	35	45	46
Research and development costs	8 730	9 053	7 970	7 149	9 545
Capital expenditure	116	287	819	9	142
Profitability					
Operating profit (loss)	–5 121	–1 769	–8 361	–7 381	–8 918
as percentage of revenue, %	–99.90	–22.40	–747.60	–601.30	–383.60
Profit (loss) before taxes	–5 553	–1 726	–8 958	–7 941	–9 343
as percentage of revenue, %	–108.30	–21.90	–800.90	–647.00	–401.90
Balance sheet					
Cash and cash equivalent	25 238	28 243	31 763	7 082	7 038
Shareholder's equity	110	–11 117	–10 807	–19 583	–17 881
Balance sheet total	42 804	30 075	33 233	8 930	10 093
Financial ratios					
Return on equity, %	–	–	–	–	–
Return on capital employed, %	–18.3	–7.2	–113.5	–426.7	–173.8
Equity ratio, %	0.3	–37.0	–46.5	–219.3	–177.2
Gearing, %	–148.5	40.8	76.1	–72.7	–69.4
Per share data					
Earning per share (EPS), €	–0.06	–0.02	–0.16	–0.17	–0.22
Shareholders' equity per share, €	0.0008	–0.12	–0.12	–0.37	–0.41
Dividend per share , €	–	–	–	–	–
Payout ratio, %	–	–	–	–	–
effecting dividend yield, %	–	–	–	–	–
P/E ratio	–	–	–	–	–
Per share data					
- Lowest share price	0.24	0.75	0.49	0.49	0.72
- Highest share price	0.94	1.22	2.39	1.06	1.50
- Average share price	0.51	0.98	1.10	0.75	1.14
- 31.12. share price	0.26	0.76	1.18	0.53	0.92
Market capitalization, Meur	37.5	68.6	105.6	27.9	40.4
Trade of shares					
Number of shares traded	15 350 613	35 093 743	32 470 230	9 003 598	17 561 900
as percentage of all shares, %	10.6	38.9	36.3	17.1	40.0
Adjusted weighted average number of shares during the period	96 734 553	90 003 192	54 995 830	48 689 328	43 864 315
Adjusted weighted number of shares at the end of the period	144 320 560	90 211 860	89 530 660	52 675 221	43 907 436
Adjusted weighted average number of shares during the period, fully diluted	97 562 553	91 697 875	57 363 494	–	–
Adjusted weighted number of shares at the end of the period, fully diluted	145 148 560	91 906 543	92 172 296	–	–

FORMULAS FOR THE CALCULATION OF THE KEY FIGURES

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)

$$\frac{\text{Profit attributable to parent company shareholders}}{\text{Adjusted average number of outstanding shares during the period}}$$

Shareholders' equity per share

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

INCOME STATEMENT

1 000 €	Note	1.1.–31.12.2008	1.1.–31.12.2007
Revenue	1	1 785	7 423
Cost of sales		0	0
Gross profit		1 785	7 423
Research and development expenses		–7 669	–8 714
General and administrative expenses		–1 621	–1 566
Other operating income	5	239	1 044
Operating profit (loss)		–7 266	–1 813
Financial income and expenses	6	996	189
Profit (loss) before extraordinary items		–6 270	–1 624
Extraordinary items +/–		0	0
Profit (loss) before appropriations and taxes		–6 270	–1 624
Taxes		0	0
Net income (loss)		–6 270	–1 624

BALANCE SHEET

1 000 €	Note	31.12.2008	31.12.2007
ASSETS			
Fixed assets and other long-term investments			
Intangible assets	7	13	27
Tangible assets	7	34	26
Investments	8	21 995	9
		22 042	62
Current assets			
Current receivables	9	636	754
Securities	10	22 000	27 067
Cash in hand and at banks		931	296
		23 567	28 116
Assets total		45 609	28 178
EQUITY AND LIABILITIES			
Shareholders' equity	11		
Share capital		44 291	19 850
Reserve for invested unrestricted equity		980	980
Retained earnings		–24 540	–22 915
Net income (loss)		–6 270	–1 624
		14 461	–3 710
Mandatory provisions	13	13	34
Liabilities			
Long-term liabilities			
Capital loans	14	21 345	20 809
Other long-term liabilities	14	5 907	6 817
		27 252	27 626
Current liabilities	16	3 883	4 228
Liabilities total		31 135	31 855
Equity and liabilities total		45 609	28 178

CASH FLOW STATEMENT

1 000 €	Note	31.12.2008	31.12.2007
Cash flow from operating activities			
Operating profit		–7 266	–1 813
Depreciation	4	35	39
Taxes		0	0
Change in mandatory provisions	13	–20	–9
Change in working capital		–1 936	–3 519
Financial income and expenses	6	996	189
Net cash from operating activities		–8 191	–5 114
Cash flow from investing activities			
Investment costs	8	–845	0
Capital expenditure	7	–30	–23
Cash flow from investing activities		–875	–23
Cash flow before financing activities		–9 066	–5 137
Cash flow from financing activities			
Share issue	11	3 300	0
Option subscription	11, 12	0	139
Change in long-term debt		1 334	834
Cash flow from financing activities		4 634	973
Increase (+) or decrease (–) in cash and cash equivalents		–4 432	–4 164
Cash and cash equivalents at the beginning of the period		27 363	31 527
Cash and cash equivalents at the end of the period		22 931	27 363

NOTES

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 financial 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 euro at the average rate quoted by the European Central Bank at the balance sheet date.

Capital loans

Capital loans are reported in long-term liabilities according to the new Companies Act.

NOTES

1 000 €	1.1.–31.12.2008	1.1.–31.12.2007
1. Revenue		
Lundbeck agreement	1 785	5 423
F-Hoffman-La Roche agreement	0	2 000
Total	1 785	7 423
2. Personnel costs		
Wages and salaries	1 789	1 574
Pension expenses	261	246
Other personnel expenses	125	182
Total	2 175	2 002
Salary to president and remuneration of board members	321	220
The average number of personnel	35	36
Personnel at the end of period	35	37
3. Auditors' fees		
Statutory audit	49	36
Costs related to acquisition of elbion	283	0
Tax services	4	0
Other services	3	8
Total	339	44
4. Depreciation		
Intangible rights	13	14
Machinery and equipment	12	12
Machinery and equipment, R&D	10	12
Total*)	35	39
*) of which related to R&D computer programs and equipment	10	12
5. Other operating income		
Research and development subsidies from The National Technology Agency (Tekes)	0	805
Research and development subsidies from EU	0	6
Rents	164	158
Other	75	75
Total	239	1 044
6. Financial income and expenses		
Interest income	1 409	216
Interest expenses	–51	–27
Share issue costs	–362	
Total	996	189

7. Intangible and tangible assets

1 000 €	Other long-term investments	Intangible assets	Intangible assets R&D	Machinery and equipment
Historical costs on 1.1.2008	1 098	3 074	25	703
Capital expenditure on 1.1.–31.12.2008	0	0	0	20
Historical costs on 31.12.2008	1 098	3 074	25	723
Accumulated depreciation	–1 098	–3 047	–25	–677
Total before financial year depreciation	0	27	0	46
Depreciation of the financial year	0	–13	0	–12
Net book value on 31.12.2008	0	13	0	34

	Machinery and equipment R&D	Merger goodwill	Total
Historical costs on 1.1.2008	364	1 431	6 695
Capital expenditure on 1.1.–31.12.2008	10	0	30
Historical costs on 31.12.2008	374	1 431	6 725
Accumulated depreciation	–364	–1 431	–6 643
Total before financial year depreciation	10	0	82
Depreciation of the financial year	–10	0	–35
Net book value on 31.12.2008	0	0	47

8. Group companies

The company acquired elbion GmbH (Biotie Therapies GmbH) from elbion NV on November 14, 2008.

