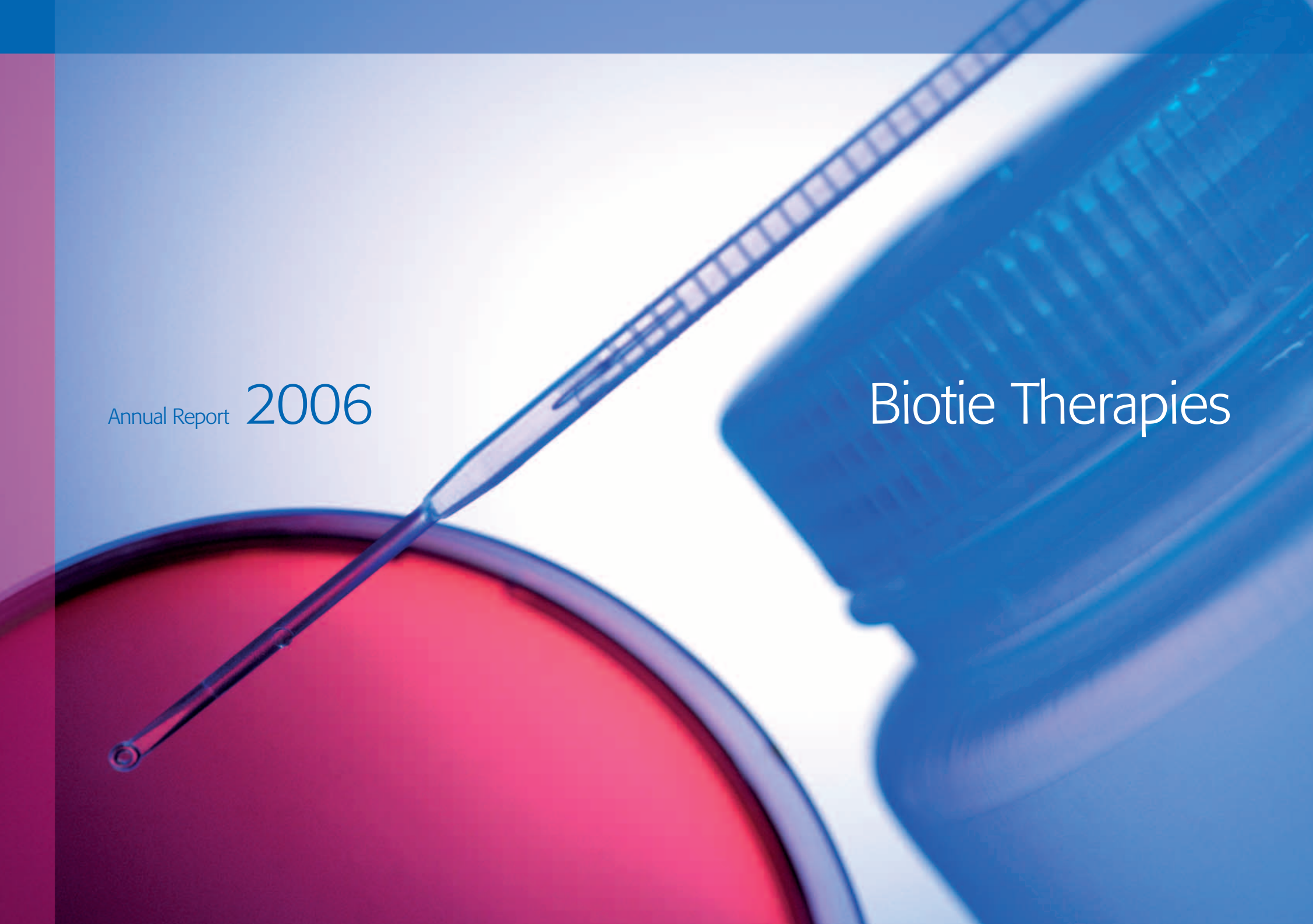


Annual Report 2006

Biotie Therapies

Contents

Nalmefene for alcoholism
Marketing Authorisation Application submitted in the UK

First tablet form drug demonstrating efficacy in reducing heavy drinking in multicenter, controlled studies

