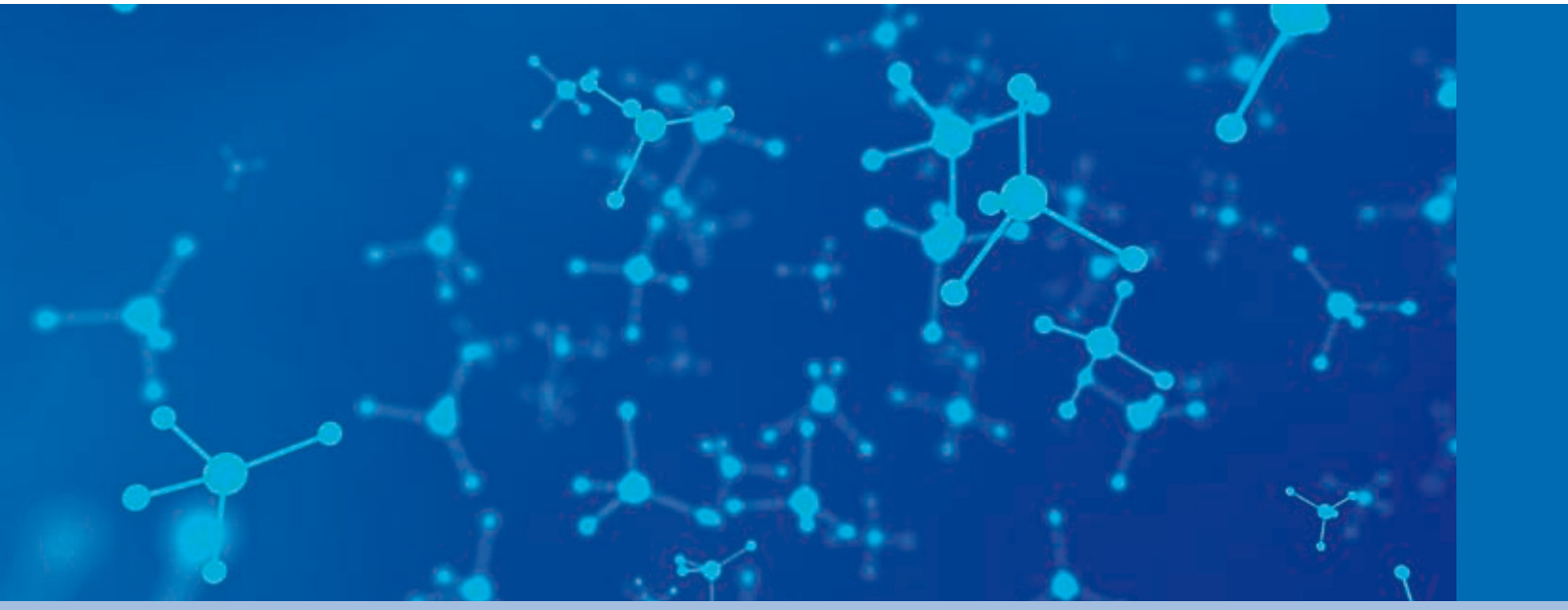
BIOTIE THERAPIES

Annual Report 2007



Information for investors

Basic Share Information

Listed on	OMX Nordic Exchange Helsinki Oy
Trading Code	BTH1V
Segment	Small Cap
Industry	Health Care
Listing date	October 31, 2002
ISIN code	FI0009011571
Number of shares	90,211,860
Company market value, December 31, 2007	EUR 68.56 million

Annual General Meeting

The Annual General Meeting of Biotie Therapies Corp. will be held on Friday March 28, 2008 commencing at 10 a.m. at the Mauno Koivisto Center in Turku (Tykistökatu 6).

Registration begins at 9.30 a.m.

Shareholders who have been entered on 18 March 2008 as shareholders in the company's shareholders' register kept by the Finnish Central Securities Depository 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 18 March 2008 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 26 March 2008 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 2008

Financial Statements Release 2007	January 25, 2008
Annual Report 2007	week 11, 2008
Annual General Meeting	March 28, 2008
Interim Report January–March 2008	April 25, 2008
Interim Report January–June 2008	August 8, 2008
Interim Report January–September 2008	October 24, 2008

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.

Biotie has defined a three-week silent period preceding the publication of its full-year result and interim reviews. During this period, Biotie typically will not meet with capital market representatives.

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 Timo Veromaa, President and CEO tel. +358 2 274 8901 or timo.veromaa@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

Strategy

Biotie is a drug development company focusing on dependence disorders, inflammatory diseases and thrombosis. The most advanced programs are **nalmefene** for dependence disorders (phase III in alcoholism) and **VAP-1 fully human monoclonal antibody** for the treatment of inflammatory diseases (phase I).

The nalmefene program is partnered worldwide, with **Lundbeck** as a key partner (license agreement with EUR 82 million milestone package plus royalties). **Roche** is a key partner in the inflammation programs with an option for the VAP-1 antibody in exchange for a EUR 5 million option fee.

Clinical programs

Nalmefene for alcoholism

- First tablet form drug demonstrating efficacy in reducing heavy drinking in multicenter, controlled clinical studies
- Partnered worldwide, Lundbeck key global partner
- Close to market: in phase III clinical development

VAP-1 monoclonal antibody for inflammatory diseases

- First-in-class
- Fully human monoclonal antibody with new mechanism of action targeted to the fast growing inflammation market
- Partnered worldwide with Roche and Seikagaku
- In phase I clinical development

Preclinical programs

VAP-1 SSAO small molecule inhibitor

- First-in-class
- Small molecule drug with new mechanism of action targeted to the fast growing inflammation market
- Partners: with Roche and Seikagaku
- Preclinical development phase

α2ß1 integrin inhibitor for thrombosis

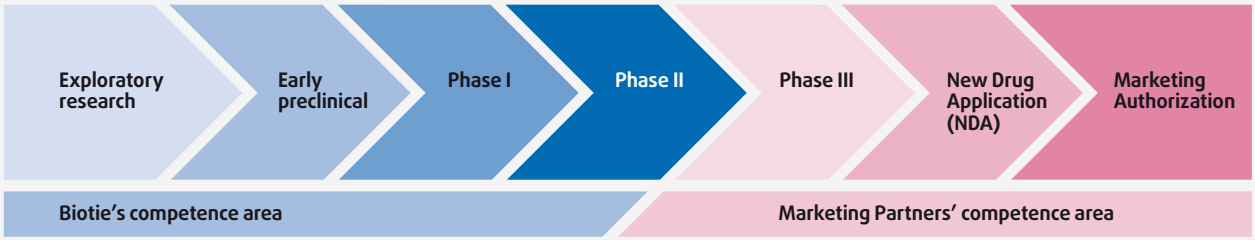
- First-in-class
- Small molecule drug with new mechanism of action targeted to the growing thrombosis market
- Not yet actively offered for partnering
- Preclinical development phase

Bioheparin for thrombosis

- First non-animal derived heparin targeted to the growing thrombosis market

Biotie's Business Model

- Well integrated in-house and outsourced preclinical and early clinical phase drug development activities
- Develop candidate drugs from validated idea to Proof of Concept
- License candidate drugs to international pharmaceutical companies
- Use comprehensive scientific network as source for new ideas




Bio
Tie

The year 2007 in brief

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

To maximise nalmefene's potential in the treatment of alcoholism Biotie and Lundbeck have jointly decided to seek marketing authorisation simultaneously in all 27 EU member states via the centralized procedure. In June 2007, Biotie withdrew the UK national marketing authorisation application on nalmefene in its alcoholism indication to enable a centralised EU-wide registration procedure in due course.

Lundbeck plans to further strengthen the existing nalmefene registration dossier in its alcoholism indication with additional phase III clinical studies before submitting the marketing authorisation application. The studies are expected to start in 2008.

After the fiscal year in January 2008 Lundbeck acquired the United Kingdom and Ireland rights for nalmefene from Britannia Pharmaceuticals (now part of STADA Group, headquartered in Germany). Following the new agreement Lundbeck has worldwide rights for nalmefene, excluding North America, Mexico, Turkey, and South Korea. Following this, Biotie-Lundbeck license agreement terms were amended. Under the terms of the amended agreement, Biotie is now eligible for up to EUR 82 million in upfront and milestone payments (previously up to EUR 80 million) plus royalty on sales. Of the EUR 82 million, Biotie has already received from Lundbeck an execution fee of EUR 12 million, of which EUR 10 million was paid on signing in November 2006 and EUR 2 million was paid on the license entering into force in May 2007. Biotie will participate in financing some of the clinical development costs.

In September 2007 Biotie started the first phase I clinical trial with its fully human VAP-1 monoclonal antibody. This first-in-man study evaluates the safety, tolerability, and pharmacokinetics of intravenously administered antibody in healthy volunteers. Results are expected during the second quarter of 2008. The study start triggered a EUR 2 million payment from Roche based on the option agreement signed in November 2006.

The net loss in financial year 2007 decreased to EUR –1.7 million (in 2006 EUR –9.0 million). Cash flow from operating activities was EUR –5.3 million (EUR 5.4 million positive in 2006).

Revenues in financial year 2007 increased to EUR 7.9 million (in 2006, EUR 1.1 million).

The company's liquid assets amounted to EUR 28.2 million (in 2006, EUR 31.8 million) as at December 31, 2007.

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. Biotie has signed a licensing agreement with Lundbeck on worldwide rights for nalmefene, excluding North America, Turkey and South Korea, and an option agreement with Roche on worldwide rights for the VAP-1 monoclonal antibody, excluding the Far East. In addition, Biotie has territorial license agreements and marketing and distribution agreements covering these products.

SEIKAGAKU CORPORATION

Lundbeck

Roche

Somaxon Pharmaceuticals

Eczacıbaşı

Whan In Pharm. Co., Ltd.


Bio Tie

President's review

2007 was a good year for the drug development company Biotie Therapies Corp. Our successful financing, together with partnering the key projects at the end of 2006, enabled Biotie to concentrate fully on work again, providing the organization with the opportunity to focus on what we do best.

In 2007, there were two key events: in May, the nalmefene licensing agreement with Lundbeck entered into force, and in September, Biotie started clinical trials with its antibody drug.

At the beginning of the year, Biotie forecasted a positive operating profit for 2007 due to the planned recognition of exceptionally large milestone payments. However, due to the amendment of the terms in the Lundbeck license agreement this was not achieved because not all of the planned revenue was recognised in 2007. Although Biotie did not make a profit, the result improved significantly: in 2007, the net loss was reduced to EUR –1.7 million, while the corresponding figure for the previous year was EUR –9.0 million; the revenue increased to EUR 7.9 million from the 2006 revenue of EUR 1.1 million.

Contrary to several other companies listed in the exchange, the financial result, however, may not be an ideal measure for evaluating our work. At this developmental stage, Biotie is a drug development company whose success should be measured against its progress towards commercial markets, with the focus on how much the probability of receiving marketing authorization and making a commercial breakthrough has increased during the follow-up period. In this regard, an important milestone for nalmefene was the licensing agreement with Lundbeck entering into force after constructive end-stage negotiations in May 2007. For nalmefene, the companies agreed to seek an EU-wide marketing authorisation via the centralized registration procedure. Lundbeck plans to further strengthen the existing nalmefene registration dossier with additional phase III clinical studies required for the centralized procedure, before submitting the EU-wide marketing authorization application. I am convinced that the new regulatory strategy will further increase the likelihood of nalmefene reaching the market and will also significantly increase the product's potential on the market. We expect nalmefene to generate significant revenues for Biotie in the long run.

We are very proud of our nalmefene project and the international partnerships we have been able to secure. Using drug therapy with the primary aim of reducing alcohol consumption is a brand new paradigm in dependence disorder treatment. Following the anticipated entry in the market in the next few years, nalmefene will be years ahead of all of its competitors, and the first real step forward in the treatment of alcoholism.

Nalmefene meets the demands of today's payor-driven drug markets. Its mechanism of action is easily understood, and the drug is expected to contribute to significant, measurable treatment results and considerable savings in the treatment of patients with dependence disorders. The innovative nature of nalmefene has aroused the interest of large pharmaceutical companies, and this has played an important part in us securing the top tier international actors as our partners in product development.

The second milestone for our product development organization was reached in September 2007 when Biotie's monoclonal antibody drug entered into the clinical development phase. We were behind schedule, as the regulatory evaluation process of the clinical trial application was unexpectedly slow. Results from the first phase I clinical trial, started in September 2007, are expected during the second quarter of 2008. Both we and Roche are interested in these results, with Roche having an option for worldwide licensing rights excluding Far East. Our collaboration with Roche has been fruitful, and while Biotie currently owns all the rights and is in charge of the development, we pay close attention to Roche's wishes. We look forward to a continued good collaboration with Roche within this program.

In the field of pharmaceuticals, the competition is getting tougher. A new drug will be reimbursed by insurance companies or national insurers only if it provides considerable improvements in patient safety and therapeutic efficacy. Biotie's antibody drug is based on high-quality scientific research in Finland, and we have every confidence in the competitiveness of our product. Biotie's antibody drug belongs to the SAMI (selective adhesion molecule inhibitors) group of biologics, validated by Tysabri and Raptiva, which have already entered the market and have proved to be effective. In 2007, the combined sales of Tysabri and Raptiva reached close to EUR 500 million.

In 2007, financing for the biotech industries remained tight. Finland in particular is lagging behind in the Scandinavian financing market for the biotech industry. Sweden and Denmark have progressed to an entirely different league, and even Norway is get-

ting ahead. New companies, especially, are having trouble finding investors in the initial stages, as public sector actors are shying away from life sciences, wary of the bad investments made in the early years of the 21st century. Yet Finnish science is world class in many areas such as cancer, diabetes, central nervous system and cardiovascular diseases, and immunology according to several national and international expert assessments. The resulting innovations and knowledge forms the basis for business plans for several Finnish biopharmaceutical companies, Biotie included. Currently, there is a vast amount of unexploited commercial potential. Now, when we have just reached the threshold of commercial success, is definitely the wrong time to withdraw from financing early stage life science companies. The potential of this sector has certainly not gone unnoticed by international investors, one example being Pequot Capital Management in New York, now the biggest shareholder of Biotie.

Biotie has faced and overcome several challenges; last year was good and the coming year looks very promising. Our financial aim for 2008 is to control the costs of development and maximize sufficient cash supplies. In 2008, Biotie will focus on progressing the promising product development projects currently underway. We have two programs in the clinical development phase, and several earlier phase development programs and hold over 200 patents and patent applications belonging to 14 independent patent groups. When development capacity is released from the current projects, new focus areas are waiting in line: Biotie is involved as a business partner in nearly 20 academic research projects in Finland and in Europe.