1 000 €	31.12.2008	31.12.2007
Ownership		
Biotie Therapies GmbH, Radebeul Germany	100 %	
Biotie Therapies International Ltd, Turku	100 %	100 %
Book values		
Biotie Therapies GmbH, Germany	21 986	
Biotie Therapies International Oy, Turku	9	9
Ownership in partner companies		
Contral America Inc., USA	25 %	25 %

9. Current receivables

VAT receivables	202	106
Other receivables	102	90
Prepaid expenses and accrued income*)	332	558
Total	636	754
*) of which R&D subsidy	0	230

10. Securities

Book value	22 000	27 067

The company invested its liquid assets into bank deposits during the second quarter 2008.
Previously the funds were invested in money market funds.

NOTES

11. Shareholders Equity

In November 2008, Biotie Therapies Corp. issued 46,802,967 new shares to elbion NV for the contribution in kind of all outstanding share of its subsidiary elbion GmbH. Furthermore certain shareholders of elbion NV subscribed to 7,305,733 newly issued shares at a price of EUR 0.4517 per share.

Changes in Shareholders' equity

1 000 €	1.1.–31.12.2008	1.1.–31.12.2007
Share capital at the beginning of the period	19 850	19 850
Share issue	24 441	0
Share capital at the end of the period	44 291	19 850
Reserve for invested unrestricted equity at the beginning of the period	980	0
Share subscription with option rights	0	139
Share subscription with convertible capital loan	0	841
Reserve for invested unrestricted equity at the end of the period	980	980
Retained earnings at the beginning of the period	–24 540	–22 915
Retained earnings at the end of the period	–24 540	–22 915
Net income (loss)	–6 270	–1 624
Shareholders' equity	14 461	–3 710
Distributable funds at the end of the period	–29 830	–23 559

Changes in number of shares and share capital

Measure	Par value/ Accounting equivalent value (EUR)	Subscription 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
Slit 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
Slit 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
New issue, Institutional Offering		0.51	52 675 221	78 165 418	13 000 000	14 053 505	1.12.2006
New issue		0.51	78 165 418	89 530 660	5 796 273	19 849 778	27.12.2006
Pursuant to the convertible capital loan the share subscription		1.87	89 530 660	89 800 660	*)	19 849 778	2.4.2007
Subscription of shares on the basis of option rights		0.60	89 800 660	90 031 860	*)	19 849 778	30.4.2007
Pursuant to the convertible capital loan the share subscription		1.87	90 031 860	90 211 860	*)	19 849 778	11.5.2007
New issue		0.45	90 211 860	144 320 560	24 440 899,79	44 290 678	17.11.2008

1) Date refers to date of registration in the Trade Register maintained by the National Board of Patents and Registration.
*) The exercise price paid will be recorded in the reserve for invested unrestricted equity.

12. Options

1. 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	552,000
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

2. Options 2006	
Number of option rights, total	3,000,000
Subscribed	3,000,000
Shares subscribed	231,200
Option rights remaining	2,768,800
Entitlement to subscribe a total of 3,000,000 shares	
Of which the company possesses	338,540
Subscription period	A-series (1,000,000): 1.1.2007–31.12.2011 B-series (1,000,000): 1.1.2008–31.12.2011 C-series (1,000,000): 1.1.2009–31.12.2011
Subscription terms	1 share for one option right A-series: 1 share for EUR 0.60 B-series: 1 share for EUR 0.66 C-series: 1 share for EUR 0.71

13. Mandatory provisions	**1.1.–31.12.2008**	**1.1.–31.12.2007**
Rent for unutilized premises	13	34
Total	13	34

14. Long-term liabilities		
Non-convertible capital loans	19 663	19 127
Convertible capital loans	1 682	1 682
R&D loans from Tekes	3 439	2 641
Interest on capital loans	176	176
Long term advance payments received	2 292	4 000
Total	27 252	27 626

Non-convertible capital loans

The National Technology Agency (TEKES) has granted capital loans of EUR 19,663 thousand. The total amount has been withdrawn by the company at the end of the year 2008.

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 has convertible bonds of EUR 1,682 thousand. The subscription period that permits subscription of a total of 828,000 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. Accumulated interest of convertible bonds, EUR 2,393 thousand, is not recorded in the financial statements.

Non-convertible and convertible capital loans

The repayment of capital loan and its interest is controlled by a restrictive condition, according to which the capital may be returned only if the restricted equity of the group (FAS) for the financial period last ended is fully covered thereafter. 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. The interest shall always be paid before the capital.

	31.12.2008	**31.12.2007**
Accumulated interest on capital loans	5 652	4 753
Recorded as expenses	176	176
Total	5 828	4 929

NOTES

15. Instalment on capital loans and long-term liabilities

	Capital loans	R&D loans	Total
Due next fiscal year	12 727	40	12 767
Due next 1–5 years	8 618	1 732	10 350
Due after 5 years	0	1 707	1 707
Total	21 345	3 479	24 824

1 000 €	1.1.–31.12.2008	1.1.–31.12.2007
16. Current liabilities		
Advances received	2 586	2 588
Accounts payable	365	273
Other debts	161	102
Accrued expenses and prepaid income*)	771	1 266
Total	3 883	4 228
*) of which accrued vacation pay	266	203
17. Contingent liabilities		
Due next year	401	355
Due later on	492	714
Total	893	1 069

Contingent liabilities include leasing as well as rent commitments.

Other Commitments
On December 31, 2008 the company had purchase obligations, primarily for contract research work services, totalling EUR 5,563 thousand. The company is committed to lend up to EUR 2 million to its subsidiary Biotie GmbH under the terms and conditions of inter-company loan agreement.

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 0.26 per share, the market value of the shares was EUR 212,940 at the end of the financial period.
The company has received the shares in the merger with Contral Clinics. The shares possessed by the parent company represent approximately 0.6% of all the shares. The General Meeting granted the Board of Directors authorisation to dispose of company shares. The authorisation was not exercised in the review period. The shares are not recorded in the balance sheet.

SHARES AND SHAREHOLDERS

- The shares of Biotie Therapies Corp. are listed on the NASDAQ OMX Helsinki Ltd. stock exchange in the healthcare sector and the small cap market segment.
- In November 2008, Biotie Therapies Corp. issued 46,802,967 new shares to elbion NV for the contribution in kind of all outstanding share of its subsidiary elbion GmbH.
- Certain shareholders of elbion NV subscribed to 7,305,733 newly issued shares at a price of EUR 0.4517 per share.
- The market capitalization of Biotie on December 31, 2008 amounted to EUR 37.5 million.
- The closing share price on 31 December 2008 was EUR 0.26 and the trade-weighted annual average share price throughout 2008 was EUR 0.51.
- Overall trading volume in 2008 totaled EUR 7.9 million.
- The Board of Directors proposes to the Annual General Meeting not to pay out a dividend for the financial year 2008 and to carry forward the loss of the parent company for the financial year in the amount of EUR –6.3 (FAS) million into 2009.
- The Annual General Meeting of Shareholders shall be held on Friday May 29, 2009. Please find further details inside the front cover of this report.

Share capital and shares

Biotie has only one class of shares which all have equal rights. Each share entitles the holder to one vote at the general meeting of shareholders. All shares are freely transferable, although certain shares are subject to contractually agreed transfer restrictions. The shares are included in the book-entry securities system kept by the Euroclear Finland Ltd. Any changes in the book entry accounts will be done by the account operator of shareholders' book-entry accounts (e.g. their custodian bank) through Euroclear Finland Ltd automatically.

Biotie's share capital amounts to EUR 44,290,678.10. As of December 31, 2008, 144,320,560 shares were issued.

According to the Articles of Association, the shares in the company do not bear a nominal value. The share capital of the company may be increased or reduced without amending the Articles of Association.

Option programs

Biotie has issued option rights to certain of its employees pursuant to two different option programs (in 2004 and 2006 respectively; the "2004 Program" and the "2006 Program"). According to the subscription terms, one option right entitles to subscribe to one share at a price determined at the time of granting of the options. At the beginning and the end of the financial year 2008, the number of 2004 Program option rights was 2,000,000 and the number of 2006 Program option rights was 2,768,800.