Partnered worldwide, H. Lundbeck A/S key global partner

VAP-1 therapeutics for inflammatory diseases

First-in-class

Fully human antibody and small molecule drug with new mechanism of action targeted to the fast growing inflammation market

Partnered worldwide, Roche key global partner

Bioheparin for thrombosis

First recombinant heparin targeted to the growing thrombosis market

Identical mechanism of action to the animal-derived heparin products

α2ß1-integrin inhibitor for thrombosis

First-in-class

Prevents blood clotting with a new mechanism of action

The year 2006 in brief

In November, BioTie and H. Lundbeck A/S signed an agreement on worldwide rights for nalmefene, excluding North America, Mexico, UK, Ireland, Turkey, and South Korea which have already been licensed. In total, BioTie is eligible for up to EUR 88 million in upfront and milestone payments plus royalty on the sales. The company received EUR 10 million during the financial year. The license enters into force in 2007.

In November, BioTie and F. Hoffmann-La Roche (Roche) signed an option agreement for BioTie's fully human antibody program targeting Vascular Adhesion Protein-1 (VAP-1) in inflammatory diseases. Under the terms of the agreement, Roche will pay an option initiation fee of EUR 5 million in 2006–2007. The Company received during the financial year EUR 3 million.

In April, BioTie signed a marketing and distribution agreement with Britannia Pharmaceuticals Limited, based in Surrey, England, for nalmefene in the UK and Ireland.

The company submitted a marketing authorisation application regarding nalmefene in the treatment of alcoholism to the UK Medicines and Healthcare Regulatory Authority (the "MHRA").

The company strengthened its financial position due to positive operative cash flow and equity offering in November–December 2006 in which the company raised EUR 18.8 million new capital, including EUR 10 million investment from Pequot Capital Management, Inc., one of the leading Life Science investment management companies in the U.S.

The 2006 financial statement has been prepared in accordance with IFRS recognition and measurement principles, and applying the same accounting policy as for the 2005 financial statements.

The net loss in financial year 2006 stood at EUR –9.0 million (in 2005 EUR –7.9 million). Cash flow from operating activities was EUR 5.4 million positive (EUR –7.8 million in 2005).

The company's liquid assets amounted to EUR 31.8 million (in 2005, EUR 7.1 million) as at December 31, 2006.

Strategy

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

President's Review

Year 2006 turned out to be the best in the company history. We completed a successful financing round, signed significant commercial agreements and submitted the first marketing authorisation application on nalmefene.

We have been developing nalmefene for alcohol dependence. Alcohol abuse is one of the most significant healthcare problems in the developed world and the efficacy of current treatments and available pharmaceuticals is limited leaving market opportunity for new therapies. BioTie's nalmefene is the first tablet form drug demonstrating efficacy in reducing heavy drinking in multicenter, controlled studies.

The company's main goal for 2006 was to commercialise nalmefene rights in Europe and Japan. We met and exceeded this goal by signing an agreement with H. Lundbeck A/S on worldwide rights for the compound, excluding North America, Mexico, UK, Ireland, Turkey, and South Korea. Based on this agreement, BioTie is eligible for up to EUR 88 million in upfront and milestone payments plus royalty on sales. The license enters into force in 2007 and Lundbeck will be responsible for registration and manufacturing of the product in its territory. The company received EUR 10 million from Lundbeck on signing the agreement in 2006.

We are extremely pleased to have Lundbeck as our key partner for nalmefene. Lundbeck is a global leader in pharmacotherapy for psychiatric disorders, which makes it an ideal partner for this product.

We submitted the first marketing authorisation application for nalmefene for the treatment of alcoholism to the UK Medicines and Healthcare products Regulatory Authority, the MHRA, at the end of 2006. We expect a decision towards the end of 2007, where after our new partner, Britannia Pharmaceuticals will be responsible for the launch and marketing of the product in the UK. Nalmefene is expected to gain 10 year market exclusivity in the EU. We expect nalmefene to generate significant revenues to BioTie in the long run.