I wish to extend my warmest thanks to our partners for their excellent cooperation, and for their continued appreciation and faith in our knowledge and skills throughout the lengthy projects – keep the faith, the goal is in sight!

To our shareholders, I would like to express my gratitude for your faith, patience and understanding of this sector, which calls for exceptional endurance.

Our personnel deserve my sincere praise for their enthusiasm, commitment and excellent team spirit. With your skills and knowledge, creativity and persistence we shall reach our goal!

Timo Veromaa

President and CEO

Research and product development

Product
Indications

Nalmefene
Alcohol dependence

Nalmefene
Pathological gambling (gambling addiction)

Nalmefene
Smoking cessation

Fully human monoclonal VAP-1 antibody
Inflammatory diseases*

Small molecule VAP-1 SSAO enzyme inhibitor
Inflammatory diseases*

Recombinant bioheparin
Thrombosis

Small molecule α2ßI integrin inhibitor
Thrombosis
Cancer and inflammatory diseases

Preclinical

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

* Rheumatoid arthritis, asthma, hepatitis and inflammatory bowel diseases (Crohn's disease, ulcerative colitis), psoriasis and other inflammatory skin diseases. In particular, conditions not responsive to TNF-α-therapy. Ischemic reperfusion injury caused by myocardial or cerebral infarction, organ transplant rejection and ARDS (adult respiratory distress syndrome).

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.

Nalmefene – a new drug for dependence disorders

Nalmefene for alcoholism

- First tablet form drug demonstrating efficacy in reducing heavy drinking in multicenter, controlled clinical studies
- Partnered worldwide, Lundbeck key global partner
- Close to market: in phase III clinical development

Alcoholism, smoking and, increasingly, addiction to gambling are widely affect lives in the western world. Biotie's nalmefene is a new drug developed for treatment of these dependence disorders.

The treatment of alcoholism represents a significant unmet medical need. More than 30 million people in the U.S., Europe and Japan suffer from alcohol abuse.* Every year, in the UK alone, there are 150,000 hospital admissions and 20,000 premature deaths directly due to alcohol, and National Health Service estimates the annual costs of alcohol abuse to range between GBP 1.4 billion and GBP 1.7 billion. In Finland, there are 300,000 to 500,000 heavy drinkers, and 3,000 premature deaths due to alcohol every year, representing about 6% of all deaths.

Treatment of alcoholism

The efficacy of current treatments and available pharmaceuticals for alcoholism is limited and leaves market opportunity for new therapies.

Biotie is developing nalmefene for the treatment of dependence disorders, particularly alcohol dependence, in which indication nalmefene is profiled to reduce heavy drinking. The therapy concept is a simple, one-tablet-a-day program, where the drug is taken "on demand" or "as needed". Nalmefene is the first oral drug showing efficacy in reducing heavy drinking in multicenter, controlled studies. Nalmefene works by blocking opiate receptors in the brain and the company has studied it in clinical trials in over 1,200 patients.

Alcoholism: Clinical and Experimental Research, a leading journal in addiction therapies, published in June 2007 a scientific article on nalmefene in the treatment of patients with alcohol problems. The featured study described the results of the company's phase III clinical study that was conducted in Finland and enrolled about 400 patients with impaired control over their alcohol drinking. Targeted use of nalmefene during the 28 weeks of treatment decreased heavy drinking statistically significantly.

Pathological gambling and smoking

Biotie's North American licensing partner Somaxon Pharmaceuticals has been pursuing pathological gambling as the lead indication for nalmefene in its territory. Pathological gambling (gambling addiction) represents a significant unmet medical need. In the United States alone, more than 2.2 million patients have been diagnosed with this condition. Currently, there is no approved drug therapy to treat pathological gambling. Somaxon has also studied nalmefene in smoking cessation (nicotine addiction). The anti-smoking pharmaceuticals market is approximately EUR 2 billion.

Somaxon announced positive results with nalmefene in a pilot phase II clinical trial for smoking cessation in July 2006.

In contrast, Somaxon released the results of its phase II/III clinical study in pathological gambling in December 2006. In this study nalmefene did not demonstrate a statistically significant difference compared to placebo. Further assessment of the results from this clinical trial is ongoing. A previous, Biotie-sponsored study has positive results.**

Partners

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.

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

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

Change in the EU regulatory strategy

Biotie submitted a UK national marketing authorisation application on nalmefene in its alcoholism indication at the end of 2006. However, to maximise nalmefene's potential in the treatment of alcoholism Biotie and Lundbeck jointly decided to seek marketing authorisation simultaneously in all 27 EU member states via the centralized procedure. To enable an EU-wide marketing authorisation application the UK national application was withdrawn in June 2007.

Lundbeck plans to further strengthen the existing nalmefene registration dossier in its alcoholism indication with additional phase III clinical studies before submitting the marketing authorisation application. The studies are expected to start in 2008.

*Datamonitor 04/2002
**American Journal of Psychiatry 2006; 163:303–312


Bio Tie

New therapeutics for inflammatory diseases

VAP-1 monoclonal antibody for inflammatory diseases

- First-in-class
- Fully human monoclonal antibody with new mechanism of action targeted to the fast growing inflammation market
- Partnered worldwide with Roche and Seikagaku
- In phase I clinical development

VAP-1 SSAO small molecule inhibitor

- First-in-class
- Small molecule drug with new mechanism of action targeted to the fast growing inflammation market
- Partners: with Roche and Seikagaku
- Preclinical development phase

Inflammatory diseases such as rheumatoid arthritis, inflammatory bowel diseases (Crohn's disease, ulcerative colitis), psoriasis and multiple sclerosis are potentially crippling diseases where current therapies are unsatisfactory. Inflammatory disease market for pharmaceuticals is very large; the rheumatoid arthritis market alone is predicted to reach USD 27 billion in 2010.

VAP-1 inflammation receptor

Biotie's proprietary drug target, Vascular Adhesion Protein-1 (VAP-1), is an inflammation receptor. Blocking the function of VAP-1 is expected to alleviate inflammation in patients. Biotie holds several patents, patent applications and other intellectual property rights on VAP-1 and inhibitors of VAP-1 and VAP-1 SSAO in the U.S., Europe, Japan, and rest-of-the-world.

Biotie is developing two different kinds of pharmaceuticals to block VAP-1 function: a monoclonal antibody drug and a small molecule drug. Monoclonal antibody drugs are given to patients by injection, and small molecule drugs are typically pills.

These products are being developed for treatment of rheumatoid arthritis, inflammatory bowel diseases and other autoimmune diseases, where the normally protective immune system erroneously starts attacking the patient's own tissues.

VAP-1 monoclonal antibody

The fully human VAP-1 antibody drug is based on research conducted by professor Sirpa Jalkanen and her group and aims to block the harmful accumulation of white blood cells in inflammatory sites. Monoclonal antibodies are the fastest growing group of pharmaceuticals with the current sales of USD 20 billion expected to double over the next five years.

Biotie's fully human antibody drug is based on Medarex, Inc.'s HuMab technology. The first phase I clinical study was started in September 2007 and the results from this first study are expected in the second quarter of 2008.

VAP-1 SSAO inhibitor

The alternative approach to blocking the function of VAP-1 inflammation receptor is to inhibit the enzyme it contains, VAP-1 SSAO. Biotie is developing a VAP-1 SSAO small molecule drug in collaboration with Roche.

Partners

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.

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.

Roche and Biotie 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 5 million euros 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 VAP-1 enzyme inhibitor in the 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.


Bio
Tie

New pharmaceuticals for thrombosis

αIIbß3 integrin inhibitor for thrombosis

- First-in-class
- Small molecule drug with new mechanism of action targeted to the growing thrombosis market
- Not yet actively offered for partnering
- Preclinical development phase

Bioheparin for thrombosis

- First non-animal derived heparin targeted to the growing thrombosis market

Myocardial infarction and stroke are leading causes of death in the key markets in the developed world. Myocardial infarction, "heart attack", occurs when a clot (thrombus) forms in a blood vessel in the heart and the blood supply to part of the heart is blocked and part of the heart muscle is damaged. A stroke occurs when a clot forms in a blood vessel in the brain or in another part of the body and breaks off, then travels to the brain. In both cases, the blood supply to part of the brain is blocked and that part of the brain is damaged. The market for anti-thrombotic pharmaceuticals is well over USD 13 billion.

Biotie's integrin αIIbß3 inhibitor is expected to work by making the blood less likely to clot, thus, patients would be less likely to have a stroke or heart attack.

αIIbß3 integrin is a receptor on the surface of blood platelets, mediating adherence of platelets to collagen in vessel walls. This interaction is pivotal in the process of blood clotting. Blood clotting starts with a damaged vessel wall and consequent aggregation of platelets via the αIIbß3 integrin receptor.

Based on epidemiological studies, having high levels of αIIbß3 integrin on one's platelets is a more significant risk factor for thromboembolic disease than increased blood pressure, diabetes, or smoking.

αIIbß3 integrin inhibitors have additional potential in cancer and inflammation

Biotie is investigating the efficacy of its αIIbß3 integrin inhibitor 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, αIIbß3 integrin is a mediator in the formation of metastases into bone and studies suggest that integrin αIIbß3 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 αIIbß3 and its inhibitors in the U.S., Europe, Japan and 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, using pig offal as the source.

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

Biotie is seeking a development partner for the bioheparin program.


Bio

Personnel

Personnel

Biotie's success depends on the ability of its personnel to develop drug candidates into commercial products and to make successful agreements for the commercialization of the innovations. The key factor to Biotie's success is skillfully networking personnel committed to our company goals.

At Biotie, Human Resources Management is based on corporate strategy, company goals, human resources policy and Performance Development Reviews. Biotie's strengths include a flexibility that is only possible in small companies and a high level of commitment. Initiative is encouraged, and the company goals are discussed with each employee during the Performance Development Review, resulting in strategy- and goal-oriented operations from top to bottom. An atmosphere for creativity is enhanced during the annual "Biotie Day" and through personnel activities, lack of bureaucracy and operational transparency. The company's message to its personnel is that each individual employee is appreciated and plays an important role in building our success.

Each professional worker represents the highest expertise in her/his respective field. Future motivation and high-level professional skills are also secured through personnel development schemes and continuous support for each member of our personnel to enhance and deepen their own expertise through training and deliberated networking. Close relations with educational institutions, the international scientific community and experts in different areas form an essential part of developing our know-how. At the end of 2007, Biotie employed 37 professionals. Compared to 2006, there have been no significant changes.

Occupational Wellbeing

Occupational wellbeing, together with maintaining and supporting the ability to work, are at the heart of company operations and development. Biotie has implemented active programs to support the general wellbeing and working capacity of its personnel. Investments in occupational health are exemplary, providing a solid basis for enhanced occupational wellbeing with the focus on preventive activities.

Quality

Research and product development policies are thoroughly covered with standard operating procedures, and there is active follow-up and quality development. The pharmaceutical industry is strictly regulated, and it is essential for the whole industry to conform to ethical principles. This calls for unambiguous rules and transparent operations. Biotie follows the international GCP (Good Clinical Practice) guidelines in its clinical development activities, and the GMP (Good Manufacturing Practice) guidelines in drug production. We are proud to announce that our Laboratory for Analytical Product Development has been GLP (Good Laboratory Practice) certified by the National Authority following an inspection by the National Agency for Medicines.

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 quality of the research and development must always be ethically and scientifically high, and defined hygiene, safety and environmental requirements are followed in the production processes.


Bio Tie

Board of Directors' report and financial statements

Board of Directors' report

Review of the financial year

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

Drug development projects

Nalmefene program

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

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

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

Subsequent to the Biotie clinical program for nalmefene in alcoholism being completed, there is currently a regulatory requirement for an electrocardiogram (ECG) study in healthy volunteers. In October 2007 Biotie started a clinical trial with nalmefene evaluating the potential cardiac effects on healthy volunteers measured using an electrocardiogram. The study is expected to enroll 240 healthy volunteers and to be completed in 2008 and included in the eventual registration dossier.

After the reporting period in January 2008 Lundbeck acquired the United Kingdom and Ireland rights for nalmefene from Britannia Pharmaceuticals (now part of STADA Group, headquartered in Germany). Following the new agreement Lundbeck has worldwide rights for nalmefene, excluding North America, Mexico, Turkey, and South Korea.

After the reporting period in January 2008 Biotie-Lundbeck license agreement terms were amended due to Lundbeck acquiring the United Kingdom and Ireland rights. Under the terms of the amended agreement, Biotie is now eligible for up to EUR 82 million in upfront and milestone payments (previously up to EUR 80 million) plus royalty on sales. Of the EUR 82 million, Biotie has already received from Lundbeck an execution fee of EUR 12 million, of which EUR 10 million was paid on signing in November 2006 and EUR 2 million was paid on the license entering into force in May 2007. Biotie will participate in financing some of the clinical development costs.

VAP-1 antibody program

In September 2007 Biotie started the first phase I clinical trial with its fully human VAP-1 monoclonal antibody.

This first-in-man study evaluates the safety, tolerability, and pharmacokinetics of intravenously administered antibody in healthy volunteers. Results are expected during the second quarter of 2008.

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

Under the terms of the agreement, Roche will pay an option initiation fee of EUR 5 million, which grants Roche an exclusive option right to an exclusive, worldwide license agreement for Biotie's fully human antibody targeting VAP-1, excluding Japan, Taiwan, Singapore, New Zealand, and Australia. The option initiation fee will be paid in two instalments. Biotie received the first instalment of EUR 3 million in 2006 and Roche paid the second instalment of EUR 2 million in November 2007 triggered by the study start. The initial option right will end upon completion of phase I. Roche may extend the option right to later development points by paying additional fees. Biotie will retain all rights to the program until a license is granted to Roche.

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

Co-operation with Seikagaku Corporation proceeded as planned.

Preclinical programs

Preclinical programs (VAP-1 SSAO small molecule inhibitor program and $\alpha 2\beta 1$ integrin inhibitor program) progressed as planned. In the bioheparin program the company continued to look for a partner to finance the future development of the program. To date, partnering efforts have not been successful.

Revenues

Revenue for the 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.

During the financial year 2007 the company received in total EUR 4 million from partnering agreements. Of the total, Biotie received EUR 2 million from Luncbeck and EUR 2 million from Roche.