The Extraordinary General Meeting on November 14, 2008 authorised the Board of Directors to resolve on one or more share issues to issue options or other specific rights to the shares pursuant to chapter 10 of the Companies Act. The authorisation consists of up to 7,000,000 shares in the aggregate. This resolution superseeded and cancelled a previous resolution be the Annual General Meeting on March 28, 2008, by which up to 3,000,000 share options could be granted to employees of the company. As of December 31, 2008, the Board of Directors had not yet granted any of these options.

The option programs are specified in Note 22 of Consolidated Financial Statements.

Shares Subscribed for under the Option Rights

During the financial year 2007 a total of 231,200 new shares in Biotie were subscribed for by exercising a portion of the 2006 option rights of the company's option scheme. During the financial year 2008 no new shares were subscribed under the existing option programs.

On December 31, 2008, the company owned 819,000 Biotie shares. Biotie has a stock lending agreement with EVLI Bank relating to the company's option programs in place. Pursuant to this agreement, the number of Biotie shares in the company's possession may temporarily be less than 819,000.

Shares and Options held by the Board of Directors and Management and their controlled companies

Management interest	Number of shares	% of shares
CEO and Board members	6,537,886	4.53
Option programs Number of shares entitled to subscribe with options	Number of shares	% of shares
CEO and Board members	1,134,400	0.79
Other option holders	2,743,860	1.90
Held by Biotie	890,540	0.62
Total	**4,768,800**	**3.30**

Up-to-date information on the numbers of shares and options held by the Board of Directors and management of the company are available on the company's website at www.biotie.com/investors.

Shares subscribed for under convertible capital loans

Pursuant to the convertible capital loans issued previously by the company, no new shares have been subscribed for during financial year 2008.

The convertible capital loans are specified in Note 24 of the consolidated financial statements.

Changes in numbers of shares and share capital are specified in Note 11 of parent company financial statements.

Market Capitalization and Trading

At the end of the financial year 2008, the share price was EUR 0.26. The highest price for Biotie's share during the year was EUR 0.94 while the lowest was EUR 0.24. The trade weighted average share price was EUR 0.51.

Biotie´s market capitalization on December 31, 2008 was EUR 37.5 million.

During the financial year, approximately 15.3 million Biotie shares were traded, corresponding to a turnover of approximately EUR 7.9 million.

Up-to-date information on the share price is available on the company's website at www.biotie.com/investors.

Board Authorisations

On March 28, 2008, the Annual General Meeting authorized the Board of Directors to resolve on one or more share issues, pursuant to chapter 10 of the Finnish Companies Act. The authorisation consists of up to 18,000,000 shares in the aggregate and may consist of a share issue, issuance of options or other specific rights to shares of the company. A maximum of 819,000 own shares in the possession of the company may be conveyed.

The authorisation shall be used for possible material arrangements from the company's point of view, such as financing, business arrangements, investments or for other such purposes in case a weighty financial reason exists as determined by the Board of Directors. However, the authorisation cannot be used to create new share-based incentive schemes.

The Board of Directors has been authorised to decide on terms and conditions, including the payment period, subscription price and allocation of share based instruments. The Board has been authorized to issue such shares for contributions in cash as well as in kind.

The authorisation shall be effective until June 30, 2009.

The Extraordinary General Meeting on November 14, 2008 resolved to issue 46,802,967 shares to elbion NV in consideration for the contribution in kind of the entire share capital of elbion GmbH.

Furthermore, the company issued 7,305,733 shares for subscription at a price of EUR 0.4517 per share to certain investors funds managed by Burrill & Company, TVM Capital and AGF Private Equity. These share issues were made in deviation from the shareholders' pre-emptive rights referred to in chapter 9, section 3 of the Companie's Act.

Shareholders

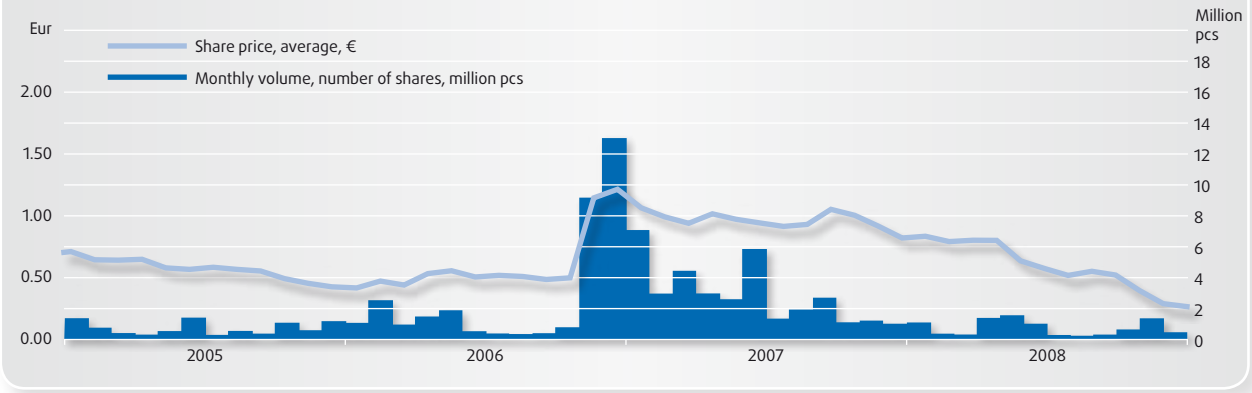
On December 31, 2008 Biotie had 6,580 shareholders. Through the issuance of new shares to elbion NV in connection with the acquisition of elbion GmbH, elbion NV became the largest shareholder of the Company. There were 30,918,736 nominee-registered shares, representing 21.4% of the shares.

Changes in ownership

During the period under review, the company became aware of two notices of change in ownership exceeding the disclosure threshold. Information on notices of change in ownership is available on the company´s website at www.biotie.com/investors.

A monthly updated list of Biotie's major shareholders is available on the company's website at www.biotie.com/investors.

SHARE PRICE AND VOLUME



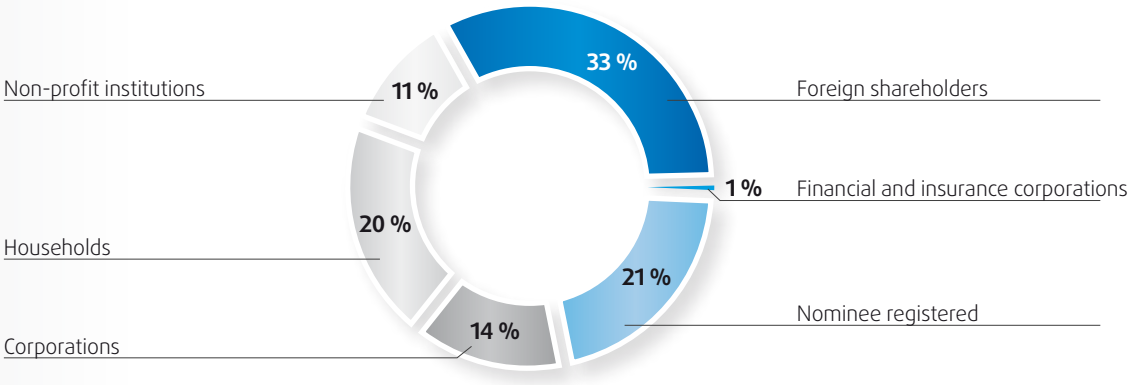
SHARES AND SHAREHOLDERS

Type of Shareholders on December 31, 2008

	Shareholders	%	Number of shares	%
Corporations	234	3.56	20,228,095	14.02
Financial and insurance institutions	15	0.23	32,627,701	22.60
Households	6,297	95.70	29,208,504	20.24
Non-profit organizations	17	0.26	15,294,432	10.60
Foreign	17	0.26	46,961,828	32.54
Total	6,580	100.00	144,320,560	100.00
Of which nominee registered	*7*		*30,918,736*	*21.42*