Nalmefene North American rights were licensed to Somaxon Pharmaceuticals in 2004. Somaxon has been pursuing pathological gambling as the lead indication for the product in its territory. Somaxon has also studied nalmefene in smoking cessation (nicotine addiction).

Somaxon announced positive results with nalmefene in a pilot phase 2 clinical trial for smoking cessation in July 2006. In contrast, negative results were obtained in a phase 2/3 clinical study in pathological gambling. 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.

In North America, the first nalmefene indication could be valued at up to $13.2 million in milestone payments plus royalties from sales. Additional indications would generate additional milestone and royalty revenue for BioTie.

Major progress was accomplished in the VAP-1 antibody program targeting inflammatory diseases. The program is now ready for the clinical development phase and our collaboration with Roche was extended with the signing of a significant option agreement on the VAP-1 antibody program.

Under the terms of the new agreement covering the antibody program, 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 VAP-1 antibody, excluding Japan, Taiwan, Singapore, New Zealand, and Australia. BioTie received EUR 3 million of the initiation fee in 2006. The initial option right will end upon completion of phase 1.

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

In 2006 Roche and BioTie continued to 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.

Seikagaku has the option to license VAP-1 SSAO small molecule inhibitor in its territory. If Seikagaku exercises its option, BioTie will receive up to $16.7 million in milestone payments plus royalties of sales in the territory based on the pre-negotiated licensing agreement. Seikagaku will also be responsible for clinical development costs to bring the product to market in the territory.

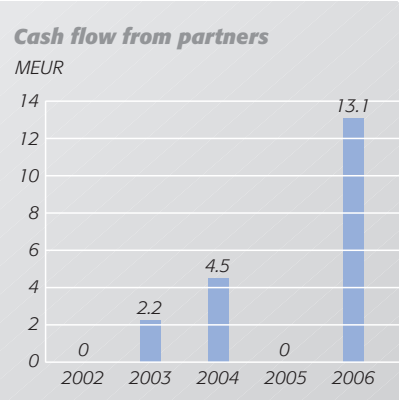
In the field of anti-thrombotics, we continued the development of Biotie's integrin $\alpha 2\beta 1$ inhibitor. The compound is expected to work by making the blood less likely to clot, thus, patients would be less likely to have a stroke or heart attack. The concept also has marked potential in the treatment of cancer and inflammatory diseases. The program has not been actively offered for patnering.

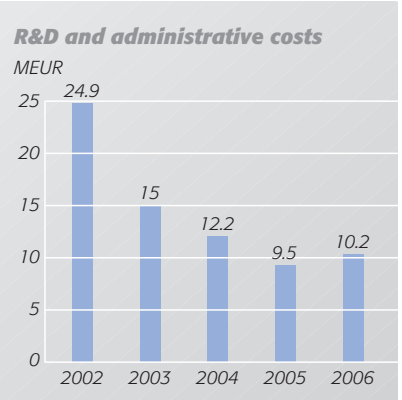
All marketed heparin products are animal-derived. We own significant immaterial rights to bioheparin, the first non-animal-derived heparin. BioTie is seeking a development partner for this program.

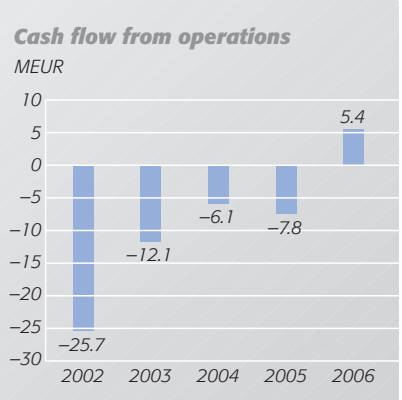
Shareholder base was strengthened significantly in the financing round with Pequot Capital joining in with a EUR 10 million investment. BioTie current cash position is good with EUR 32 million at year end. The financial year was cash flow positive due to milestone payments based on agreements. Costs have been under control since the fusion in 2002 and cash flow from commercial agreements reached EUR 13.1 million during the financial year. Supported by the positive news flow, the market capitalisation tripled during the review period.