Of the Lundbeck execution fee of EUR 12 million, EUR 10 million was paid on signing in November 2006 and EUR 2 million was paid on the license entering into force in May 2007. EUR 4 million was booked as revenue in the second quarter of 2007, and the remaining EUR 8 million will be recognized as revenue against clinical development costs in 2007–2009. Total revenue recognized based on the Lundbeck agreement in 2007 was EUR 5.4 million.

Revenue for the financial year 2006 consisted of periodization of the signing fee of the licensing agreement signed with Seikagaku Corporation in 2003 and periodization of the signing fee of the licensing agreement in nalmefene project signed with Somaxon Pharmaceuticals in 2004 and periodization of the option fee of the option agreement signed with Roche in 2006. The revenue

was in total EUR 1.1 million. During the financial year 2006 the company received in total EUR 13.1 million from new partnering agreements. Of the total, Biotie received 10 million euros from Lundbeck.

Research and Development

Majority of Biotie's personnel is employed in research and development. Research and development costs during 2007 were EUR 9.1 million (84% of total costs), 2006 were EUR 8.0 million (78%) and in 2005 EUR 7.1 million (75%).

Financial results

The net loss for the financial year was EUR –1.7 million. The corresponding figure for the previous year was EUR –9.0 million. Research and development costs for the period amounted to EUR 9.1 million (in 2006 EUR 8.0 million). Patent costs have been booked as expenses.

Financing

Biotie's equity ratio was –37.0% on December 31, 2007 (–46.5% in 2006).

Cash and cash equivalents totaled EUR 28.2 million on December 31, 2007 (EUR 31.8 million in 2006).

Capital loans

Non-convertible capital loans

The Finnish National Technology Agency (Tekes) has granted non-convertible capital loans of EUR 19,663 thousand.

EUR 19,196 thousand has been paid to the company by the end of the financial year. Capital loans have been drawn between 1998 and 2007.

Convertible capital loans

Pursuant to the convertible capital loans issued on March 25, 2004, a total of 450,000 new shares have been subscribed during the financial year. The loan capital converted in connection with the subscription amounts to EUR 840,939.62.

The company had at the end of financial year convertible capital loans of EUR 1,682 thousand. The subscription right permits subscription of a total of 828,000 company shares.

Convertible capital loans have been specified on Notes to the Consolidated Financial Statements number 20.

Shares and share capital

Pursuant to the convertible capital loans issued on March 25, 2004, a total of 450,000 new shares have been subscribed for. The new shares have been entered in the Finnish Trade Register on April 2, 2007 and May 11, 2007. The loan capital converted in connection with the subscription amounts to EUR 840,939.62.

During the financial year 2007 a total of 231,200 new shares in Biotie Therapies Corp. were subscribed for by exercising the series A option rights of the company's option scheme determined on 30 March 2006. The subscription price of the shares was EUR 0.60 per share. The new shares have been entered in the Finnish Trade Register on 30 April 2007.

Following the increase in the number of shares based on subscriptions with convertible capital loans and option rights, the total number of shares in Biotie Therapies Corp. was 90,211,860 on December 31, 2007. The subscription price paid has been recorded in the reserve for invested unrestricted equity.

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

Annual General Meeting authorized the Board of Directors to dispose own shares. The authorization has not been used.

Shareholders' equity

The shareholder´s equity (FAS) of the company is less than half of company´s share capital. Considering shareholder´s equity and convertible capital loans of the company, the total amount is more that half of company´s share capital.

The Annual General Meeting will resolve on measures pursuant to the change in equity.

Investments and cash flow

The cash flow from operations was EUR –5.3 million (in 2006 EUR 5.4 million). During the financial year the company received in total EUR 4.0 million from partnering agreements. The company's investments during the financial year amounted to EUR 0.3 million (EUR 0.8 million in 2006).

Changes in Management Team

Ulla Sjöblom, M.Sc. (Econ.), was nominated Corporate Controller and member of the management team in July 2007. Kai Lähdesmäki, VP Business Development, turned 62 in 2007 whereby he retired from the Company. Lähdesmäki was, however, engaged as a consultant for the Company from April, 2007 onwards.

Group structure

The parent company of the group is Biotie Therapies Corp. The group has a subsidiary named Biotie Therapies International Oy, which was not operational during the financial year. The Company has also a passive associated company in the United States called Contral America.

Shareholders' meetings held during the financial year

The Annual General Meeting of Biotie Therapies Corp. was held on March 28, 2007.

The General Meeting of Shareholders adopted the income statement and balance sheet including the consolidated income statement and balance sheet for the financial year 1 January 2006–31 December 2006. The General Meeting of Shareholders resolved pursuant to the proposal of the Board of Directors that the loss

of the financial year, EUR 8,021,230.19 shall be transferred to the company's equity.

The Board of Directors, management and auditors

The number of the members of the Board of Directors was resolved to be four. Juha Jouhki, Pauli Marttila, Riku Rautsola and Piet Serrure were re-elected as the members of the Board of Directors. Janne Rajalahti, Authorized Public Accountant, and PricewaterhouseCoopers Oy, Authorized Public Accountants, were elected as auditors of Biotie Therapies Corp. Timo Veromaa has been President and CEO of Biotie Therapies Corp.

At the organization meeting of the Board of Directors, 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.

The General Meeting resolved pursuant to the proposal of the Board of Directors to amend the Articles of Association to better correspond to the new Companies Act entered into force on September 1, 2006.

The General Meeting resolved pursuant to the proposal of the Board of Directors to amend the terms and conditions of the company's convertible capital loan of 2004. Further, the General Meeting resolved to amend and update the terms and conditions of the 2004 and 2006 option programmes due to the new Companies Act.

The General Meeting authorised the Board of Directors to make other corresponding amendments to the terms and conditions of the convertible capital loan and option programmes without changing the number of shares to be subscribed for pursuant to the convertible capital loans or option rights or any other material terms and conditions.

The General Meeting authorised the Board of Directors to resolve on the issuance of the maximum of 18,000,000 new shares in one or several instalments in a share issue or on the issuance of options to the shares or issuance of shares owned by the company.

The authorisation entitles the Board of Directors to deviate from the shareholders' pre-emptive subscription right. The authorisation is effective until 30 June 2008.

Option programs

Biotie Therapies Corp. has issued option rights by 31.12.2007 pursuant to two different option programs. At the beginning of the financial year the number of 2004 option rights was 2,000,000 and 2006 option rights was 3,000,000. During the financial year 2007 a total of 231,200 new shares in Biotie Therapies Corp. were subscribed for by exercising the 2006 series A option rights of the company's option scheme determined on 30 March 2006. The subscription price of the shares was EUR 0.60 per share. The new shares have been entered in the Finnish Trade Register on 30 April 2007. Subscription price has been recorded in the reserve for invested unrestricted equity.

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

Share capital and Shares

Biotie's shares are quoted on the OMX Nordic Exchange Helsinki (Small cap, Health care).

Biotie Therapies has 90,211,860 shares and the share capital is EUR 19,849,778.31. 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.

At the end of the financial year the share price was EUR 0.76. The highest price for Biotie´s share during the year was EUR 1.22 and the lowest was EUR 0.75. The average share price was EUR 0.98. Biotie´s market capitalization at the beginning of the financial year was EUR 105.65 million and at the end of the financial year EUR 68.56 million.

The average monthly trading during 1.1.–31.12.2007 was 2,924,478 shares. The value of shares traded during 2007 was EUR 34.15 million.

At the end of the financial year the company had 6,340 shareholders compared to 6,181 at the end of 2006.

Ownership structure is presented on pages 54–57.

Risks

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

The company's operational risks involve key personnel, immaterial rights and partners. The company's drug development projects require special expertise the continued availability of which cannot be guaranteed. The experience and know-how of certain key personnel and certain outside consultants may not necessarily be replaceable by hiring new personnel or engaging new consultants or other service providers.

Significant financial resources are required to forward the drug development projects into commercialised products. The company aims to finance operations with outside financing such as signing and milestone payments from partners and R&D grants and loans. The company's operations are, however, largely based on equity financing. There can be no assurance that such financing can be raised from the markets on reasonable terms and conditions, if at all, or that such funds, if raised, will be sufficient to permit the Company to carry out the planned activities.

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.

Events after the Financial Period

In January, 2008 Lundbeck acquired the United Kingdom and Ireland rights for nalmefene from Britannia Pharmaceuticals (now part of STADA Group, headquartered in Germany). Following the new agreement Lundbeck has worldwide rights for nalmefene, excluding North America, Mexico, Turkey, and South Korea.

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

In January, 2008 Finnish Funding Agency for Technology and Innovation (Tekes) granted EUR 1.7 million additional funding for Biotie Therapies' integrin $\alpha 2\beta 1$ 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 realised 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.

Future outlook

Results from the first phase I clinical trial with Biotie's VAP-1 fully human monoclonal antibody are expected during the second quarter of 2008.

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

Due to Biotie having two programs in the clinical development phase the operating costs are expected to increase to a somewhat higher level for 2008 than in 2007.

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

The Board of Directors proposal for handling of the loss

The Board of Directors proposes that no dividend from the financial year 2007 will be paid, and that the loss of the parent company for the financial year EUR –1.6 (FAS) million will be transferred to shareholders´ equity.

Financial situation

1000 €	2007	2006	2005
Revenue	7,895	1,118	1,227
Operating profit	–1,769	–8,361	–7,381
Operating profit, % of revenue	–22.4	–747.6	–601.3
Equity ratio %	–37.0	–46.5	–219.3

Personnel	**2007**	**2006**	**2005**
Average number of personnel	36	37	47
Number of personnel, end of period	37	35	45
Personnel costs	1,574	2,052	2,446

Key Figures are presented more detailed on page 44.

Income statement

1 000 €	Note	1.1.–31.12.2007	1.1.–31.12.2006
Revenue	3	7 895	1 118
Research and development expenses	4	–9 053	–7 970
General and administrative expenses	4	–1 655	–2 207
Other operating income	7	1 044	698
Operating profit / loss		–1 769	–8 361
Financial income	8	860	215
Financial expenses	8	–817	–812
Profit / loss before taxes		–1 726	–8 958
Taxes	9	0	–7
Net income / loss		–1 726	–8 964
Distribution to			
Parent company shareholders		–1 726	–8 964
Earnings per share (EPS) basic & diluted, EUR	10	–0.02	–0.16

Balance sheet

1 000 €	Note	31.12.2007	31.12.2006
ASSETS			
Non-current assets			
Intangible assets	11	747	801
Property, plant and equipment	12	332	109
Financial assets at fair value through profit or loss	16	14 938	20 000
		16 017	20 910
Current assets			
Accounts receivables and other receivables	15	753	560
Financial assets at fair value through profit or loss	16	13 000	7 878
Cash and cash equivalents	17	305	3 886
		14 058	12 323
Total assets		30 075	33 233
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	18	19 850	19 850
Reserve for invested unrestricted equity	18	980	0
Retained earnings		–30 220	–21 692
Net income / loss		–1 726	–8 964
		–11 117	–10 807
Non-current liabilities			
Provisions	19	14	27
Non-current financial liabilities	20	23 603	23 508
Other non-current liabilities	21	10 098	6 528
		33 715	30 063
Current liabilities			
Provisions	19	20	16
Current financial liabilities	22	104	27
Accounts payable and other current debts	23	7 353	13 934
		7 477	13 977
Total liabilities		41 192	44 040
Total equity and liabilities		30 075	33 233

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	Share premium fund	Own shares	Retained earnings	Shareholders' equity total
Balance at January 1, 2006		52 675	1 054	0	5 881	–15	–26 502	–19 583
Net income / loss for the period							–8 964	–8 964
Options granted	18						102	102
Transfer from share premium fund					–5 881		5 881	0
Share issue		36 855	18 796				–1 157	17 639
		36 855	18 796	0	–5 881	0	–4 139	8 776
Balance at December 31, 2006		89 531	19 850	0	0	–15	–30 641	–10 807
Net income / loss for the period							–1 726	–1 726
Options granted	18						437	437
Share subscription with convertible capital loans	20	450		841				841
Share subscription with option rights	18	231		139				139
		681	0	980	0	0	–1 289	–310
Balance at December 31, 2007		90 212	19 850	980	0	–15	–31 930	–11 117

Cash flow statement

1 000 €	Note	1.1.–31.12.2007	1.1.–31.12.2006
Cash flow from operating activities	25		
Net income / loss		–1 726	–8 964
Adjustments:			
Non-cash transactions		443	1 249
Addition / disposal (–) due to revaluation of financial assets at fair value through profit or loss	16	–644	–84
Interest expenses and other financial expenses		817	812
Interest income		–216	–215
Taxes		0	7
Change in working capital			
Change in accounts receivables and other receivables		–190	–19
Change in accounts payable and other liabilities		–3 799	12 535
Change in mandatory provisions		10	–12
Interest paid		–40	–25
Interest received		57	131
Income taxes paid		0	–7
Cash flow from operating activities		–5 288	5 408
Cash flow from investing activities			
Change in financial assets at fair value through profit or loss	16		
Additions		–4 500	–25 000
Disposals		5 280	4 000
Investments	12	–23	–819
Sale of associated companies	13	0	45
Net cash used in investing activities		757	–21 773
Cash flow from financing activities			
Payments from share issue	18	139	17 639
Proceeds from borrowings	20	874	2 232
Repayment of loans		–40	0
Repayment of lease commitments		–23	–15
Net cash from financing activities		950	19 856
Change in cash and cash equivalents		–3 581	3 490
Cash and cash equivalents at the beginning of the period		3 886	395
Cash and cash equivalents at the end of the period		305	3 886

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

Notes

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

1. Accounting principles

A. General information

Biotie Therapies is a drug development company focusing on dependence disorders, inflammatory diseases and thrombosis. Biotie's shares are listed on the OMX, Nordic Exchange, Helsinki. The company is situated in Turku and 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, 2007. 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.

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 mainly been made for intangible assets. Management's estimates are explained more in detail in paragraph Q.

The Group adopted the standard IFRS 7 Financial Instruments: Disclosures and the related amendments to IAS 1 Presentation of Financial Statements - Capital Disclosures as from January 1, 2007.

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.

The Board of Directors approved the publication of the financial statements on January 25, 2008.

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 associates are eliminated to the extent of the Group's interest in the associate. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of an asset transferred. When the Group's share of losses in an associate equals or exceeds its interest in the associate, including any other unsecured receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

(3). Foreign currency translation

The consolidated financial statements are presented in Euro, which is the Company's functional and presentation currency. Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the 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.