Shares	Shareholders	%	Number of shares	%
1–100	488	7.42	28,023	0.02
101–500	1,710	25.99	514,289	0.36
501–1 000	1,109	16.85	943,976	0.65
1 001–5 000	2,172	33.01	5,647,059	3.91
5 001–10 000	556	8.45	4,261,348	2.95
10 001–50 000	435	6.61	9,046,700	6.27
50 001–100 000	56	0.85	3,881,973	2.69
100 001–500 000	40	0.61	6,945,203	4.81
500 001–	14	0.21	113,051,989	78.34
Total	6,580	100.00	144,320,560	100
Of which nominee registered	*7*		*30,918,736*	*21.42*

Ownership structure



The ten largest shareholders of Biotie on December 31, 2008

	Number of shares	%
elbion NV	46,802,967	32.61
Finnish Innovation Fund (Sitra)	14,585,350	10.16
Finnish Industry Investment Ltd	6,778,592	4.72
Juha Jouhki and his controlled companies:	6,537,672	4.56
- Dreadnought Finance Oy (2,098,416)		
- Jouhki Juha (1,501,356)		
- Thominvest Oy (2,937,900)		
Funds administered by BioFund Management Oy:	2,485,715	1.73
- BioFund Ventures III Ky (2,485,715)		
Harri Markkula and his controlled companies:	1,349,431	0.94
- Tilator Oy (369,700)		
- Markkula Harri (979,731)		
Alfred Berg Small Cap Finland Fund	1,270,000	0.89
Oy H. Kuningas & Co AB	1,058,371	0.74
Oksanen Markku	860,000	0.60
Funds administered by Aboa Venture Management Oy:	344,618	0.24
- Aboa Venture Ky II (336,747)		
- Karhu Pääomarahasto Ky (7,871)		
	82,072,716	57.19
Nominee registered shares total	30,918,736	21.55
Other shareholders	30,510,108	21.26
Outstanding shares	143,501,560	100.00
Own shares held by Biotie Therapies	819,000*)	
Total	144,320,560	

*) The company owns 819,000 Biotie shares. Biotie has a stock lending agreement with EVLI Bank relating to the company's option programs in place. Pursuant to this agreement, the number of Biotie shares in the company's possession may be temporarily less than 819,000.

IR principles

Biotie investor relations aims to provide the markets with accurate and up-to-date information, which can also be found on the company's website at www.biotie.com/investors.

Analysts

According to the Company's information the analysts listed below monitor Biotie's performance. Biotie takes no responsibility for the opinions expressed by analysts or for any evaluations presented by them.

Company	Analyst	Contact details
Nomura Code Securities, U.K.	Chris Redhead	Tel. +44 20 7776 1240
Edison Investment Research Limited, U.K.	Robin Davison Senior analyst, healthcare and lifesciences	Tel. +44 20 3077 5737

SIGNATURES OF THE 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 –6,269,961.15 of the period to retained earnings.

Helsinki, March 26, 2009

Juha Jouhki
Chairman of the Board

Timo Veromaa
President and CEO

Ann Hanham

Bernd Kastler

Krish Krishnan

Pauli Marttila

Riku Rautsola

Christoph Schröder

Piet Serrure

AUDITORS' REPORT

To the General Meeting of Biotie Therapies Corp.

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Biotie Therapies Corp. for the year ended on 31 December 2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

The responsibility of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the parent company's financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

Auditor's responsibility

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion on the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

Opinion on the company's financial statements and the report of the Board of Directors

In our opinion, the financial statements, together with the consolidated financial statements included therein, and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, March 26, 2009

PricewaterhouseCoopers Oy
Authorised Public Accountants

Janne Rajalahti
APA

Tomi Moisio
APA, CPFA

PRINCIPLES OF CORPORATE GOVERNANCE

Biotie Therapies Corp. is a Finnish public limited liability company which in its decision-making and administration complies with Finnish legislation, particularly the Finnish Companies Act, Securities Market Act and Accounting Act as well as the rules of NASDAQ OMX Helsinki Ltd and the company's Articles of Association. In addition, Biotie complies with the recommendations of the Finnish Corporate Governance Code. Possible deviations from the compliance with the Corporate Governance Code are presented in connection with each subject hereafter.

Group structure

The parent company of the group ("Group") is Biotie Therapies Corp. ("Biotie" or the "Company"). The domicile of the Company is Turku, Finland. The Company has an operative subsidiary, Biotie Therapies GmbH, located in Radebeul, Germany.

The Group also has a non-operational subsidiary named Biotie Therapies International Ltd in Finland and an associated company with no activities Contral USA of Delaware USA.

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 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.

Usually, a General Meeting handles the matters placed on the agenda by the Board of Directors. According to the Finnish Companies Act, a shareholder may present a written request to the Company's Board of Directors to place a matter on the agenda of the next General Meeting. If a shareholder or shareholders holding a minimum of 10% of all shares, or the Company's auditor, request in writing for the handling of a specified matter at a General Meeting, the Board of Directors shall without delay convene the General Meeting to handle the requested matter.

Major matters subject to the decision-making power of a General Meeting include:

- 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
- the distribution of profit.

Advance Information

According to the Company's Articles of Association, 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 convene not earlier than two (2) months before the last registration date mentioned in the notice and not later than seventeen (17) days prior to the date of the meeting 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. In accordance with the Corporate Governance Code, 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 at least 21 days before the General Meetings.

The notice of the General Meeting and the following information shall be made available on the Company website:

- the total number of shares and voting rights according to classes of shares at the date of the notice
- the documents to be submitted to the General Meeting
- a proposal for a resolution by the Board or another competent body
- an item on the agenda of the General Meeting with no proposal for a resolution.

In addition, the minutes of the General Meeting including the voting results and the appendices of the minutes that are part of a decision made by the meeting, shall be posted on the Company website within two weeks of the General Meeting.

The prospective candidates for the Board of Directors proposed by the Nomination Committee shall be notified in the notice to convene. Also other prospective candidates notified to the Board are disclosed in the notice to convene or, if the notice has already been published, in another way before the General Meeting, provided the candidates have given their written consent to the election and are supported by at least 10% of the total votes of all the shares of the Company.

In addition, the proposal for the election of external auditor prepared by the Audit Committee is disclosed in the notice to convene. Further, other prospective candidates notified to the Board are disclosed in the notice to convene or, if the notice has already been published, in another way before the General Meeting, provided the candidates have given their written consent to the election and are supported by at least 10% of the total votes of all the shares of the Company.

Attendance

Shareholders who have been entered ten (10) days before the meeting as shareholders in the Company´s shareholders´ register kept by the Euroclear Finland Ltd have the right to attend the General Meeting of Shareholders. Shareholders may exercise their right at the General Meeting either in person or through an authorized representative. Each shareholder or representative may also have one assistant at the meeting. Minutes are kept at the General Meeting and the minutes are made available to shareholders within two weeks from the General Meeting. The decisions made by the General Meeting are also published by a stock exchange release immediately after the meeting.

Attendance of the Members of the Board and the Managing Director

The managing director, the chairman of the Board and a sufficient number of directors shall attend the General Meeting.

In addition, the auditor shall be present at the Annual General Meeting.

A person proposed for the first time as the member of the Board participates in the General Meeting that decides on his/her election unless there are well-founded reasons for the absence.

Decision-making

Biotie has one series of shares. Each share entitles its holder to one vote at the General Meeting. Generally, resolutions by the General Meeting require the support of a simple majority of the votes cast at the meeting in question and, in case of a tie, the chairman will have the casting vote. In an election, the person receiving the highest number of votes shall be deemed elected. The General Meeting may, however, prior to an election, decide that to be elected, a person shall receive more than half of the votes cast. In an election, a tie will be decided by drawing lots. According to the Finnish Companies Act, however, there are several matters, such as an amendment to the Articles of Association or increase of share capital, in which any decision requires the support of 2/3 of the votes cast and of the shares represented at the meeting.