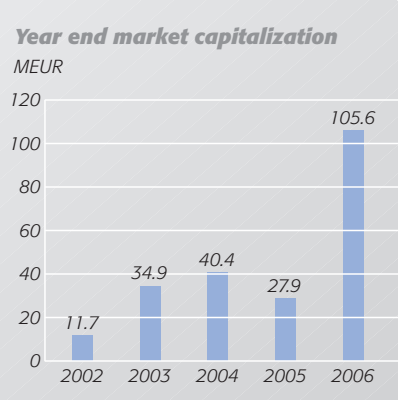
Finally, I would like to thank the shareholders for their confidence and our partners for great collaboration. A big thank you is due to the staff; they have established and maintained a great working environment and have remained committed to the company goals.

Timo Veromaa
President and CEO









Nalmefene:

- **€ 88 M** agreement (plus royalties on sales) with **H. Lundbeck A/S** for worldwide rights for nalmefene, excluding territories listed below.
- **$ 13.2 M** licensing agreement (North American rights) with **Somaxon Pharmaceuticals** covering nalmefene for the treatment of dependence disorders.
- Territorial marketing & distribution agreements (UK, Ireland, Turkey, South Korea) covering nalmefene for the treatment of alcohol dependence.

VAP-1:

- **€ 5.0 M** option agreement (global rights excluding Far East) with **Roche** covering VAP-1 monoclonal antibody.
- **$ 16.7 M** licensing agreement (Far East) with **Seikagaku Corporation** covering VAP-1 monoclonal antibody.
- **€ 5.0 M** collaboration and option agreement (global rights excluding Far East) with **Roche** covering VAP-1 SSAO small molecule inhibitor.
- **€ 16.7 M** option for licensing agreement (Far East) with **Seikagaku Corporation** covering VAP-1 SSAO small molecule inhibitor.

Annual General Meeting

The Annual General meeting of Biotie Therapies Corp. will be held on Wednesday March 28, 2007, commencing at 10 a.m. at the Mauno Koivisto Center in Turku (Tykistökatu 6). Registration begins at 9.30 a.m.

Shareholders are entitled to participate in the Annual General Meeting if they are registered in the company's register of shareholders kept by the Finnish Central Securities Depository Ltd on March 16, 2007.

Notifications

Shareholders wishing to participate in the Annual General Meeting must notify the company thereof no later than March 26, 2007, by 4 p.m.

The letter of participation must arrive at the company before the expiration of the above mentioned period for notification. Any letters of authorization must be submitted in connection with the notification of participation.

Investor Relations

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

Attendance notifications to General Meetings, inquiries, requests for materials:
Biotie Therapies Corp.
Virve Nurmi, Tykistökatu 6, FI-20520 Turku, Finland
Tel. +358 2 274 8911, Fax +358 2 274 8910
or virve.nurmi@biotie.com.

Financial publications

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

The 2007 interim reports will be published as follows:

- January–March, Friday April 27, 2007
- January–June, Friday August 10, 2007
- January–October, Friday October 26, 2007

Share Register

Shareholder mailings are made based on the information in the shareholder's register kept by the Finnish Securities Depository Ltd.

Shareholders are kindly requested to inform the custodian of their book-entry account of any changes in contact details.

Share Basics

The shares of Biotie Therapies Corp. are quoted on the Helsinki Stock Exchange, Nordic List, Small Cap (Health Care).

ISIN code	FI0009011571
Trading code	BTH1V
Number of shares, Dec. 31, 2006	89 530 660
12-month low	EUR 0.49
12-month high	EUR 2.39
All time high	EUR 2.66
All time low	EUR 0.40
Average rate	EUR 1.10
The company's market value, Dec. 31, 2006	EUR 105.6 million

Share Capital and Shares

The registered share capital of Biotie Therapies Corp. increased due to share issue by EUR 18 796 273.89 to EUR 19 849 778.31, and the number of shares increased by 36 855 439 shares to 89 530 660 shares.