D. Revenue recognition

Revenue of the drug development company typically consists of upfront payments, milestone payments and royalties of the sales, 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 income 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 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, which is 4 years. The residual value and the useful life of an asset are reviewed, and adjusted if appropriate, at each balance sheet date.

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

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

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. Goodwill on acquisition of subsidiaries is included in "Intangible assets". Goodwill on acquisition of associates is included in "investments in associates". Separately recognised goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold. The goodwill at the date of transition relates to acquisitions made before January 1, 2004 and corresponds to the book value under previous GAAP used as deemed cost on transition.

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

The Group does not have goodwill at the end of the year 2007.

(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 propability 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.

(3) Other intangible assets

Intangible rights include capitalized costs for production licences 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 20 years; computer softwares 4 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 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 financial asset is recognized in the group "Financial assets at fair value through profit and loss" when it is initially classified to be recognized at fair value through profit and loss. Financial assets are measured and managed based on fair value.

The Group's investments are included in non-current assets, except where the management has expressed intent to keep the investment for a period of less than 12 months from the date of the financial statements or where there is a need to sell the investments in order to obtain working capital required in the company's operation. Such investments are included in current assets.

Notes

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. Credit losses are recognized in income statement.

The management shall determine the appropriate classification of investments at the moment of acquisition.

The Group applies a consistent policy in recognizing an asset based on the trade date, which is the date that the Group commits to buy or sell the asset. Transaction expenses are included in acquisition costs. Realized sales gains as well as 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's financial items when they occur. An asset's fair value is based on quoted bid prices. Investments include mainly investments to mutual funds.

Financial assets will be subject to an impairment test, if there is objective evidence on the impairment of the item. Impairment test is made for loans and other receivables if there is objective evidence that the value of these items has been decreased. 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.

I. Leases

Leases of tangible assets where the Group has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalized at the inception of the lease at the lower of the fair value of the leased property or the present value of the minimum lease payments. Each lease payment is allocated between the finance charge and the reduction of the outstanding liability so as to achieve a constant rate on the finance balance outstanding. Rental obligations are included in current and non-current 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.

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

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

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

(2) 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 divided into even increments during the vesting period. The expenses defined at the moment of granting the options are based on the Group's estimate of the quantity of options to which rights are expected to arise at the end of the vesting period. The fair value is defined on the basis of the Black-Scholes option pricing model.

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 September 1, 2006 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.

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

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).

Q. Critical accounting estimates and judgements

When preparing the financial statements, estimates and presumptions pertaining to the future need to be made, but their realization may differ from the estimates and presumptions made. Estimates requiring application of judgment have mainly been made to bioheparin capitalization and production licence capitalization in the financial year 2006 in intangible assets. As the company did not yet sign up a commercial partner for recombinant heparin program, the capitalized development costs were written off in 2006. In addition, application of judgment is required when applying the accounting principles of the financial statements.

R. New IFRS standards, IFRIC interpretations

The IASB has published the following standards and interpretations whose application will be mandatory in 2008 or later. The group has not early adopted these standards, but will adopt them in later periods. Management is assessing the impact of the standard changes on the financial statements of the group.

The following standards and interpretations will be adopted by the group in 2008:

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions' provides guidance on whether share-based transactions involving treasury shares or involving group entities should be accounted for as equity settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies.
- IFRIC 12, 'Service Concession Arrangements' applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. *
- IFRIC 14, 'IAS 19 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction' is applied to post-employment defined benefit plans and other long-term defined benefit plans under IAS 19, if the plan includes minimum funding requirements. The interpretation also clarifies the criteria for recognition of an asset on future refunds or reductions in future contributions. *

The group will adopt in 2009 the following standards published by IASB:

- IAS 1 (Revised), 'Presentation of Financial Statements' is aimed at improving users' ability to analyse and compare the information given in financial statements by separating changes in equity of an entity arising from transactions with owners from other changes in equity. *
- Amendment to IAS 23, 'Borrowing Costs' requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of qualifying asset as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. *
- Amendment to IFRS 2, 'Share-based payment', clarifies that only service conditions and performance conditions are vesting conditions. All other features need to be included in the grant date fair value and do not impact the number of awards expected to vest or the valuation subsequent to grant date. The amendment also specifies that all cancellations, whether by the entity or by other parties, should receive the same accounting treatment. *
- IFRS 8, 'Operating Segments' replaces IAS 14. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes.
- IFRIC 13, 'Customer Loyalty Programmes'. IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive, the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement using fair values. *

Notes

The group will adopt in 2010 the following standards published by IASB:

- IFRS 3 (Revised), 'Business combinations'. The revised standard continues to apply the acquisition method to business combinations, with some significant changes. For example, all payments to purchase a business are to be recorded at fair value at the acquisition date, with some contingent payments subsequently remeasured at fair value through income. Goodwill may be calculated based on the parent's share of net assets or it may include goodwill related to the minority interest. All transaction costs will be expensed. *
- IAS 27 (Revised), 'Consolidated and separate financial statements'. The revised standard requires the effects of all transactions with non-controlling interests to be recorded in equity if there is no change in control. They will no longer result in goodwill or gains and losses. The standard also specifies the accounting when control is lost. Any remaining interest in the entity is remeasured to fair value and a gain or loss is recognised in profit or loss. *

* The revision, amendment or interpretation to published standards is still subject to endorsement by the European Union.

The following standards, amendments and interpretations to published standards are mandatory in 2007:

- IFRS 7, 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments. It requires the disclosure of qualitative and quantitative information about exposure to risks arising from financial instruments, including specified minimum disclosures about credit risk, liquidity risk and market risk, including sensitivity analysis to market risk. The amendment to IAS 1 introduces disclosures about the level of an entity's capital and how it manages capital.
- IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2.
- IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognised in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date.

The following standards, amendments and interpretations to published standards are mandatory in 2007 but they are not relevant to the group's operations:

- IFRIC 7, 'Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies';
- IFRIC 9, 'Re-assessment of embedded derivatives'.

2. Segment reporting

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

3. Revenue

	2007	2006
H. Lundbeck licensing agreement	5 423	0
F. Hoffman La Roche option agreement	1 651	115
Somaxon licensing agreement	554	725
Seikagaku licensing agreement	235	272
Marketing and distribution agreements	32	6
Total	7 895	1 118

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.

The revenue for the year 2006 consisted of periodization of the upfront payment of the licensing agreement with Seikagaku Corporation and Somaxon Pharmaceuticals and of the periodization of option payments of the option agreement signed with Roche in 2006. In addition periodization of upfront payment of marketing and distribution agreements has been booked as revenue.

4. Research and development expenses

	2007	2006
Outsourced services	5 774	4 419
Internal research and development expenses	1 198	597
Personnel costs	1 963	1 807
Depreciation	118	1 147
Total	9 053	7 970

5. Personnel costs

Wages and salaries	1 575	2 052
Other obligatory personnel expenses	75	100
Other voluntary personnel expenses	107	189
Pension expenses - contribution-based pension plans	246	344
Options granted	437	102
Total	2 440	2 786
Personnel costs by operation		
Research and development personnel costs	1 963	1 807
Administration personnel costs	477	979
Total	2 440	2 786

The average number of personnel in 2007 was 36 (2006: 37).

The stock options are reviewed in more detail in note 18 and management benefits in note 28.

6. Depreciation

	2007	2006
Depreciation by asset		
Intangible assets	38	1 007
Machinery and equipment	80	141
Total	118	1 147
Depreciation by operation		
Research and development	118	1 141
Administration	0	7
Total	118	1 147

Intangible asset depreciation in 2006 includes an impairment loss of EUR 0.7 million.

7. Other operating income

	2007	2006
Research and development subsidies from The National Technology Agency (Tekes)	805	377
Research and development subsidies from EU	6	6
Ministry of Trade and Industry	0	4
Rent	158	187
Other	75	124
Total	1 044	698

Leases from subleased premises, (cf. Accounting principles, P. Provisions, Note 19).

Notes

8. Financial income and expenses

Financial income

	2007	2006
Realized gains from assets recorded at fair value in profit and loss account	139	97
Unrealized gains from assets recorded at fair value in profit and loss account	644	84
Other financial and interest income	77	34
Total	860	215

Financial expenses

Interest on Tekes loans	–622	–559
Interest on finance leases	–2	–1
Interest on convertible capital loan agreements	–193	–252
Total	–817	–812

9. Taxes

Withholding taxes on income from foreign countries	0	–7
Total	0	–7

Withholding tax is only reported in the group taxes in profit and loss, it is not reported in receivables. This tax is deductible in Finland in 2 years time against taxable profit. However, it is not probable that the company will make profit and be able to deduct the paid withholding tax in near future.

10. Earnings per share

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

	2007	2006
Net profit attributable to shareholders (1 000 €)	–1 726	–8 964
Weighted average number of shares (1 000 pcs)	90 003	54 996
Earnings per share, basic (€ per share)	–0.02	–0.16
Earnings per share, diluted (€ per share)	–0.02	–0.16

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.

Instruments with a possible dilution effect to earnings per share:

Adjustments:	2007	2006
- presumed modification of convertible capital loan agreements (1 000 pcs)	828	1 278
- stock options (1 000 pcs)	4 769	5 000
Total	5 597	6 278

11. Intangible assets

	Intangible rights
Financial year ending on Dec 31, 2006	
Book value on Jan 1	1 047
Additions	762
Depreciation	–1 007
Book value on Dec 31	801
Dec 31, 2006	
Acquisition cost	4 970
Accumulated depreciation	–4 169
Book value	801
Financial year ending on Dec 31, 2007	
Book value on Jan 1	801
Depreciation	–54
Book value on Dec 31	747
Dec 31, 2007	
Acquisition cost	4 970
Accumulated depreciation	–4 223
Book value	747

Intangible rights consist mainly of capitalized acquisition costs for the production licence EUR 720 thousand provided in 2006. The remaining amount, EUR 27 thousand, includes mainly software.

12. Property, plant and equipment

	Machinery and equipment
Financial year ending on Dec 31, 2006	
Book value on Jan 1	192
Additions	57
Depreciation	–141
Book value on Dec 31	109
Dec 31, 2006	
Acquisition cost	2 236
Accumulated depreciation	–2 128
Book value	109
Financial year ending on Dec 31, 2007	
Book value on Jan 1	109
Additions	288
Depreciation	–64
Book value on Dec 31	332
Dec 31, 2007	
Acquisition cost	2 525
Accumulated depreciation	–2 192
Book value	332

Assets of the financial year 2007 include approximately EUR 2.0 million of completely depreciated assets still in use.

Additions of the year 2007 include EUR 264 thousand (2006: EUR 38 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:

	2007	2006
Acquisition cost – capitalized on the basis of finance lease	1 371	1 107
Accumulated depreciation	–1 076	–1 027
Book value	295	81

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.

Notes

13. Investments in associated companies and subsidiaries

Associated companies:	Country	Share of ownership %
Biovian Ltd., Tykistökatu 6 B, Turku	Finland	0.0 %
Contral America Inc., with no activities	USA	25.0 %

	2007	2006
At the beginning of the period	0	38
Sale of associated companies	0	–38
Share of profit/loss before taxes	0	0
Share of taxes	0	0
Share of profit/loss after taxes	0	0
At the end of the period	0	0

Biotie disposed the 9.9% holding in Biovian Ltd. during March 2006 and realized a gain of 7 thousand euros.

Subsidiaries:	Country
Biotie Therapies International Ltd	Finland

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

14. Carrying amounts and fair values of financial assets and liabilities

2007	Financial assets/ liabilities at fair value through income statement	Loans and receivables	Financial liabilities measured at amortized cost	Carrying amount by balance sheet item	Fair value	Note
Non-current financial assets						
Financial assets at fair value through profit and loss	14 938			14 938	14 938	16
Current financial assets						
Trade and other receivables		753		753	753	15
Financial assets at fair value through profit and loss	13 000			13 000	13 000	16
Cash and cash equivalents		305		305	305	17
Carrying amount by category	27 938	1 058	0	28 996	28 996	
Non-current financial liabilities						
Non-current financial liabilities			23 603	23 603	23 603	20
Other non-current liabilities			10 098	10 098	10 098	21
Current financial liabilities						
Current financial liabilities			104	104	104	22
Accounts payable and other current debts			7 353	7 353	7 353	23
Carrying amount by category	0	0	41 158	41 158	41 158	

2006	Financial assets/ liabilities at fair value through income statement	Loans and receivables	Financial liabilities measured at amortized cost	Carrying amount by balance sheet item	Fair value	Note
Non-current financial assets						
Financial assets at fair value through profit and loss	20 000			20 000	20 000	16
Current financial assets						
Trade and other receivables		560		560	560	15
Financial assets at fair value through profit and loss	7 878			7 878	7 878	16
Cash and cash equivalents		3 886		3 886	3 886	17
Carrying amount by category	27 878	4 446	0	32 324	32 324	
Non-current financial liabilities						
Non-current financial liabilities			23 508	23 508	23 508	20
Other non-current liabilities			6 528	6 528	6 528	21
Current financial liabilities						
Current financial liabilities			27	27	27	22
Accounts payable and other current debts			13 934	13 934	13 934	23
Carrying amount by category	0	0	43 997	43 997	43 997	

15. Accounts receivables and other receivables

	2007	2006
Non-interest bearing receivables		
Accounts receivables	9	0
VAT receivables	106	207
Other receivables	80	84
Prepaid expenses and accrued income	558	269
Total	753	560

Other receivables include a collateral of EUR 80 thousand for lease limit.

The carrying amounts of accounts receivables and other receivables are reasonable approximations of their fair value.

16. Financial assets at fair value through profit or loss

Money market funds	2007	2006
Long term	14 938	20 000
Short term	13 000	7 878
Total	27 938	27 878

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

Investments are classified as non-current assets unless they are expected to be sold during the twelve months following the date of the financial statements or unless they must be sold in order to obtain working capital.

17. Cash and cash equivalents

	2007	2006
Bank accounts	305	3 886

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

18. Equity and stock options

EQUITY

Biotie Therapies Corp. has one share serie. Under Biotie Therapies' Articles of Association the company's share does not have a nominal 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 0.76 per share, the market value of the shares was EUR 622 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 in January, 2007. Pursuant to this program, the number of the company's own shares in its possession may be temporarily less than 819,000.

Changes in shareholders' equity during the period are shown in the statement of changes in shareholders' equity.