The Articles of Association of Biotie include no redemption clauses or voting limitations.

Board of Directors

Composition and term

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 approximately 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 Code, 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 and that both genders are represented in the Board. The Board of Directors elects one of its members as the Chairman of the Board and possible deputy chairman of the Board.

Duties 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 Group's strategy
- confirm the Groups'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 Group's management
- decide on the Group's structure and organisation
- appoint the Group's Managing Director and decide on his perquisites and assume responsibility for all other such duties as have been stipulated for Boards of Directors in the Companies Act and elsewhere.

Decision-making

The chairman of the Board of Directors is responsible for convening the Board meetings and for the meeting procedure. The Board of Directors constitutes a quorum when more than half of the members of the Board of Directors are present. The Board of Directors is always obliged to act in the Company's interests and in such a way that its acts or measures are not likely to produce unjustified benefit to any shareholder or other third party at the cost of the Company or another shareholder. A Board member is disqualified from participating in the handling of a contract between the Board member and the Company. When votes are cast, the majority opinion will be the Board's decision and, in the case of a tie, the Chairman will have the casting vote. In an election, a tie will be decided by drawing lots.

Meeting practice

The Board of Directors convenes approximately 7 times a year. The Board of Directors has not appointed any special areas of focus in terms of business monitoring to its members, other than the committee memberships. 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.

Current Composition of the Board

Biotie's Board of Directors consists currently of eight members. The number of the members of the Board of Directors was resolved to be five in Biotie's Annual General Meeting of March 28, 2008. Mr. Juha Jouhki, Mr. Pauli Marttila, Dr. Riku Rautsola and Mr. Piet Serrure were re-elected as the members of the Board of Directors and Mr. Krish Krishnan was appointed as a new Board member. In addition to the members appointed in the Annual General Meeting of March 2008, the Extraordinary General Meeting held on 14 November 2008, elected Dr. Ann Hanham, Dr. Bernd Kastler and Dr. Christoph Schröder to the Board of Directors. The Chairman of the Board is Mr. Juha Jouhki and the Deputy Chairman of the Board is Mr. Pauli Marttila.

According to the evaluation of independence conducted in December 2008, all members of the Board of Directors are considered independent of the Company. In addition, Dr. Ann Hanham, Mr. Juha Jouhki, Mr. Krish Krishnan, Dr. Riku Rautsola, Dr. Christoph Schröder and Mr. Piet Serrure are considered independent of the significant shareholders of the Company. Biotie's current Board of Directors is presented in more detail in Company´s website.

Nomination and Remuneration Committee

Biotie has a Nomination and Remuneration Committee. The committee shall consist of two or three independent Board members. The members of the Nomination and Remuneration committee are annually elected after the Annual General Meeting by the Board among its members.

Committee members may receive compensation based on their role as members of the Committee. Such compensation shall be determined by the Annual General Meeting of the Company.

The Nomination and Remuneration Committee Charter was adopted by the Board on 18 December 2008. According to the Nomination and Remuneration Committee Charter the purpose of the committee is to (i) prepare and present a recommendation to the Board of Directors for the proposal to the Annual General Meeting concerning the composition and compensation of the Board; (ii) prepare the appointment of any executive directors or other senior members of the executive management; (iii) determine and agree with the Board the framework or broad policy for remuneration of the Company's CEO, the executive directors and such other members of the executive management as it is designated to consider; (iv) assess the need for bonus or other incentive programs for the Group as well as to review design of and determine targets for any performance related compensation schemes of the Company; and (v) agree with the Board the policy for authorising claims for expenses from the CEO and Chairman of the Board.

The Nomination and Remuneration committee consists of Juha Jouhki and Christoph Schröder until the Annual General Meeting of 2009. The members of the committee are independent of the Group. The committee shall meet when necessary, but it shall hold at least two meetings annually. The Committee shall report formally to the Board after each meeting.

Audit Committee

The Audit Committee has been established by the Board primarily to ensure the overseeing of the accounting, auditing and financial reporting processes of the Group.

The Committee consists of the Committee's Chairman and at least one (1) additional member, who are annually elected after the Annual General Meeting by the Board among its members who are independent of the Company. At least one Committee member must be a financial expert having sufficient knowledge and experience in accounting and accounting principles applicable to the Company.

Committee members may receive compensation based on their role as members of the Committees. Such compensation shall be determined by the Annual General Meeting of the Company. In addition, direct costs accrued to the members for the Committee work shall be reimbursed by the Company.

The Audit Committee Charter was adopted by the Board on 18 December 2008. According to the Audit Committee Charter the purpose of the committee is to (i) supervise the Group's financial reporting (such as annual financial statements, interim reports and annual and quarterly earnings releases); (ii) monitor the Company's disclosure controls and procedures; (iii) assess the performance and independence of the external auditor; (iv) approve the external auditor's annual audit fees under the guidance given by the shareholders at the Annual General Meeting; (v) prepare the decision concerning the election of the auditor; (vi) evaluate the Group's internal controls, risk management, risk assessment and internal auditing; (vii) evaluate the consistency of and changes to the accounting policies; (viii) assess the Group's compliance with laws and regulations; and (ix) respond to any requests received by employees and third parties in the context of the whistle-blower policies adopted by the Group.

The Audit committee consists of Bernd Kastler, Pauli Marttila and Piet Serrure. The members have financial expertise and sufficient knowledge and experience in accounting and accounting principles applicable to the Group. The members of the committee are independent of the Group and Piet Serrure is also independent of the significant shareholders of the Group. The Committee shall meet separately with the representatives of the management and the external auditor and, if necessary, with the Group's controllers at least twice every financial year. The Committee shall report formally to the Board after each meeting.

Managing Director (President and Chief Executive Officer)

President and CEO is responsible for the day-to-day management of the Group in accordance with the instructions and rules given by the Board of Directors and ensuring that the accounting of the Group complies with the law and that the financial management of the Group 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 on the basis of the recommendations of the Group's Nomination and Remuneration Committee. 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 EUR 159,551 in the salaries and other benefits to the Managing Director Timo Veromaa in 2008.

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 in part of salary an amount confirmed annually by the Board of Directors to the voluntary retirement insurance policy.

The managing director contract may be terminated by six month's notice and by Managing Director by three month's 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 month's salary.

Biotie's current precident and CEO is presented in more detail in Group's website.

Management Team

Biotie has a Management Team consisting of the Managing Director acting as the President of the Management Team, Chief Financial Officer, Chief Scientific Officer, Chief Medical Officer, and Chief Business Officer.

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

Biotie's current Management Team is presented in more detail in Group's website.

Bonus and incentive schemes

The Company´s option programmes are presented in the Annual Report and on the website, along with the share and option holdings of Board members, the President and CEO and the members of the Management Team.

The Board of Directors of Biotie confirms annually the bonus system for the members of the Management Team. The Company has no such incentive programme by which the Company rewards its management with Company shares.

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 Annual General Meeting, the members of the Board are 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 15 meetings during 2008. The average ratio of attendance at the meetings was 92.4%.

Remuneration paid to the Board of Directors in 2008 were as follows:

- Juha Jouhki EUR 36,000
- Piet Serrure EUR 36,000
- Pauli Marttila EUR 18,000
- Riku Rautsola EUR 36,000
- Krish Krishnan EUR 27,000
- Bernd Kastler EUR 3,000
- Christoph Schröder EUR 3,000
- Ann Hanham EUR 3,000

Option rights or Biotie's shares were not given to Board members for their work.

Internal control, risk management and internal audit

For a more detailed description of risk and risk management, see page 80 of this Annual Report.

Insider rules

Biotie's Insider Rules, dated December 1, 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 Euroclear Finland Ltd 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 main responsible 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, Controllers and Assistants to the Managing Director and the Management Team and certain key employees.

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.

The Company insider administration is included in the Sire-system of the Euroclear Finland Ltd. Visiting address of public insiders register is Euroclear Finland Ltd, Urho Kekkosen katu 5 C, 00100 Helsinki.