According to the Articles of Association, the minimum number of shares is 15 000 000 and the maximum number of shares is 150 000 000.

The company shares are included in the book-entry securities system.

Options on 31 December 2006

Options 2004

Number of option rights, total	2 000 000
Subscribed	2 000 000
Shares subscribed	0
Option rights remaining	2 000 000
Entitled to subscribe a total of 2 000 000 shares	
Of which owned by the Group	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	One share for one option right A-series: 1 share for EUR 0.90 B-series: 1 share for EUR 0.98 C-series: 1 share for EUR 1.07

Options 2006

Number of option rights, total	3 000 000
Subscribed	3 000 000
Shares subscribed	0
Option rights remaining	3 000 000
Entitled to subscribe a total of 3 000 000 shares	
Of which owned by the Group	974 400
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	One 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

Authorization to increase share capital and dispose of own shares

The authorization to issue shares remains in force until March 28, 2007. Under the authorization, the share capital can be increased by the maximum of EUR 194 320 or 9 716 000 shares. The Board of Directors is authorized to dispose of own shares until March 28, 2007. The authorization covers the 819 000 shares owned by the company.

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

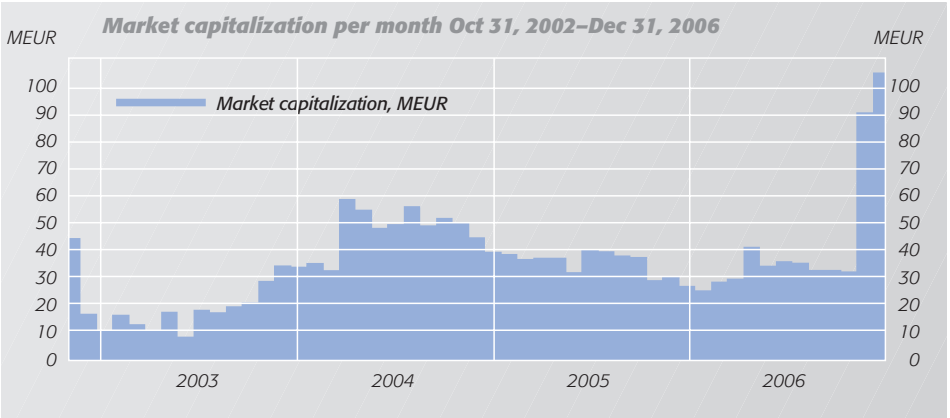
The Extraordinary General Meeting of Shareholders resolved on November 28, 2006 in accordance with the proposal of the Board of Directors to offer new shares for subscription at the subscription price of EUR 0.51 per share. Through the offering up to 40 206 196 shares will be offered.

In the Offering institutional investors and the shareholders of the Company and the holders of the Company's convertible loans and option rights are entitled to subscribe for the shares.

Owners on 31 December 2006

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

	Shares	%
Finnish Innovation Fund Sitra	14 585 350	16.44
Finnish Industry Investment Ltd	12 278 785	13.84
Juha Jouhki and his controlled companies:	6 537 672	7.37
Dreadnought Finance Oy (2 098 416)		
Jouhki Juha (1 501 356)		
Thominvest Oy (2 937 900)		
Funds administered by Bio Fund Management Oy:	2 715 498	3.06
Bio Fund Ventures III Ky (2 485 715)		
Bio Fund Ventures I Ky (229 783)		
Oy H. Kuningas & Co Ab	1 052 607	1.19
Funds administered by Aboa Venture Management Oy:	844 666	0.95
Aboa Venture Ky I (492 142)		
Aboa Venture Ky II (336 747)		
Ganal Venture Ky (7 906)		
Karhu Pääomarahasto Ky (7 871)		
Tilator Oy	675 364	0.76
Oksanen Markku	549 300	0.62
Markkula Harri	367 334	0.41
Suutari Pekka	351 500	0.40
	39 958 076	45.04
Nominee registered shares total	22 660 578	25.54
Other shareholders	26 093 006	29.41
Outstanding shares	88 711 660	100.00
The number of the company's own shares held by Biotie Therapies	819 000	
Total	89 530 660	