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. The stock options have a term up to 6 years from the grant date. After expiration of a 2 to 3 year waiting period, the options may be freely transferred or exercised. The options are forfeited if the employee leaves the Group before the options vest. Key characteristics and terms of Biotie option schemes are listed in the next page table. During the period a total of 231,200 new shares have been subscribed for pursuant to the series 2006A option rights. The subscription price of the shares was EUR 0.60 per share. The subscription price has been recorded in the reserve for invested unrestricted equity. The outstanding stock options at the end of the period were 4,768,800, out of which the company controlled 837,540. If exercised in full, the option rights entitle to shares representing maximum 5.29% of the company's shares and votes. The dilutive effect of the granted stock options was at most 4.18% at 31.12.2007.

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 calculated using the Black-Scholes option pricing model at the grant date and expensed over the vesting period.

Notes

OPTIONS	Option Plan 2004			Option Plan 2006			Total
2007	2004A	2004B	2004C	2006A	2006B	2006C	
31.12.2007							
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	30.3.2006	30.3.2006	
				21.9.2007	21.9.2007	21.9.2007	
Maximum number of stock options	800 000	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, 2007, €	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 exercise 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, years	6.0	6.0	6.0	5.8	5.8	5.8	
Remaining contractual life Dec 31, 2007, years	2.0	2.0	2.0	4.0	4.0	4.0	
Number of persons Dec 31, 2007	49	48	39	12	11	11	
Vesting conditions	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.

TRANSACTIONS DURING	Option Plan 2004			Option Plan 2006			Total
THE PERIOD 2007	2004A	2004B	2004C	2006A	2006B	2006C	
Number of options at Jan 1, 2007							
Granted	643 000	470 000	336 000	675 200	675 200	675 200	3 474 600
Returned	0	1 000	0	0	0	0	1 000
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
Non-distributed	157 000	131 000	264 000	324 800	324 800	324 800	1 526 400
Exercisable	800 000	600 000	600 000	1 000 000	1 000 000	1 000 000	5 000 000
Changes during the period							
Granted	0	0	0	324 800	333 130	333 130	991 060
Returned	0	0	0	0	151 100	151 100	302 200
Invalidated	0	0	0	0	0	0	0
Exercised	0	0	0	231 200	0	0	231 200
Share price at the exercise period, €	–	–	–	1.01 €	–	–	–
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
Returned	0	1 000	0	0	151 100	151 100	303 200
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
Outstanding	643 000	469 000	336 000	768 800	857 230	857 230	3 931 260
Non-distributed	157 000	131 000	264 000	0	142 770	142 770	837 540
Exercisable	800 000	600 000	600 000	768 800	1 000 000	1 000 000	4 768 800

TRANSACTIONS DURING THE PERIOD 2006	Option Plan 2004 2004A	2004B	2004C	Option Plan 2006 2006A	2006B	2006C	Total
Number of options at Jan 1, 2006							
Granted	643 000	470 000	0	–	–	–	1 113 000
Returned	0	1 000	0	–	–	–	1 000
Invalidated	0	0	0	–	–	–	0
Exercised	0	0	0	–	–	–	0
Outstanding	643 000	469 000	0	–	–	–	1 112 000
Non-distributed	157 000	131 000	600 000	–	–	–	888 000
Exercisable	800 000	600 000	600 000	–	–	–	2 000 000
Changes during the period							
Granted	0	0	336 000	675 200	675 200	675 200	2 361 600
Returned	0	0	0	0	0	0	0
Invalidated	0	0	0	0	0	0	0
Exercised	0	0	0	0	0	0	0
Expired	0	0	0	0	0	0	0
Number of options at Dec 31, 2006							
Granted	643 000	470 000	336 000	675 200	675 200	675 200	3 474 600
Returned	0	1 000	0	0	0	0	1 000
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
Non-distributed	157 000	131 000	264 000	324 800	324 800	324 800	1 526 400
Exercisable	800 000	600 000	600 000	1 000 000	1 000 000	1 000 000	5 000 000

The fair value of options have been determined at grant date and the fair value is recognised to personnel expenses during the vesting period. Grant date is the date of the decision of the board of directors to grant stock options. 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 are presented on the table below. The Company granted a total of 991,060 employee stock option rights during the financial year 2007. The total fair value of options granted during the year was EUR 0.5 million. The effect of employee stock options on the Company's earnings in 2007 was EUR 0.4 million (2006 EUR 0.1 million).

		Granted 2006	Granted 2007
Option plan	2004	2006	2006
Share price at grant date, €	0.84	0.58	1.00
Subscription price, €	0.90/0.98/1.07	0.60/0.66/0.71	0.60/0.66/0.71
Volatility, %	58.70	44.20	45.00
Maturity, years	5.97	5.76	4.28
Interest rate, %	2.50	3.40	4.26
Expected dividends	0	0	0
Valuation model	BS	BS	BS
Expected forfeitures, %	10	10	10
Total fair value, €	0.44	0.12	0.53–0.58
Effect on earnings 2007, 1000 €	0	67	370

19. Provisions

	Unprofitable leases	Total
January 1, 2007	43	43
Used during the fiscal year	–9	–9
December 31, 2007	34	34

Division of total provisions:	2007	2006
Long term	13	27
Short term	20	16
Total	34	43

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 145 thousand in 2007 (EUR 202 thousand in 2006). The minimum rent for the subleases concluded amounts to EUR 125 thousand in 2007 (EUR 186 thousand in 2006). The Group has a provision of EUR 34 thousand for these subleases.

Notes

20. Long-term financial liabilities

	2007	2006
Non-convertible capital loans from Tekes	19 127	18 311
Long-term R&D loans from Tekes	2 641	2 662
Convertible capital loan agreements	1 682	2 523
Lease liabilities	153	12
Total	23 603	23 508

The loans include a total of EUR 153 thousand (2006: EUR 12 thousand) of secured debts (leasing debts). Leasing debts are actually secured, as in the case of default on a payment the rights to the leased property are transferred back to the lessor.

The value of debts on the balance sheet is considered to reflect their fair value, because the discount rate used is considered as remaining unchanged after the loans have been granted. This is due to the structure of the company's external loan which consists solely on capital loans and loans from Tekes.

Non-convertible capital loans from Tekes
The Finnish National Technology Agency (Tekes) has granted capital loans of EUR 19,663 thousand. EUR 19,196 thousand has been paid to the company by the end of the financial year. The amount includes EUR 69 thousand which will be booked as capital loans as soon as the approved expenses are accrued and settlement concerning expenses has been approved. The loan period is 8 years. The interest rate is base rate set by The Ministry of Finance minus 1%, however, at least 3%. The loans are instalment-free for four to five years, after that loans will be paid in equal shares. Capital loan has been granted to a definite product development project and the loan covers a contract-based share of the project's R&D expenses. Capital loans have been drawn between 1998 and 2007.

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% p.a.
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 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 2,641 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:	2007	2006
Under 1 year	9 621	8 175
1–5 years	12 397	13 065
Over 5 years	1 472	2 257
Total	23 490	23 497

9,581 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	64	27
1–5 years	153	12
Total	217	39
Finance charges from leases to be accrued in the future	19	1

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

21. Other long-term liabilities

	2007	2006
Interest debts	4 929	4 142
Upfront payments of license agreements	5 169	2 386
Total	10 098	6 528

Interest debts include mainly unpaid interest debts from capital loans. The interest on capital loans shall only be paid if the payable amount can be used in profit distribution as per the company's, or if the company is the parent company, the Group's, adopted balance sheet for the most recently ended fiscal year.

The signing fees on licensing agreements include amortizations of received payments for the entire duration of the contract.
The duration is revaluated annually.

22. Current financial liabilities

	2007	2006
Tekes, R&D loans	40	0
Financial lease liabilities	64	27
Total	104	27

23. Accounts payable and other current debts

	2007	2006
Accounts payable	273	854
Debts related to social security costs and to other tax-like charges	63	76
Accrued expenses and prepaid income	1 266	570
Upfront payments of license agreements	5 752	12 420
Other debts	0	15
Total	7 353	13 934

Accrued expenses and prepaid income include mainly a provision for vacation pay EUR 203 thousand (2006: EUR 252 thousand) and accrual of research expenses EUR 927 thousand (2006: EUR 273 thousand).

24. Deferred taxes

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

The Group has deferred tax assets (2007: EUR 24,662 thousand, 2006: EUR 22,848 thousand) in relation to losses confirmed in taxation. Furthermore, the Group has deferred tax assets in terms of depreciation in accounting but not in taxation (2007: EUR 880 thousand, 2006: EUR 608 thousand). Finally, the Group has deferred tax assets relating to periodization of license agreement signing fees (2007: EUR 1,129 thousand, 2006: EUR 1,249 thousand) as well as relating to finance lease (2007: EUR 8 thousand, 2006: EUR 17 thousand).

The Group has deferred tax liabilities because of the measurement of the financial assets at fair value through profit or loss (2007: EUR 227 thousand, 2006: EUR 59 thousand).

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

The Group has recorded a deferred tax debt of EUR 227 thousand (2006: EUR 59 thousand) and also a tax asset of EUR 227 thousand (2006: EUR 59 thousand):

	2007	2006
Deferred tax assets	227	59
Deferred tax liabilities	227	59

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

The gross movement on the deferred income tax in income statement is as follows:

Change in tax assets	168	22
Change in tax liabilities	–168	–22

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

Notes

Losses confirmed in taxation

		Expires
Loss for the fiscal year 1997	350	2007
Loss for the fiscal year 1998	2 443	2008
Loss for the fiscal year 1999	7 976	2009
Loss for the fiscal year 2000	10 691	2010
Loss for the fiscal year 2001	16 177	2011
Loss for the fiscal year 2002	25 465	2012
Loss for the fiscal year 2003	10 171	2013
Loss for the fiscal year 2004	6 219	2014
Loss for the fiscal year 2005	8 383	2015
Loss for the fiscal year 2006	6 976	2016
	94 852	

Postponed depreciation – depreciation in taxation is of lesser value than in accounting

Fiscal year 2000	109
Fiscal year 2001	115
Fiscal year 2002	696
Fiscal year 2003	593
Fiscal year 2004	425
Fiscal year 2005	400
Fiscal year 2006	1 047
	3 385

25. Adjustment of cash flow from operating activities

	2007	2006
Net income (loss)	–1 726	–8 964
Adjustments:		
Non-cash transactions		
Depreciation	118	1 147
Options granted	437	102
Other adjustments	–112	0
Addition/disposal (–) due to revaluation of financial assets at fair value through profit or loss	–644	–84
Interest expenses and other financial expenses	817	812
Interest income	–216	–215
Taxes	0	7
Changes to working capital:		
Change in accounts receivables and other receivables	–190	–19
Change in accounts payable and other debts	–3 799	12 535
Change in mandatory provisions	10	–12
Interest paid	–40	–25
Interest received	57	131
Income taxes paid	0	–7
Net cash flow from operating activities	–5 288	5 408

26. Financial risk management

(1). Principles and processes of financial risk management

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

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

(2). Market risk

(i) Foreign exchange risk

The Company operates internationally and is exposed to foreign exchange risk between several currencies, of which euro, US dollar and pound sterling are the most important. The risk is mainly related to accounts payables and to future payments. Management follows considerable currency positions regularly. Significant net positions in foreign currency may be hedged by foreign exchange forward contracts if needed. During reporting period no hedging contracts have been made.

The table below shows the accounts payables of the Group by currency as of 31.12.2007 (31.12.2006). Numbers presented are thousands.

Currency (1 000 €)	31.12.2007	31.12.2006
EUR	238	801
USD	6	2
GBP	29	51
Accounts payable total	273	854

(ii) Interest rate risk

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group invests liquid assets in low risk securities. The Group's loans from the National Technology Agency (Tekes) are mainly tied to the base rate defined by the Finnish Ministry of Finance. The interest rate of convertible capital loan agreements is fixed. At the end of the fiscal year, 7% of loans had a fixed interest rate. Management follows the interest rate positions regularly and uses interest rate derivates if necessary. During reporting period no interest rate derivate contracts have been made.

The following table summarizes repricing of the Group's interest bearing liabilities. 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 20.

Period in which repricing occurs	within 3 monts	within 1 year	1–5 years	more than 5 years	Financial instruments with fixed interest rate
Financial instruments with floating interest rate					
Capital loans	19 127				
R&D loans	2 681				
Leasing loans	206				
Financial instruments with fixed interest rate					
Convertible capital loans					1 682
Leasing loans					11
Total	22 014	0	0	0	1 693

(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 Groups income statement. Changes do not impact the equity. The financial instruments that are sensitive to these risks are: cash and cash equivalents, 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 in USD and GBP as well as liabilities i.e. in practice 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	2007	2006
10% change in EUR/USD exchange rate	0	+/– 1
10% change in EUR/GBP exchange rate	+/– 3	+/– 5
+1% change in base rate	–191	–181
–1% change in base rate	24	0

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 20.

(3). Liquidity riks and capital risk management

To protect the continuity of the Company's operations sufficient liquidity and capital has to be maintained. The financing of the Group's operations consists of income obtained from licensing agreements, R&D financing granted by the National Technology Agency (Tekes) and investments of equity.

The Group aims to have cash funds to finance at least one year's operations at all times. Management monitors the capital and liquidity monthly based on business plan. The Company can influence the amount of capital by reducing the amount of R&D expenses or by acquiring financing from the markets.

The Group had low risk securities and bank accounts as follows:

	2007	2006
Low risk securities	27 938	27 878
Bank deposits	305	3 886
Total	28 243	31 764

Notes

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

As of December 31, 2006 the contractual maturity of loans and interests was as follows:

	2007	2008	2009	2010–	**Total**
Capital loans					
- repayment of loans	–8 135	–1 979	–3 145	–7 575	–20 834
- interest expenses	–4 347	–322	–227	–162	–5 058
R&D loans					
- repayment of loans	–40	–40	–40	–2 542	–2 662
- interest expenses	–26	–26	–25	–64	–141
Financial leasing					
- repayment of loans	–27	–11	–1		–39
- interest expenses	–1				–1

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 20.

(4.) Credit risk

Trade receivables as well as deposit and securitity receivables from the banks expose the Group to credit risk.

The Group has procedures to ensure that the Group works with partners with good credit ratings. Credit insurance is used if necessary. Also, payment terms can be defined strictly to protect the receivables. The table below shows an analysis of trade receivable by age. The value of accounts receivables on the balance sheet is considered to reflect the maximum credit risk. There are no significant credit risk concentrations in accounts receivables.