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. The Group's financial year is the calendar year.

The auditor is obliged to audit the correctness of the Group'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's administration. The auditor gives reports to the Board of Directors at least once a year.

PRINCIPLES OF CORPORATE GOVERNANCE

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.

Janne Rajalahti, Authorized Public Accountant, and PricewaterhouseCoopers Oy, Authorized Public Accountants, were elected as auditors of Biotie Therapies Corp in Biotie's Annual General Meeting of March 28, 2008.

In accordance with the resolution of the 2008 Annual General Meeting, the auditors shall be paid in accordance with their reasonable invoices. In 2008 the Company paid EUR 83,150 as fee for audit and additionally EUR 290,250 for non audit services.

Biotie does not have internal audit function.

Insider holdings of shares and options December 31, 2008

Public insiders:
Board of Directors´ and CEO´s and auditors´ direct shareholdings, option holdings and controlled corporations:

Name	Position	Shares	Option rights	
			Option program 2004	Option program 2006
Juha Jouhki	Chairman of the Board	1 501 356	–	–
- Dreadnought Finance Oy		2 098 416	–	–
- Thominvest Oy		2 937 900	–	–
Pauli Marttila	Member	214	–	–
Piet Serrure	Member	–	–	–
Riku Rautsola	Member	–	–	–
Krish Krishnan	Member	–	–	–
Bernd Kastler	Member	–	–	–
Ann Hanham	Member	–	–	–
Christoph Schröder	Member	–	–	–
Timo Veromaa	CEO	–	300 000	834 400
Janne Rajalahti	Auditor	–	–	–
Tomi Moisio	Auditor	–	–	–
Total		**6 537 886**	**300 000**	**834 400**

Company-specific insider register:

Secretary of the Board of Directors and Management Team´s direct shareholding, option holdings on December 31, 2008

Name	Position	Shares	Option rights	
			Option program 2004	Option program 2006
Mikko Heinonen	Secretary of the Board of Directors	–	–	–
Antero Kallio	Chief Medical Officer	43 900	40 000	347 580
Thomas Taapken	Chief Financial Officer	–	–	–
Thomas Kronbach	Chief Scientific Officer	–	–	–
Kai Lähdesmäki	Senior business development advisor	–	300 000	24 600
Total		**43 900**	**340 000**	**372 180**

RISKS AND RISK MANAGEMENT

The Board of Directors shall approve the risk management policy and objectives as well as guide and monitor the planning and implementation of risk management.

The Group management shall hold the highest operational responsibility for the implementation of the risk management policy. The Group management shall be responsible for organization and the planning, development, coordination and monitoring of the risk management policies approved by the Board. Group management shall report to the Board of Directors.

Risk management is an integral part of the Group's management, monitoring and reporting systems. Regular reporting and monitoring shall be performed both at the Group and Company levels. The identification of risks and preparations for them shall be primarily carried out in the finance and administration unit.

The Group shall describe the major risks and uncertainties that the Board of Directors is aware of and the principles along which risk management is organised.

Management of business and strategic risks

The Group's business success depends largely on the technical success of its drug development programs as well as on the ability to gain regulatory approvals for its pharmaceutical development products in different jurisdictions. The Group's ultimate goal is to profit from the sales of pharmaceutical products which it has developed either on its own or in collaboration with a partner. To manage the potential risk of failure of any of its pharmaceutical development products, the Group dedicates significant efforts to constantly monitor the progress of its programs. Each drug development program has a dedicated project team which draws on the internal expertise and a network of external consultants. Changes to regulatory and market environment are followed continuously and if necessary, adaptations of the chosen development path are being implemented. Management is regularly informed by the project teams and the Board of Directors is kept regularly informed about the progress of the development programs. Important decisions regarding the initiation or discontinuation of major clinical trials, briefing meetings with regulatory agencies and similarly wide ranging decisions are being deliberated within the Board of Directors and ultimately taken in consideration of all available information at the given time.

The commercial success of pharmaceutical products developed by Biotie and its subsidiaries very much depends on the market environment. Therefore, the development and launch of competitive products, the pharmaceuticals products sales in the particular area in which the Group's products are being developed and the development of pharmaceutical markets in general is closely monitored by Management. In cases where commercialisation, collaboration or licensing agreements relating to the Group's product development programs have been concluded, the Group's success will depend on whether the collaboration or licensing partner will act in accordance with the agreement, its interests are in line with the Group's business goals or the approved products will ever be commercialised. Biotie and its subsidiaries are therefore always striving to obtain information and where possible also decision making rights in the context of its development collaborations. Ultimately, the development and marketing success of the Group's products depends to a great extent on third parties and external factors, which in itself poses a risk which cannot be influenced beyond the measures explained above.

Management of operational risks

The Group's operational success is strongly related to its ability to recruit and retain adequate management and key employees. The Group's operations require special expertise and know-how which is available with the Group's key personnel. The necessity to replace individual Management Team members or key employees may lead to a loss of expertise and know-how, which might not necessarily be possible to replace by hiring new personnel or engaging new consultants or other service providers. Should the Group embark on additional programs or into new activity areas like manufacturing, distribution and sales of pharmaceutical products, additional expertise might need to be gained or new hires bringing this expertise to the Group might become essential. It is not necessarily certain in such situations that the Group will succeed in attracting additional expertise to strengthen its operations. Biotie and its subsidiaries are addressing this risk by implementing a concise human resources strategy with defined HR policies, including incentive schemes comparable to other companies active in this field. The Board of Directors has formed a Nomination and Remuneration Committee in December 2008. The Group aims to be a highly regarded employer in its two sites of operation and the Group is actively seeking to maintain this competitive advantage to be able to attract and maintain key personnel.

The pharmaceutical development products and research and development programs of Biotie and its subsidiaries are mostly based on intellectual property rights and know-how. The ability to obtain and maintain intellectual property rights -especially patents and trademarks- for its products is of paramount importance for the success of the Group. The active management of the Group's knowledge, know-how and intellectual property rights is a key success factor for the Group. In-house expertise and external consultants are being used to ensure the adequate protection of internally generated know-how. New inventions related to pharmaceutical development products and research programs are regularly submitted for patent protection on a world-wide basis. A dedicated team comprising Management Team members oversees the activities relating to the management of the intellectual property portfolio. Also competitive intelligence on patent applications of competitors is constantly monitored.

The Group's know-how, including research results, business secrets and other privileged and proprietary information is largely stored on electronic data processing equipment. To warrant continuous operations and high levels of data security, a concise IT guideline has been put in place and is monitored regularly by the management. IT security measures, including adequate protection from catastrophic losses, intrusion or other unforeseen events has been implemented and ensure the ability to continue operations even in case such events should materialize.

Following the acquisition of elbion GmbH in November 2008, the Group has operations in Turku, Finland and Radebeul, Germany. In order to avoid failure in the integration and thus a disruption of the business operations of business activities which are now taking place at two different sites under different jurisdictions, the Group has implemented a structured integration project, which is overseen by the management and assisted by experienced external consultant.

The Group's operations encompass activities which affect health and safety of employees. Policies regulating all relevant aspects of occupational health and safety are in place. The Group complies with all local laws, rules and regulations of relevance to these matters. Management oversees the ongoing adherence to these regulations.

Appropriate insurance policies are in place for property damage or liability risks arising from business operations of the Group.

Management of financial risks

Significant financial resources are required to advance the drug development programs into commercialised pharmaceutical products. The Group relies on its ability to fund the operations of the Group through three major sources of financing. Entering into commercialisation, collaboration and licensing agreements with larger pharmaceutical companies entitles the Company and its subsidiaries to receive up-front, milestone dependant and royalty payments from these partners. Activities in the area of business development are targeted at securing such agreements. These activities are integral part of the duties of the Management and are monitored by the Board of Directors, which ultimately decides on entering into such agreements.