Notices of change in holdings

27 October 2006

Regarding an agreement which upon its implementation, would result in a change of holding in BioTie.
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") informed BioTie that they have on 26 October 2006 entered into an agreement with BioTie on the subscription of shares in BioTie (the "Agreement"). The Funds informed BioTie that upon implementation of the Agreement the holdings of the Funds will jointly exceed one-twentieth (1/20) of the voting rights and share capital of BioTie.

1 December 2006

As a result of share subscriptions made on 29 November 2006, 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") now represents 25.09% of the share capital and voting rights in the Company, taking into account the number of the Company's shares registered in the Finnish Trade Register as well as the number of shares subscribed by the Funds and the total aggregate of 5 882 353 shares subscribed by certain other institutional investors in the Offering.

Bio Fund Management Oy (Business identity code 1088619-1) informed the Company that as a result of the increase in the share capital and the number of shares registered on 1 December 2006, the aggregate holdings of Bio Fund Venture I Ky (Business identity code 1089126-5) and Bio Fund Ventures III Ky (Business identity code 1710147-3), both being under Bio Fund Management Oy's management, now represent less than 5% of the voting rights and share capital in Biotie Therapies Corp.

The holdings of the funds managed by Bio Fund Management Oy constitute 2 715 498 shares, i.e., 3.47% of the voting rights and share capital.

7 December 2006

Finnish Industry Investment Ltd (Business identity code 1007806-3) informed BioTie that as a result of the increase in the share capital and the number of shares registered on 1 December 2006, the aggregate holdings of Finnish Industry Investment Ltd, now represent less than 20% of the voting rights and share capital in Biotie Therapies Corp.

The holdings of Finnish Industry Investment Ltd constitute 13 557 185 shares, i.e., 17.34% of the voting rights and share capital in Biotie Therapies Corp.

8 December 2006

The Finnish National Fund for Research and Development (Sitra) (Business ID 0202132-3) informed the company that as a result of the increase in the share capital and the number of shares registered on 1 December 2006, the holdings of Sitra now represent less than 20% of the number of votes and share capital in Biotie Therapies Corp.

The holdings of Sitra now constitute 14 585 350 shares, i.e., 18.66% of the number of votes and share capital in Biotie Therapies Corp.

21 December 2006

Finnish Industry Investment Ltd (Business identity code 1007806-3) informed the company that as a result of the increase in the share capital and the number of shares, which will be registered on 27 December 2006, the holdings of Finnish Industry Investment Ltd represent less than 3/20 of the voting rights and share capital in Biotie Therapies Corp.

The holdings of Finnish Industry Investment Ltd constitute 12 332 185 shares, i.e., 13.77% of the voting rights and share capital in Biotie Therapies Corp. after the increase of the share capital.

Insider Register

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

Distribution of shareholders, December 31, 2006

Shares	Shareholders	% of shares	Number of shares	% of shares
1–500	2 172	35.14	520 428	0.58
501–1 000	996	16.11	806 009	0.90
1 001–10 000	2 578	41.71	8 926 672	9.97
10 001–100 000	383	6.20	9 505 555	10.62
100 001–500 000	41	0.66	8 232 728	9.20
500 001–	11	0.18	61 458 173	68.65
Total	6 181	100.00	89 449 565	99.91
Of which nominee register accounts	8		22 660 578	25.31
In special account			81 095	0.09
Total shares issued			**89 530 660**	**100.00**

Type of Shareholders, December 31, 2006	Number of shares	% of shares
Corporations	27 104 760	30.27
Financial and insurance institutions	23 371 614	26.11
Non-profit organizations	15 465 824	17.27
Households	23 418 409	26.16
Foreign	88 958	0.10
Total	89 449 565	99.91
Of which nominee register accounts	22 660 578	25.31
In special account	81 095	0.09
Total	**89 530 660**	**100.00**