Analysis of trade receivables by age at closing date

	2007	2006
Undue receivables	9	0
Trade receivables 1–30 days overdue	0	0
Total	9	0

Solid financial institutions with A ratings are used as constitute parties in securities and in bank accounts. The carrying amounts of the securities and bank accounts are the best approximation of their maximum credit risk.

27. Contingent liabilities

Operating lease commitments – Group as lessee

Minimum rent based on non-cancelable operating leases is as follows:

	2007	2006
Under 1 year	60	59
1–5 years	99	14
Over 5 years	0	0
Total	159	73

The Group leases motor vehicles, machines and equipment with leases of 2 to 5 years.
The leases do not include options for redemption or for extension.

28. Transactions with related party

i) Loans from related party	2007	2006
Loan from Dreadnought Finance Ltd (other related party)	1 297	1 230

The loan from Dreadnought Finance Ltd is a convertible capital loan. The repayment conditions are stated under section 20; 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 the member of the board.

ii) Management Benefits	2007	2006
Salaries and other short-term employee benefits	391	741
Share-based compensation expense	392	78
Termination benefits, payment-based	156	283
Total	939	1 102

Biotie has a Management Team consisting of the Managing Director acting as the President of the Management Team, Corporate Controller, VP Drug Development and two Research Directors. VP Business Development, engaged as a consultant for the Company from April, 2007 onwards.

iii) Stock options given to management

The total number of stock options given to the company's management during 2007 was 916 thousand (2006: 1,628). The option rights were given under the same conditions and expiry dates as the option rights given to other company personnel. At the end of the fiscal year, the number of outstanding options granted to management was 2,593,060 (at the end of the fiscal year 2006: 2,368,000).

iv) Managing Director

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

	2007	2006
Salaries and other short-term employee benefits	94	169
Share-based compensation expense	162	24
Termination benefits, payment-based	99	38
Total	355	232

The managing director contract may be terminated by six months' 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 months' salary.

v) Board of Directors

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

	2007	2006
Juha Jouhki	36 000	36 000
Pauli Marttila	18 000	18 000
Riku Rautsola	36 000	36 000
Piet Serrure	36 000	36 000

29. Transactions after the date of the financial statements

In January, 2008 Lundbeck acquired the United Kingdom and Ireland rights for nalmefene from Britannia Pharmaceuticals (now part of STADA Group, headquartered in Germany). Following the new agreement Lundbeck has worldwide rights for nalmefene, excluding North America, Mexico, Turkey, and South Korea.

In January, 2008 Finnish Funding Agency for Technology and Innovation (Tekes) granted EUR 1.7 million additional funding for Biotie Therapies' integrin alpha2beta1 inhibitor program for thrombosis. The R&D funding granted covers drug development costs of the project from July 2007 to December 2009.

Key figures

Consolidated company	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	IFRS 1.1.2003–31.12.2003
1 000 €	12 months	12 months	12 months	12 months	12 months
Business development					
Revenue	7 895	1 118	1 227	2 325	
Personnel on average	36	37	47	47	66
Personnel at the end of the period	37	35	45	46	55
Research and development costs	9 053	7 970	7 149	9 545	
Capital expenditure	287	819	9	142	
Profitability					
Operating profit (loss)	–1 769	–8 361	–7 381	–8 918	
as percentage of revenue, %	–22.4	–747.6	–601.3	–383.6	
Profit (loss) before taxes	–1 726	–8 958	–7 941	–9 343	
as percentage of revenue, %	–21.9	–800.9	–647.0	–401.9	
Balance sheet					
Cash and cash equivalent	28 243	31 763	7 082	7 038	10 608
Shareholders' equity	–11 117	–10 807	–19 583	–17 881	–8 540
Balance sheet total	30 075	33 233	8 930	10 093	14 133
Financial ratios					
Return on equity, %	–	–	–	–	–
Return on capital employed, %	–7.2	–113.5	–426.7	–173.8	–
Equity ratio, %	–37.0	–46.5	–219.3	–177.2	–60.4
Gearing, %	40.8	76.1	–72.7	–69.4	–73.9
Per share data					
Earning per share (EPS), €	–0.02	–0.16	–0.17	–0.22	–0.20
Shareholders' equity per share, €	–0.12	–0.12	–0.37	–0.41	–
Dividend per share, €	–	–	–	–	–
Payout ratio, %	–	–	–	–	–
effecting dividend yield, %	–	–	–	–	–
P/E ratio	–	–	–	–	–
Share price, €					
- Lowest share price	0.75	0.49	0.49	0.72	0.40
- Highest share price	1.22	2.39	1.06	1.50	1.61
- Average share price	0.98	1.10	0.75	1.14	0.71
- 31.12. share price	0.76	1.18	0.53	0.92	0.80
Market capitalization, Meur	68.6	105.6	27.9	40.4	34.9
Trade of shares					
Number of shares traded	35 093 743	32 470 230	9 003 598	17 561 900	12 189 112
as percentage of all shares, %	38.9	36.3	17.1	40.0	27.9
Adjusted weighted average number of shares during the period	90 003 192	54 995 830	48 689 328	43 864 315	31 116 906
Adjusted weighted average number of shares at the end of the period	90 211 860	89 530 660	52 675 221	43 907 436	43 686 397
Adjusted weighted average number of shares during the period, fully diluted	91 697 875	57 363 494	–	–	–
Adjusted weighted average number of shares at the end of the period, fully diluted	91 906 543	92 172 296	–	–	–

Formulas for the calculation of the key figures

Return on equity %

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

Return on capital employed %

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

Equity ratio %

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

Gearing %

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

Earnings per share (EPS)

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

Shareholders' equity per share

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

Income statement

1 000 €	Note	1.1.–31.12.2007	1.1.–31.12.2006
Revenue	1	7 423	3 113
Cost of sales		0	0
Gross profit		7 423	3 113
Research and development expenses		–8 714	–8 620
General and administrative expenses		–1 566	–2 184
Other operating income	4	1 044	727
Other operating expenses	5	0	–1 157
Operating profit (loss)		–1 813	–8 121
Financial income and expenses	6	189	107
Profit (loss) before extraordinary items		–1 624	–8 014
Extraordinary items +/–		0	0
Profit (loss) before appropriations and taxes		–1 624	–8 014
Taxes		0	–7
Net income (loss)		–1 624	–8 021

Balance sheet

1 000 €	Note	31.12.2007	31.12.2006
ASSETS			
Fixed assets and other long-term investments			
Intangible assets	7	27	41
Tangible assets	7	26	28
Investments	8	9	9
		62	78
Current assets			
Current receivables	9	754	560
Securities	10	27 067	27 650
Cash in hand and at banks		296	3 877
		28 116	32 087
Assets total		28 178	32 165
EQUITY AND LIABILITIES			
Shareholders' equity	11		
Share capital		19 850	19 850
Reserve for invested unrestricted equity		980	0
Retained earnings		–22 915	–14 894
Net income (loss)		–1 624	–8 021
		–3 710	–3 066
Mandatory provisions	13	34	43
Liabilities			
Long-term liabilities			
Capital loans	14	20 809	20 834
Other long-term liabilities	14	6 817	2 839
		27 626	23 673
Current liabilities	16	4 228	11 515
Liabilities total		31 855	35 188
Equity and liabilities total		28 178	32 165

Cash flow statement

1 000 €	Note	31.12.2007	31.12.2006
Cash flow from operating activities			
Operating profit		–1 813	–8 121
Depreciation	3	39	1 056
Taxes		0	–7
Change in mandatory provisions	13	–9	–12
Change in working capital		–3 519	10 551
Financial income and expenses	6	189	107
Net cash from operating activities		–5 114	3 573
Cash flow from investing activities			
Disposals of investments	8	0	10
Capital expenditure	7	–23	–19
Cash flow from investing activities		–23	–9
Cash flow before financing activities		–5 137	3 563
Cash flow from financing activities			
Share issue	11	0	18 796
Option subscription	11, 12	139	0
Change in long-term debt		834	2 237
Cash flow from financing activities		973	21 033
Increase (+) or decrease (–) in cash and cash equivalents		–4 164	24 596
Cash and cash equivalents at the beginning of the period		31 527	6 930
Cash and cash equivalents at the end of the period		27 363	31 527

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.

Notes

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.

1 000 €	2007	2006
1. Revenue		
Lundbeck agreement	5 423	0
F. Hoffmann-La Roche Ltd agreement	2 000	3 000
Marketing and distribution agreements	0	113
Total	7 423	3 113
2. Personnel costs		
Wages and salaries	1 574	2 052
Pension expenses	246	344
Other personnel expenses	182	288
Total	2 002	2 684
Salary to president and remuneration of board members	220	283
The average number of personnel	36	37
Personnel at the end of period	37	35
3. Depreciation		
Intangible rights	14	1 003
Machinery and equipment	12	44
Machinery and equipment, R&D	12	9
Total*)	39	1 056
*) of which related to R&D computer programs and equipment	12	9
4. Other operating income		
Research and development subsidies from The National Technology Agency (Tekes)	805	377
Research and development subsidies from EU	6	6
Ministry of Trade and Industry	0	4
Rents	158	187
Other	75	153
Total	1 044	727
5. Other operating expenses		
Costs from the share issues	0	1 157
Total	0	1 157
6. Financial income and expenses		
Interest income	216	131
Interest expenses	–27	–24
Total	189	107

Notes

7. Intangible and tangible assets

1000 €	Other long-term investments	Intangible assets	Intangible assets R&D	Machinery and equipment
Historical costs on Jan 1, 2007	1 098	3 074	25	693
Capital expenditure during 2007	0	0	0	10
Historical costs on Dec 31, 2007	1 098	3 074	25	703
Accumulated depreciation	–1 098	–3 033	–25	–665
Total before financial year depreciation	0	41	0	38
Depreciation of the financial year	0	–14	0	–12
Net book value on Dec 31, 2007	0	27	0	26

	Machinery and equipment R&D	Merger goodwill	Total
Historical costs on Jan 1, 2007	352	1 431	6 672
Capital expenditure during 2007	12	0	23
Historical costs on Dec 31, 2007	364	1 431	6 695
Accumulated depreciation	–352	–1 431	–6 604
Total before financial year depreciation	12	0	91
Depreciation of the financial year	–12	0	–39
Net book value on Dec 31, 2007	0	0	52

1000 €		31.12.2007	31.12.2006
8. Group companies			
Biotie Therapies International Ltd, Turku	Book value 9	100%	100%
Ownership in partner companies			
Contral America Inc., USA		25%	25%
9. Current receivables			
VAT receivables		106	207
Other receivables		90	90
Prepaid expenses and accrued income*)		558	263
Total		754	560
*) of which R&D subsidy		230	178
10. Securities			
Market value		27 938	27 878
Book value		27 067	27 650
Difference		871	227

Securities in current assets include also long term securities that are not expected to be sold within next twelve months.

1000 €	2007	2006
11. Shareholders' equity		
Changes in Shareholders' equity		
Share capital at the beginning of the period	19 850	1 054
Share issue	0	18 796
Share capital at the end of the period	19 850	19 850
Share premium fund at the beginning of the period	0	6 412
Transfer from the share premium fund	0	–6 412
Share premium fund at the end of the period	0	0
Reserve for invested unrestricted equity at the beginning of the period		
Share subscription with option rights	139	0
Share subscription with convertible capital loan	841	0
Reserve for invested unrestricted equity at the end of the period	980	0
Retained earnings at the beginning of the period	–22 915	–21 306
Transfer from the share premium fund	0	6 412
Retained earnings at the end of the period	–22 915	–14 894
Net income (loss)	–1 624	–8 021
Shareholders' equity	–3 710	–3 066
Distributable funds at the end of the period	–24 540	–22 916

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
Split 1:10	0.17	–	27 100	271 000	–	45 579	12.6.2000
Share subscription with option rights	0.17	0.17	271 000	320 600	8 342	53 921	15.8.2000
Merger compensation	0.17	0.17	320 600	686 755	61 583	115 504	21.2.2001
New issue	0.17	100.00	686 755	761 755	12 614	128 118	29.5.2001
Share subscription with option rights	0.17	0.17	761 755	762 375	104	128 222	29.5.2001
New issue	0.17	101.00	762 375	801 978	6 661	134 883	10.1.2002
Bonus issue	0.18	–	801 978	801 978	9 473	144 356	3.6.2002
Split 1:9	0.02	–	801 978	7 217 802	–	144 356	3.6.2002
Share subscription with option rights	0.02	0.02	7 217 802	7 648 722	8 618	152 974	3.6.2002
Conversion of interest debt	0.02	5.60	7 648 722	7 704 072	1 107	154 082	8.10.2002
New issue, Institutional Offering	0.02	5.60	7 704 072	10 401 922	53 957	208 038	8.10.2002
Consolidation of Biotie	0.02	2.38	10 401 922	17 033 722	132 636	340 675	31.10.2002
Consolidation of Carbion	0.02	2.38	17 033 722	17 459 559	8 517	349 191	31.10.2002
Share subscription with option rights	0.02	0.02	17 459 559	17 474 559	300	349 491	30.4.2003
New issue	0.02	0.40	17 474 559	43 686 397	524 237	873 728	26.6.2003
Share subscription with option rights	0.02	0.02	43 686 397	43 850 497	3 282	877 010	6.2.2004
Share subscription with option rights	0.02	0.35	43 850 497	43 889 233	775	877 785	8.9.2004
Share subscription with option rights	0.02	0.02	43 889 233	43 907 436	364	878 149	29.12.2004
Share subscription with option rights	0.02	0.02	43 907 436	43 909 296	37	878 186	23.2.2005
New issue	0.02	0.75	43 909 296	51 279 416	147 402	1 025 588	17.6.2005
New issue	0.02	0.75	51 279 416	52 675 221	27 916	1 053 504	28.6.2005
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

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.

Notes

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	285,540
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

1 000 €	2007	2006
13. Mandatory provisions		
Rent for unutilized premises	34	43
Total	34	43
14. Long-term liabilities		
Non-convertible capital loans	19 127	18 311
Convertible capital loans	1 682	2 523
R&D loans from Tekes	2 641	2 662
Interest on capital loans	176	176
Long term advance payments received	4 000	0
Total	27 626	23 673

Non-convertible capital loans
The National Technology Agency (Tekes) has granted capital loans of EUR 19,663 thousand. EUR 19,196 thousand has been paid to the company by the end of the financial year. EUR 19,127 thousand has been recorded as capital loans and EUR 69 thousand as long-term liabilities. The amount recorded as long-term liabilities will be booked as capital loans as soon as the approved expenses are accrued and settlement concerning expenses has been approved.