In addition, the Group relies on different sources of research and development grants and loans. These funds, which are provided through regional, national or EU level institutions with the aim of fostering economic and technological progress in the region in which the Group operates, have been historically available to the Group at substantial levels. Biotie and its subsidiaries strictly comply with all rules and legal obligations pertaining to these funding programs and is in regular contact with the funding agencies providing these. Availability of such funds in the mid- to long term future cannot be guaranteed and thus this poses a potential risk to the income of the Group in the future.

In addition to the sources of funding described above, funding of the Group's operations are largely based on equity financing of its parent company Biotie. Although historically, equity financing from the capital markets and by institutional investors has been available to the Company, the current financial market situation and the repercussions to the overall investor's sentiment poses a severe risk of not being able to secure additional financing in the future. To manage this risk and to identify possibilities of securing additional equity financing, Biotie's Management is in constant dialogue with financial investors, investment banks and other market participants.

There can be no assurance that sufficient financing can be secured in order to permit the Group to carry out its planned activities. To protect the continuity of the Group's operations, sufficient liquidity and capital has to be maintained by the Company and its subsidiaries. The Group aims to have cash funds to finance at least one year's operations at all times. The Group can influence the amount of capital by adapting its cost basis according to the financing available. The Management monitors the capital and liquidity on the basis of the amount of equity and cash funds. These are reported to the Board of Directors on a monthly basis.

Biotie's Board of Directors approves the operational plans and budget. The Board follows up the implementation of these plans, and the financial status of the Group on a monthly basis.

The operations of the Company and its subsidiaries 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 risk management program focuses on the unpredictability of the financial market and aims at minimizing any undesired impacts on the Group's financial result. The Board of Directors defines the general risk management principles and provides operational guidelines concerning specific areas including but not limited to foreign exchange risk, interest rate risk, credit risk, use of derivatives and investment of the Group's liquid assets.

Biotie and its subsidiaries preferentially work with partners with good credit ratings. The Management monitors the sufficiency of the liquid assets and exposure to credit risk regularly.

Biotie and its subsidiaries currently derive a significant proportion of their collaborative income from a small group of partners. This risk of concentration of creditors is partly mitigated by the fact that the Group's collaboration partners are typically large and internationally reputable pharmaceutical companies which are financially solid. These collaborations are governed by contractual relationships that typically address and describe remedies for situations in which interests of the Group and the partner are not longer in line. In addition, the Group aims to collaborate on different development programs with as many partners as possible in order to spread the risk of creditor concentration.

Banks used by the Group for its deposits are among Europe's most reputable financial institutions. The Group invests liquid assets in low risk securities and interest bearing bank accounts.

The Group operates internationally and is exposed to foreign exchange risks between several currencies and the Euro, in which the Group reports its financial statements. Exposure to the US dollar is the most important, but there is also certain exposure to the Pound Sterling and to the Swiss Frank. The Management follows considerable foreign currency positions regularly. Significant net positions in foreign currency may be hedged by foreign exchange forward contracts if needed. Hedged positions are approved by the Board of Directors.

The Group's income and operating cash flows are substantially independent of changes in market interest rates. Biotie's loans from 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. The Management follows the interest rate positions regularly and uses interest rate derivates if necessary. Considerable interest rate fluctuations affecting the Company or its subsidiaries are reported to the Board of Directors.

The Company has an external auditor whose tasks include auditing of financial statements and the auditing of business operations and ensuring the consistency of operating principles. The Company's auditor assesses the functionality of this internal monitoring system as part of his supervision of the lawfulness of operations.

BOARD OF DIRECTORS

Biotie's Board of directors (from left to right)
Juha Jouhki, Pauli Marttila, Riku Rautsola, Piet Serrure, Krish Krishnan, Ann Hanham, Bernd Kastler and Christoph Schröder.
On the right secretary of the Board Mr. Mikko Heinonen.

Juha Jouhki, Chairman of the Board

Born: 1966
Education: M.Sc. (Tech.)
Board member since 2002, Chairman of the Board of Directors since 2005
Principal occupation: Managing Director, Biothom Oy
Principal employment history: Thominvest Oy and Thomproperties Oy, Partner 1999–2002, Managing Director 2002–2009. Contral Clinics Ltd., Managing Director
1996–1999. Contral Pharma Ltd., Co-founder, Chairman of the Board 1998–2002. Finncarriers Oy Ab, different positions 1992–1996.
Other simultaneous positions of trust:
Dreadnought Finance Oy, Thominvest Oy, Thomcapital Oy, Procarbon AB, Neomedit Oy, Alimetrics Oy, RAM Partners Oy, Chairman of the Board. Northern Antibiotics Oy, Member of the Board.

Piet Serrure

Born: 1954
Education: M.Sc. (Econ.)
Board member since March 2004
Principal occupation: Becap Bvba, Managing Director
Principal employment history: Benevent
(venture capital company) 1985.
Parnib (NIB Capital), Director and CEO until 2001.
Origo Management, Managing Director 2001–2006. Managing Director Becap since 2006. 1976–1985 different positions at Du Pont de Nemours and Arthur Andersen. European Private Equity and Venture Capital Association (EVCA), Member of the Board of Directors until 2004.
Other simultaneous positions of trust: Europe Unlimited, Chairman of the Board of Directors. Member of the Board of Directors at Fin. Co, Qi Fund, IPTE, Visys, Finalame, Wichard, Bopack and Hybrigenics.

Pauli Marttila, Deputy Chairman of the Board

Born: 1958
Education: M.Sc. (Eng.)
Board member since March 2005
Principal occupation: Director, Business Development and Corporate Investments at Sitra, the Finnish Innovation Fund
Principal employment history: Sitra Ventures, Director 2006–2008, Sitra Life Sciences, Director
2005–2006. Sitra Life Sciences, Corporate Finance, Director
1999–2004. Neste Corp. (later Fortum Corp.), Management positions in several R&D operations and business operations since 1983, General Manager of New Developments business unit at Neste Chemicals in Finland 1996–1999. Neste Noptek Venture Capital Fund (Boston, USA), Manager 1993–1995. Finnish Consulate General (Los Angeles, USA), Assistant Attaché 1984–1985.
Other simultaneous positions of trust: BPM-Group Oy, Chairman of the Board of Directors. Mobidiag Oy, Chairman of the Board of Directors. Bio Fund I-III venture funds, Member of the Investment Committee. Next Wave Funds (New York, USA), Member of the Advisory Board.

Riku Rautsola

Born: 1954
Education: Ph.D. (Econ.)
Board member since March 2004
Principal occupation: President and CEO, VIRxSYS Corporation, a leading genetherapy company
Principal employment history: Management, sales and research positions in Denmark, Germany, the United States and China over 20 years. Borean Pharma, President and CEO 2003–2004. Cosmix Molecular Biologicals, CEO since 2001. Boehringer Ingelheim, Beiersdorf and Fresenius, Management positions. Accelerating Access, a public and private initiative of the UN and the pharmaceutical industry, Founding Member and Chairman 2000–2001. "Free Nevirapine for the Prevention of Mother to Child HIV Transmission", Founder.
Other simultaneous positions of trust: VIRxSYS, Board member.

Krish Krishnan

Born: 1965
Board member since March 2008
Education: B.S. in Mechanical Engineering from the Indian Institute of Technology (IIT), a M.S. in Engineering from the University of Toledo, and an M.B.A. from The Wharton School at the University of Pennsylvania.
Principal occupation: Private Investor
Principal employment history: Between March 2002 and February 2008, Mr. Krishnan served as a Senior Managing Director of Third Security, LLC., a venture capital and private equity firm. Concurrently, Mr. Krishnan served as a member of the Board of Directors of New River Pharmaceuticals Inc. (NASDAQ:NRPH) between March 2003 and April 2007 and as its Chief Financial Officer and Chief Operating Officer between April 2004 and April 2007. He served as President and CEO of Harvest Pharmaceuticals Inc. between February 2003 and April 2004. Previously, Mr. Krishnan was involved with a start-up venture which was sold to Ariba Technologies Inc., in August 2000. He then served as a managing principal of Ariba, until joining Third Security, LLC in March 2002. Mr. Krishnan was also a senior manager with A.T. Kearney, Inc.; a consultant with KPMG Peat Marwick; and an engineer with E.I. Dupont de Nemours.
Other simultaneous positions of trust:
Thar Pharmaceuticals, Board Member. Chairman, Belshore, LLC.