Management interest	Number of shares	% of shares and votes
CEO and Board members	1 501 570	1.68

Option programs, December 31, 2006	Number of shares entitled to subscribe with options	
	Number of shares	% of shares and votes
CEO and Board members	834 000	0.93
Other option holders	2 639 600	2.95
Held by Group	1 526 400	1.70
Total	**5 000 000**	**5.58**

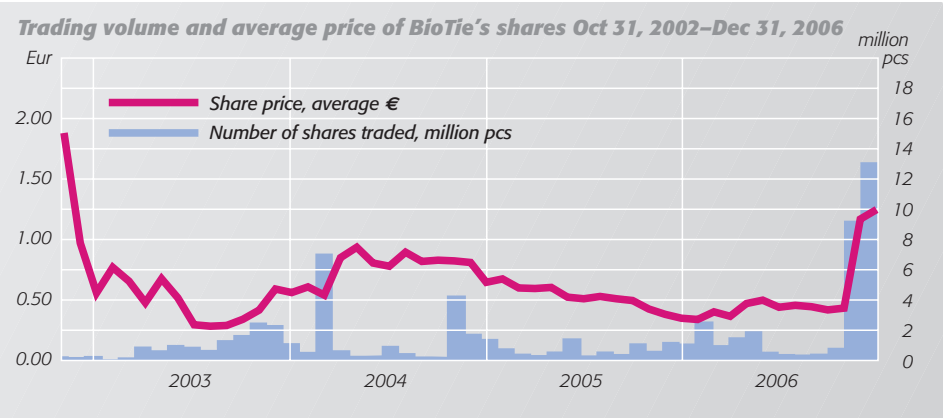
Insiders: the members of the Board of Directors, the Managing Director, the Auditor and the main responsible Auditor. The following persons belong also into the permanent company-specific registered at the Company: the members of the Management Team, the secretary to the Board of Directors, Chief Accountant, HR Manager and Assistants to the Managing Director and the Management Team.

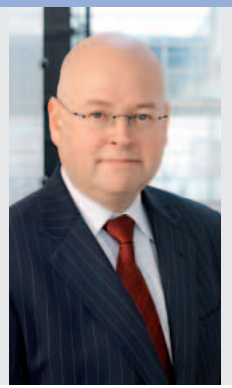
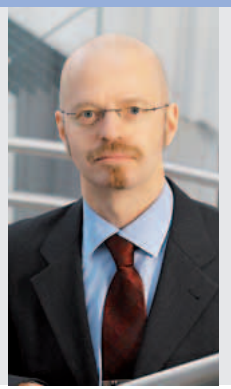
The Public Insiders, together with any other permanent insiders, form the so-called Permanent Insiders of BioTie. In addition, specific trading restrictions apply to project specific insiders.
The company insider administration is included in the Sire-system of the Finnish Central Securities Depository. Visiting address: Suomen Arvopaperikeskus Oy, Urho Kekkosen katu 5 C, 00100 Helsinki

Insider holdings of shares and options, December 31, 2006

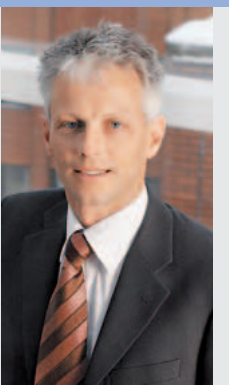
Name	Position	Shares	Shares to be subscribed by options
Public insiders:			
Juha Jouhki	Chairman of the Board	1 501 356	–
Pauli Marttila	Member	214	–
Piet Serrure	Member	–	–
Riku Rautsola	Member	–	–
Timo Veromaa	CEO	–	834 000
Johan Kronberg	Auditor	–	–
Tomi Moisio	Auditor	–	–
Total		**1 501 570**	**834 000**
Company-specific insider register:			
Antero Kallio	Director, Drug Development	43 900	253 600
Kai Lähdesmäki	Vice President (Business Development)	–	673 800
Anne Marjamäki	Research Director	–	253 600
David Smith	Research Director	–	253 600
Leena Hyytiä	Controller	66 478	99 500
Leena Korhonen	Executive Assistant	10 000	20 000
Virve Nurmi	Executive Assistant	1 000	20 000
Kristiina Salaterä	Executive Assistant	13 334	20 000
Mikko Heinonen	Secretary of the Board of Directors	–	–
Total		**134 712**	**1 594 100**