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

Convertible capital loans
The company 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% p.a. Accumulated interest of convertible bonds, EUR 2,225 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.

1 000 €	2007	2006
Accumulated interest on capital loans	4 753	3 966
Recorded as expenses	176	176
Total	4 929	4 142

15. Instalment on capital loans and long-term liabilities

	Capital loans	Long-term liabilities	Total
Due next fiscal year	9 581	40	9 621
Due next 1–5 years	11 228	1 169	12 397
Due after 5 years	0	1 472	1 472
Total	20 809	2 681	23 490

16. Current liabilities	2007	2006
Advances received	2 588	10 011
Accounts payable	273	854
Other debts	102	80
Accrued expenses and prepaid income*)	1 266	570
Total	4 228	11 515
*) of which accrued vacation pay	203	252

17. Contingent liabilities		
Due next year	132	58
Due later on	285	14
Total	417	73

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 0.76 per share, the market value of the shares was EUR 622,440 at the end of the financial period.The company has received the shares in the merger with Contral Clinics. The shares are not recorded in the balance sheet.

The shares possessed by the parent company represent approximately 0.9% 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.

Shares and shareholders

- The shares of Biotie Therapies Corp. are quoted on the OMX Nordic Exchange Helsinki Oy in Health care sector and market cap is small cap.
- Biotie is in its present form a result of the merger of three Finnish biotechnology companies, Contral Pharma Corporation, Biotie Therapies Corp. and Carbion Inc. in October 2002. The new combined company was named Biotie Therapies Corp. The shares of the Company have been subject to public trading since October 31, 2002.
- The market value of Biotie on December 31, 2007 was EUR 68.6 million.
- The closing price on 31 December, 2007 was EUR 0.76 and the average price EUR 0.98.
- Overall trading was total EUR 34.15 million.
- The Board of Directors proposes that no dividend from the financial year 2007 will be paid and the loss of the parent company for the financial year EUR –1.6 (FAS) million will be transferred to shareholders´ equity.
- The Annual General Meeting of Shareholders shall be held on Friday March 28, 2008. Further details inside front cover.

Share capital and Shares

The company shares are included in the book-entry securities system kept by the Finnish Securities Depository Ltd. The changes in contact details of shareholders will be updated automatic through the Finnish Securities Depository Ltd made by the custodian of shareholders´ book-entry account.

Biotie Therapies has 90,211,860 shares and the share capital is EUR 19,849,778.31.

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

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.

Option programs

Biotie has issued option rights by December 31, 2007 pursuant to two different option programs (2004 and 2006). According to the subscription terms one option right entitle to subscribe one share. At the beginning and the end of the financial year the number of 2004 option rights was 2,000,000 and 2006 option rights was in the beginning of financial year 3,000,000 and the end of financial year 2,768,800.

The option programs are specified in Note 18 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 Therapies Corp. were subscribed for by exercising the 2006 series A option rights of the company's option scheme determined on 30 March 2006. The subscription price of the shares was EUR 0.60 per share. The new shares have been entered in the Finnish Trade Register on April 30, 2007. Subscription price has been recorded in the reserve for invested unrestricted equity.

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

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 and their controlled companies	6,537,886	7.25

Option programs

Number of shares entitled to subscribe with options	Number of shares	% of shares
CEO and Board members	1,134,400	1.26
Other option holders	2,796,860	3.10
Held by Group	837,540	0.93
Total	**4,768,800**	**5.29**

Total of 231,200 new shares were subscribed with the company's option scheme 2006.

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

Shares Subscribed for under the Convertible Capital loans

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

The convertible capital loans are specified in Note 20 of 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 the share price was EUR 0.76. The highest price for Biotie´s share during the year was EUR 1.22 and the lowest was EUR 0.75. The average share price was EUR 0.98.

Biotie´s market capitalization was EUR 68.6 million on December 31, 2007.

During the financial year, approximately 35.1 million Biotie shares were traded corresponding to a turnover of approximately EUR 34.2 million. The average monthly trading volume was 2,924,478 shares corresponding EUR 2,846,082.

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

Board Authorisations

The General Meeting authorised the Board of Directors to resolve on the issuance of the maximum of 18,000,000 new shares in one or several instalments in a share issue or on the issuance of options or other special rights to the shares. The authorisation entitles the Board of Directors to deviate from the shareholders' pre-emptive subscription right. The authorisation is effective until June 30, 2008.

Shareholders

On December 31, 2007 Biotie had 6,340 shareholders, the largest shareholder being Pequot group including six different funds managed by the group. There were 7,519,274 nominee-registered shares, representing 8.3% of the shares.

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

Notices of change in holdings

January 9, 2007

As a result of 11,365,242 new shares being issued on 27 December 2007 by Biotie Therapies Corp., the aggregate holdings of Pequot Healthcare Fund, L.P., Pequot Healthcare Offshore Fund, Inc., Premium Series PCC Limited - Cell 32, Pequot Diversified Master Fund, Ltd., Pequot Healthcare Institutional Fund, L.P. and Pequot Healthcare Emerging Markets Fund, Ltd. (jointly, the "Funds") have decreased from 25.09% to 23.16% of the share capital and voting rights in the Company, calculated on the basis of the number of shares registered in the Finnish Trade Register. As a result of the new shares being issued, no individual Fund has decreased its holdings below or above 5% of the voting rights and share capital of the company.

April 2, 2007

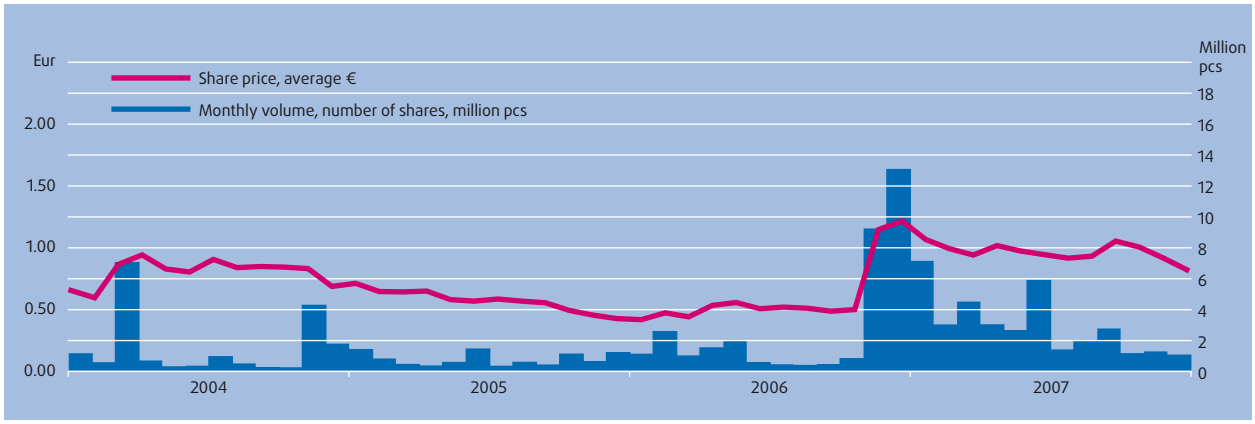
Finnish Industry Investment Ltd informed the company the holdings of Finnish Industry Investment Ltd represent less than one tenth (1/10) of the voting rights and share capital in Biotie Therapies Corp.

The holdings of Finnish Industry Investment Ltd constitute 8,702,189 shares, i.e., 9.72% of the voting rights and share capital in Biotie Therapies Corp.

April 5, 2007

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

Share price and volume



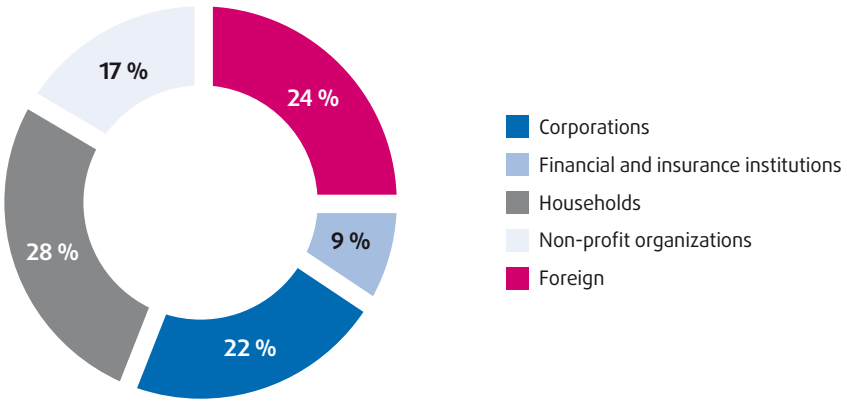
Shares and shareholders

Type of Shareholders on December 31, 2007

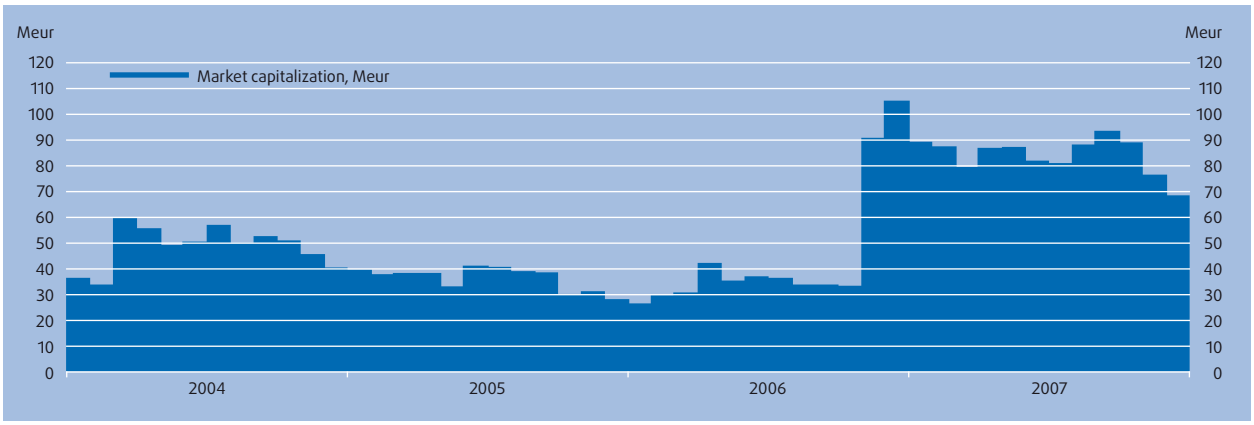
	Owners	%	Number of shares	%
Corporations	230	3.63	20,191,120	22.38
Financial and insurance institutions	12	0.19	7,803,693	8.65
Households	6,060	95.58	24,829,747	27.52
Non-profit organizations	18	0.28	15,303,099	16.97
Foreign	20	0.32	22,084,201	24.48
Total	6,340	100.00	90,211,860	100.00
Of which nominee registered	*7*		*7,519,274*	*8.34*

Shares	Shareholders	%	Number of shares	%
1–100	496	7.82	28,491	0.03
101–500	1,708	26.94	510,667	0.57
501–1,000	1,064	16.78	897,430	0.99
1,001–5,000	2,085	32.88	5,295,058	5.87
5,001–10,000	528	8.33	4,021,139	4.46
10,001–50,000	367	5.79	7,610,403	8.44
50,001–100,000	41	0.65	2,764,926	3.06
100,001–500,000	32	0.51	5,640,607	6.25
500,001–	19	0.30	63,443,139	70.33
Total	6,340	100.00	90,211,860	100.00
Of which nominee registered	*7*		*7,519,274*	*8.34*

Breakdown by Shareholder Category on December 31, 2007



Market capitalization



The ten biggest shareholders of Biotie on December 31, 2007

	Number of shares	%
Pequot group:	21,925,024	24.51
- Pequot Healthcare Fund, L.P. (7,765,345)		
- Pequot Healthcare Offshore Fund, Inc. (5,937,983)		
- Premium Series PCC Limited (998,490)		
- Pequot Diversified Master Fund Ltd. (1,201,800)		
- Pequot Healthcare Institutional Fund, L.P. (1,521,406)		
- Pequot Healthcare Emerging Markets Fund, Ltd. (4,500,000)		
Finnish Innovation Fund (Sitra)	14,585,350	16.30
Finnish Industry Investment Ltd	6,778,592	7.58
Juha Jouhki and his controlled companies:	6,537,672	7.31
- Dreadnought Finance Oy (2,098,416)		
- Jouhki Juha (1,501,356)		
- Thominvest Oy (2,937,900)		
Funds administered by BioFund Management Oy:	2,519,775	2.82
- BioFund Ventures III Ky (2,485,715)		
- BioFund Ventures I Ky (34,060)		
Harri Markkula and his controlled company:	1,283,045	1.43
- Tilator Oy (654,000)		
- Markkula Harri (629,045)		
Oy H. Kuningas & Co Ab	1,058,371	1.18
Oksanen Markku	575,000	0.64
Siven Pertti	355,000	0.40
Funds administered by Aboa Venture Management Oy:	344,618	0.39
- Aboa Venture Ky II (336,747)		
- Karhu Pääomarahasto Ky (7,871)		
	55,962,447	62.56
Nominee registered shares total	7,519,274	8.40
Other shareholders	25,981,139	29.04
Outstanding shares	89,462,860	100.00
The number of the company's own shares held by Biotie Therapies	749,000 *)	
Total	90,211,860	

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

IR principles

Biotie Investor Relations aims to providing the markets with accurate and up-to-date information.

Biotie has defined a three-week silent period preceding the publication of its full-year result and interim reviews. During this period, Biotie will not meet with capital market representatives.

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.

In addition, Tero Weckroth of Dresdner Kleinwort, U.K. is familiar with the company, tel. +44 207 475 9277.

Company	Analyst	Contact details
Kaupthing Bank Sverige AB, Sweden	Benjamin Nordin	Tel. +46 8 791 47 55
Nomura Code Securities, U.K.	Chris Redhead	Tel. +44 20 7776 1200

Signatures of the Board of Directors' report and financial statements

Proposal to the Annual General Meeting

The Board of Directors proposes to transfer the loss EUR –1,624,388.72 of the period to retained earnings.

Helsinki, January 25, 2008

Juha Jouhki
Chairman of the Board

Timo Veromaa
President and CEO

Pauli Marttila

Riku Rautsola

Piet Serrure

Auditors' report

To the shareholders of Biotie Therapies Corp.