Ann Hanham

Born: 1952
Education: Ph.D. from the University of British Columbia, MSc from Simon Fraser University, and a BSc from the University of Toronto.
She was also Board Certified in Toxicology in 1986.
Board member since November 2008
Principal occupation: Managing Director and General Partner of Burrill & Company
Principal employment history:
Prior to joining Burrill & Company, she was a co-founder and Vice President of Clinical & Regulatory Affairs at InterMune Pharmaceuticals, and prior to that, the Senior Director for Oncology Product Development at Otsuka Pharmaceuticals and the Medical Director for Celtrix Pharmaceuticals. She has also worked for Becton Dickinson in both regulatory and clinical affairs for the monoclonal antibody programme, and as a regulatory toxicologist with the Health Protection Branch of Health and Welfare Canada.
Other simultaneous positions of trust:
A member of the Board of Directors of Adlyfe, Cardiokine (Observer), elbion NV, Endocyte, Logical Therapeutics, SCYNEXIS and Waterstone.

Bernd Kastler

Born: 1949
Education: Doctorate in law in 1980 from the University of Giessen (Germany).
Board member since: November 2008
Principal occupation: CEO elbion NV
Principal employment history:
Dr. Bernd Kastler is the co-founder and present CEO of elbion NV. Prior to this, he was Member of the Executive Board of ASTA Medica AG, the pharmaceutical subsidiary of Degussa AG. His responsibilities included the finance and the human resources areas
Other simultaneous positions of trust:
Kastler GmbH, controlled company and Managing Director: beloni Konsortial Gesellschaft, elbion N.V, elbion Products GmbH, elbion Bioscience N.V and 4 AZA IP N.V.

Christoph Schröder

Born: 1961
Education: Ph.D. in Finance from the Technische Universität in Berlin and graduated in Business Administration from Ludwig Maximilians-Universität in Munich.
Board member since: November 2008
Principal occupation: a General Partner for life sciences of TVM-Capital
Principal employment history:
Prior to this, he was a member of the BASF Pharma's Executive Board (based in London) and was President of two corporate functions: Global Production/Supply Chain and Corporate Marketing. Following BASF Pharma's acquisition by Abbott Laboratories in 2001, Dr. Schroder became a partner with JSB Partners, L.P., a specialized transatlantic investment banking and advisory firm in the life sciences industry, with offices in Berlin, Boston and Munich.
Other simultaneous positions of trust:
Board seats on behalf of TVM Capital at Probiodrug AG (Halle, Germany) and Riemser AG (Greifswald/Leipzig, Germany).

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

MANAGEMENT TEAM

Biotie's Management Team (from left to right)
Timo Veromaa, Antero Kallio, Thomas Taapken, Thomas Kronbach and Kai Lähdesmäki.

Timo Veromaa

Born: 1960
Education: M.D., Ph.D., Special Competence in Pharmaceutical Medicine
Position at Biotie: President and CEO
Appointed as member of the Management Team: December 1998
Employment history:
Biotie Therapies Corp., Vice President of R&D 1998–2005, President and CEO from 2005. Schering Oy, Medical Director 1996–1998. Collagen Corporation (California, USA), Research and Program Manager 1994–1996. Stanford University (California, USA), Postdoc Fellow 1990–1993. University of Turku, Scientist 1985–1990.
Other major duties: None

Antero Kallio

Born: 1960
Education: M.D., Ph.D., Special Competence in Pharmaceutical Medicine, Postgraduate Certificate in Pharmacovigilance
Position at Biotie: Chief Medical Officer
Appointed as member of the Management Team: June 2005
Employment history:
Biotie Therapies Corp., Director of Clinical Research 1998–2005, Director of Drug Development since 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. University of Turku, Department of Pharmacology and Clinical Pharmacology, Scientist 1986–1988.
Other major duties: None

Thomas Taapken

Born: 1965
Education: Ph.D.
Position at Biotie: Chief Financial Officer
Appointed as member of the Management Team: November 2008
Employment history:
joined elbion in September 2005 as Chief Financial Officer and previously was a Partner in the Life Science team of DVC Deutsche Venture Capital. Prior to his position at DVC, Thomas Taapken worked at Sanofi-Aventis in the areas of Research, Corporate Development and Venture Capital in Germany and the United States. During his career, he has been involved in numerous transactions spanning from acquisitions, mergers, divestitures and initial public offerings. Thomas Taapken holds a Ph.D in chemistry from the Technical University of Berlin.
Other major duties: None

Thomas Kronbach

Born: 1952
Education: Ph.D.
Position at Biotie: Chief Scientific Officer
Appointed as member of the Management Team: November 2008
Employment history:
Chief Scientific Officer of elbion and its co-founder. Before joining elbion, he was the head of research and development of AWD, a company of the Degussa group. Previously, he had worked with Goedecke-Parke-Davis in Freiburg, Germany, The Scripps Research Institute, La Jolla, California, USA, and the Biocenter of the University of Basle, Switzerland. His key expertise areas are chemistry, pharmacology, molecular biology and drug metabolism. He holds a Ph.D in chemistry from the University of Tuebingen, Germany.
Other major duties: None

Kai Lähdesmäki

Born: 1945
Education: M.Sc. (Pol. Sc.)
Position at Biotie: Senior advisor, Business Development
Kai Lähdesmäki carries out his duties in a consulting arrangement since April 2007 onwards, when he retired from his position as Biotie VP Business Development. He has been working as VP Business Development and member of the Management Team since April 1999, when he joined Biotie.
Employment history:
Biotie Therapies Corp. since 1999. MediNet International Ltd., President and Member of the Board of Directors 1990–1999. Farmos Group Ltd, 1973-1990. During his time at Farmos Group, Kai Lähdesmäki had various senior management positions. His last position since 1996 was VP of Farmos International Division. He was also member of Farmos internal Board during his time as VP of Farmos Group.
Other major duties: Chairman of the Board: DelSiTech Ltd. and Wansår Corporation Ltd.

MAIN STOCK EXCHANGE RELEASES IN 2008

Biotie Therapies Corp. published total on 20 stock exchange releases or announcements in 2008. Short summaries of the most significant releases are given below.

Stock exchanges are posted in full on the company´s website at www.biotie.com/investors.

January

Jan 2, 2008	Nalmefene United Kingdom and Ireland rights acquired by Lundbeck
Jan 7, 2008	Tekes finances Biotie's Thrombosis program with EUR 1.7 million
Jan 24, 2008	Notification a change in holdings of Pequot group
Jan 25, 2008	Financial Statement Release January – December, 2007

February

Feb 29, 2008	Invitation to the Annual General Meeting

March

March 28, 2008	Resolutions of the Annual General Meeting

April

April 25, 2008	Interim Report January – March

June

June 18, 2008	VAP-1 antibody program to proceed to clinical studies in rheumatoid arthritis and psoriasis patients

August

August 8, 2008	Interim Report January – June

October

Oct 24, 2008	Interim Report January – September
Oct 24, 2008	Biotie to acquire CNS and inflammation specialist elbion GmbH
Oct 24, 2008	Invitation to The Extraordinary General Meeting

November

Nov 12, 2008	Biotie published a listing prospectus
Nov 14, 2008	Resolutions of the Extraordinary General Meeting
Nov 14, 2008	The acquisition of the pharmaceutical development company elbion GmbH completed
Nov 17, 2008	Notification a change in holdings due to a share issue

December

Dec 15, 2008	Lundbeck announces start of new phase III clinical trials with nalmefene

ANNUAL REPORT 2008

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