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Biotie Therapies Corp. for the period 1.1.–31.12.2007. The Board of Directors and the President and CEO have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

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

Consolidated financial statements

In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration

In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the President and CEO of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of distributable funds is in compliance with the Companies Act.

Turku, February 28, 2008

PricewaterhouseCoopers Oy
Authorised Public Accountants

Janne Rajalahti
APA

Tomi Moisio
APA, CPFA

Principles of corporate governance

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

Group structure

The parent company of the group is Biotie Therapies Corp. ("Biotie" or the "Company"). The group has non-operational subsidiary named Biotie Therapies International Ltd in Finland and 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

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

The prospective candidates for the Board of Directors 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 they 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 Board is disclosed in the notice to convene.

Attendance

Shareholders who have been entered ten (10) days before the meeting as shareholders in the company´s shareholders´ register kept by the Finnish Central Securities Depository Ltd have the right to attend the General Meeting of Shareholders. A shareholder wishing to attend the General Meeting must register himself in advance before the date stated in the notice to convene. 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, Chairman of the Board and the members of the Board attend the General Meetings unless there are well-founded reasons for their absence.

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

The company has one series of shares. Each share entitles its holder to one vote at the General Meeting. Generally speaking 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.

Supervisory Board

The company does not have a Supervisory Board.

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 Recommendation, take into account the fact that the person has the qualifications required to discharge the duties of a member of the Board and the possibility to devote sufficient time for the work. The Board of Directors elects one of its members as the Chairman of the Board 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 Company's strategy
- confirm the Company's business plan and budget
- deliberate on and approve interim reports, the annual accounts and the Board's report
- decide on individual investments, acquisitions or divestments and contingent liabilities that are strategically or financially significant
- approve the Group's financing policy
- confirm risk management and reporting procedures
- decide on bonus and incentive schemes for the Company's management
- decide on the Company's structure and organisation
- appoint the company's Managing Director and decide on his perquisites 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 10 times a year. The Board of Directors has not appointed any special areas of focus in terms of business monitoring to its members. At meetings, matters are presented by Biotie's Managing Director or, at his request, by another person in Biotie's management. According to the rules of procedure of the Board of Directors, the Managing Director ensures that the company provides the Board with sufficient information to assess the operations and financial situation of the group, supervises the implementation of Board decisions and reports to the Board on any deficiencies or problems in implementation. The secretary of the Board of Directors is Mr. Mikko Heinonen from Hannes Snellman Attorneys at Law Ltd. The Board of Directors conducts annual performance self-evaluations.

Committees

Biotie's Board of Directors has not established any committees taking into account the size and activities of the company and the composition of the Board of Directors.

Biotie's Annual General Meeting held on March 28, 2007 elected four (4) members to the Board of Directors. Their term commenced on March 28, 2007 and expires at the close of the 2008 Annual General Meeting. The Board members were re-elected at the 2007 General Meeting and are thus currently Mr. Juha Jouhki, Mr. Piet Serrure, Mr. Riku Rautsola and Mr. Pauli Marttila. According to the evaluation of independence, all members of the Board of Directors are considered independent of the company. In addition, Mr. Piet Serrure and Mr. Riku Rautsola are considered independent of the significant shareholders of the company. Biotie's current Board of Directors is presented in more detail in company´s website and Annual Report 2007 on page 66.

Principles of corporate governance

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 in 2007 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 13 meetings during 2007. The average ratio of attendance at the meetings was 100%.

Remuneration paid to the Board of Directors in 2007 were as follows:

- Juha Jouhki EUR 36,000
- Piet Serrure EUR 36,000
- Pauli Marttila EUR 18,000
- Riku Rautsola EUR 36,000

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

Deviation from the Corporate Governance Recommendation

Item 11 of the Corporate Governance Recommendation requires that the Board shall comprise of at least five members. According to the unanimous decision of the Annual General Meeting held on March 28, 2007 the Board of Directors of Biotie consists of four members. Company´s understanding is that four members is a sufficient number of members taking into account the size and the development phase of the company.

Managing Director

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

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

Biotie's Managing Director is Dr. Timo Veromaa from May 25, 2005. The company has paid EUR 93,746 in the salaries and other benefits to the Managing Director Timo Veromaa in 2007.

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 months' 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 months' salary.

Management Team

Biotie has a Management Team consisting of the Managing Director acting as the President of the Management Team, Corporate Controller, VP Drug Development and two Research Directors. VP Business Development, engaged as a consultant for the Company from April, 2007 onwards.

The Management Team is presented on page 67. The option rights and shares held by the Management Team are presented on page 63.

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

The 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.

Auditing

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

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

According to the Articles of Association, Biotie has at least one and at most two auditors elected by the Annual General Meeting. The term of an auditor terminates at the close of the Annual General Meeting following the election. At least one of the auditors shall be a firm of auditors authorised by the Central Chamber of Commerce.

The 2007 Annual General Meeting of Biotie elected two auditors for the company: APA Janne Rajalahti and Authorised Public Accountants PricewaterhouseCoopers Oy, with APA Tomi Moisio as the auditor with principal responsibility.

In accordance with the resolution of the 2007 Annual General Meeting, the auditors shall be paid in accordance with their reasonable invoices. The company paid EUR 29,941 as fee for audit and additionally EUR 7,980 for non audit services.

Biotie does not have internal audit function.

Risk management

For a more detailed description of risks and risk management, see page 64 of this Annual Report. Financial risk management is specified in Note 26 of the consolidated financial statements.

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 Finnish Central Securities Depository or via Biotie's website. Under the Insider Rules, the following persons belong to the group of Public Insiders: the members of the Board of Directors, the Managing Director, the Auditor and the 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, Chief Accountant, HR Manager and Assistants to the Managing Director and the Management Team.

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

The company insider administration is included in the Sire-system of the Finnish Central Securities Depository.
Visiting address of public insiders register is: Suomen Arvopaperikeskus Oy, Urho Kekkosen katu 5 C, 00100 Helsinki.

Insider holdings of shares and options December 31, 2007

Name	Position	Shares	Option rights

Public insiders:
Board of Directors' and CEO's and auditors´ direct shareholdings, option holdings and controlled corporations on December 31, 2007:

		Shares	Options 2004	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	–	–	–
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 shareholdings, option holdings on December 31, 2007:

		Shares	Options 2004	2006
Mikko Heinonen	Secretary of the Board of Directors	–	–	–
Antero Kallio	VP Drug Development	43,900	40,000	347,580
Kai Lähdesmäki	Advisor, Business Development	–	300,000	24,600
Anne Marjamäki	Research Director	–	40,000	296,250
David Smith	Research Director	–	40,000	275,050
Ulla Sjöblom	Corporate Controller	–	–	95,180
Total		**43,900**	**420,000**	**1,038,660**

Risks and risk management

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

The company's operational risks involve key personnel, immaterial rights and partners. The company's drug development projects require special expertise the continued availability of which cannot be guaranteed. The experience and know-how of certain key personnel and certain outside consultants may not necessarily be replaceable by hiring new personnel or engaging new consultants or other service providers.

Significant financial resources are required to forward the drug development projects into commercialised products. The company aims to finance operations with outside financing such as signing and milestone payments from partners and R&D grants and loans. The company's operations are, however, largely based on equity financing. There can be no assurance that such financing can be raised from the markets on reasonable terms and conditions, if at all, or that such funds, if raised, will be sufficient to permit the Company to carry out the planned activities.

Managing of Strategic and Operational risks

Each drug development project has a project team with a project manager reporting to the Vice President of Research and Development and Quality. Patent and other intellectual property rights issues are managed by a specific team reporting to the Management Team of the Company. Appropriate insurance policies are in place for property damage or liability risks arising from business operations.

Biotie's Board of Directors approves the business plan and budget. The Board follows up the implementation of business plan, fulfillment of the budget and financial status of the Company on a monthly basis.

Financial Risk Management

Categories of Financial Risk

The operations of the Company 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 Company's risk management programme focuses on the unpredictability of the financial market and aims at minimizing any undesired impacts on the Company's financial result.

Risk management is conducted by the Biotie management according to the operational procedures approved by the Board of Directors. The Board of Directors defines the general risk management principles and provides 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 Company's liquid assets.

Foreign Exchange Risk

The Company operates internationally and is exposed to foreign exchange risk between several currencies, of which euro, US dollar and pound sterling are the most important. Management follows considerable currency positions regularly. Significant net positions in foreign currency may be hedged by foreign exchange forward contracts if needed. Hedged positions are reported to the Board.

Interest Rate Risk

The Company´s income and operating cash flows are substantially independent of changes in market interest rates. The group invests liquid assets in low risk securities. The Company´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 are reported to the Board.

Credit Risk

Biotie Therapies preferentially works with partners with good credit ratings. Banks used are solid and with A ratings. Credit insurance is used if necessary. Also, payment terms can be defined strictly to protect the receivables.

Management monitors the assets against credit risk regularly. Receivables in excess of EUR 0.5 million are reported to the Board monthly.

Liquidity and Capital Risk Management

To protect the continuity of the Company's operations sufficient liquidity and capital has to be maintained. Biotie aims to have cash funds to finance at least one year's operations at all times. The Company can influence the amount of capital by reducing the amount of R&D expenses or by acquiring financing from the markets.

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.

The financial risks are more specified on note 26 of the Notes to the Consolidated Financial Statements.

Board of Directors

Biotie's Board of Directors
(from left to right)
Juha Jouhki, Pauli Marttila,
Riku Rautsola and Piet Serrure.
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, Thominvest Oy
Principal employment history: Thominvest Oy and Thomproperties Oy, Partner 1999–2002. Contral Clinics Ltd., Managing Director 1996–1999. Contral Pharma Ltd., Chairman of the Board of Directors 1998–2002. Finncarriers Oy Ab, different positions 1992–1996.
Other simultaneous positions of trust:
Dreadnought Finance Oy, Chairman of the Board of Directors. Thomcapital Oy, Chairman of the Board of Directors. Procarbon AB, Chairman of the Board of Directors. Neomedit Oy, Chairman of the Board of Directors. Alimetrics Oy, Chairman of the Board of Directors. Ram Partners Oy, Chairman of the Board of Directors. Northern Antibiotics Oy, Member of the Board of Directors.

Pauli Marttila, Deputy Chairman of the Board

Born: 1958
Education: M.Sc. (Eng.)
Board member since March 2005
Principal occupation: Director, Sitra Ventures, the Venture Capital unit of Sitra, the Finnish Innovation Fund
Principal employment history: 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.

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. Fin.Co, Member of the Board of Directors. Qi Fund, Member of the Board of Directors. IPTE, Member of the Board of Directors. City-live, Member of the Board of Directors. Visys, Member of the Board of Directors.

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)
Kai Lähdesmäki, Timo Veromaa,
Ulla Sjöblom, Anne Marjamäki,
David Smith and Antero Kallio.

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.

Antero Kallio

Born: 1960
Education: M.D., Ph.D., Special Competence in Pharmaceutical Medicine, Postgraduate Certificate in Pharmacovigilance
Position at Biotie: Vice President, Drug Development
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.

Ulla Sjöblom

Born: 1978
Education: M.Sc. (Econ.)
Position at Biotie: Corporate Controller
Appointed as member of the Management Team: July 2007
Employment history:
Biotie Therapies Corp. since 2007. Ahlstrom Oyj, Group Internal Auditor 2005–2007. Ahlstrom Tampere Oy, Controller/Assistant Controller 2003–2005.

Kai Lähdesmäki

Born: 1945
Education: M.Sc. (Pol. Sc.)
Position at Biotie: Business Development Advisor
Lähdesmäki carries out his duties in a consulting arrangement from April 2007 onwards.
Appointed VP Business Development and member of the Management Team: April 1999
Employment history:
Biotie Therapies Corp. since 1999. MediNet International Ltd., President and Member of the Board of Directors 1990–1999. Farmos Group Ltd, various management positions as VP, International Division and member of the internal Board 1973–1990.
Other major duties: DelSiTech Ltd. and Wansår Corporation Ltd, Chairman of the Board.

Anne Marjamäki

Born: 1964
Education: Ph.D. (Pharmacology), docent (molecular pharmacology)
Position at Biotie: Research Director
Appointed as member of the Management Team: June 2005
Employment history:
Biotie Therapies Corp. since 2000. University of Turku, Senior Scientist 1996–2000. CRST (Clinical Research Services Turku), Medical Writer 1999–2000. Medical University of South Carolina (California, USA), Postdoc Fellow 1995–1996. University of Turku, Scientist 1989–1994.

David Smith

Born: 1963
Education: Ph.D.
Position at Biotie: Research Director
Appointed as member of the Management Team: June 2005
Employment history:
Biotie Therapies Corp. since 1997, Research Director since 1999. University of Turku, EMBO Fellow 1993–1997. Glaxo Institute for Molecular Biology (Geneva, Switzerland), Research Scientist 1990–1993. Bristol University (Great-Britain), Scientist 1985–1989.

Main stock exchange releases in 2007

Biotie Therapies Corp. published a total of 20 stock exchange releases or announcements in 2007. 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 9, 2007	Notification a change in holdings of Pequot group
Jan 26, 2007	Biotie Therapies Corp. financial statements release January 1 – December 31, 2006

March

March 8, 2007	Invitation to the Annual General Meeting of Biotie Therapies Corp.
March 28, 2007	Resolutions of the Annual General Meeting of Biotie Therapies Corp.

April

April 2, 2007	Notification of change in holdings of Finnish Industry Investment Ltd
April 2, 2007	Subscription of shares in Biotie pursuant to a convertible loan
April 5, 2007	Notification of change in holdings of Pequot group
April 27, 2007	Interim report on Biotie Therapies Corp. January – March, 2007
April 30, 2007	Subscription of shares in Biotie on the basis of option rights

May

May 11, 2007	Subscription of shares in Biotie pursuant to a convertible loan
May 23, 2007	Biotie-Lundbeck nalmefene license enters into force
May 23, 2007	Biotie revises outlook for 2007

June

June 21, 2007	Scientific paper on nalmefene in the treatment of alcoholism
June 28, 2007	Biotie withdraws nalmefene national marketing authorisation application in the UK to enable a centralised EU-wide registration procedure

August

August 10, 2007	Interim report on Biotie Therapies Corp. January – June, 2007

September

Sept 25, 2007	Biotie's VAP-1 antibody enters clinical development phase

October

Oct 26, 2007	Interim report on Biotie Therapies Corp. January – September, 2007

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