Analyst Coverage: According to the Company's information the analysts listed below monitor BioTie's performance. **Kaupthing Bank Sverige**, Benjamin Nordin, benjamin.nordin@kaupthing.se, Tel. +46 8 791 47 55. **Nomura Code Securities**, UK, Chris Redhead, Tel. +44 (0)20 7776 1200. In addition, Tero Weckroth of **Dresdner Kleinwort** (London, UK) is familiar with the company, Tel. +44 207 475 9277. BioTie takes no responsibility for the opinions expressed by analysts or for any evaluations presented by them.



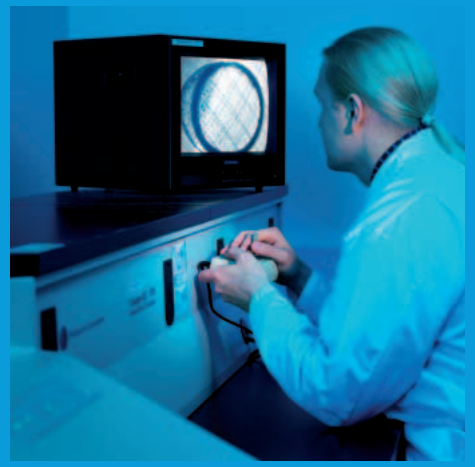







	Timo Veromaa	**Antero Kallio**	**Kai Lähdesmäki**	**Anne Marjamäki**	**Leena Hyytiä**	**David Smith**
Born	1960	1960	1945	1964	1963	1963
Place of residence	Turku	Turku	Paimio	Kaarina	Lieto	Naantali
Education	M.D., Ph.D. Special Competence in Pharmaceutical Medicine	M.D., Ph.D., Special Competence in Pharmaceutical Medicine, Post-graduate Certificate in Pharmaco-vigilance	M.Sc. (Pol. Sc.)	Ph.D. (Pharmacology), docent (molecular pharmacology)	M.Sc. (Econ.)	Ph.D.
Position at BioTie	President and CEO	Director, Drug Development	Vice President, Business Development	Research Director	Controller	Research Director
Appointed to the Management Group	December 1998	June 2005	April 1999	June 2005	October 2006	June 2005
Employment history	With Biotie Therapies Corp. since 1998. Vice President of R&D (1998–2005). President and CEO from May 2005. Medical Director of Schering Oy (1996–1998) and Research and Program Manager at Collagen Corporation (California, USA, 1994–1996). Postdoctoral Fellow at Stanford University (California, USA, 1990–1993), Scientist at the University of Turku, Finland (1985–1990).	Biotie Therapies Corp. (formerly Contral Pharma): Director of Clinical Research since 1998, 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). Scientist at the Department of Pharmacology and Clinical Pharmacology, University of Turku, Finland (1986–1988).	With Biotie Therapies Corp. since 1999. MediNet International Ltd.: President and Member of the Board of Directors (1990–1999). Farmos Group Ltd.: various management positions as VP, International Division and member of the internal Board (1973–1990).	With Biotie Therapies Corp. since 2000. Senior Scientist at the University of Turku, Finland (1996–2000), Medical Writer at Clinical Research Services Turku (CRST, 1999–2000). Postdoctoral Fellow at Medical University of South Carolina (1995–1996), Scientist at the University of Turku, Finland (1989–1994).	With Biotie Therapies Corp. since 2001. Chief accountant of MacGREGOR (FIN) (1997–2000) and Rakennus-Ruola Oy (1990–1994).	With Biotie Therapies Corp. since 1997. Research Director since 1999. EMBO Postdoctoral Fellow at the University of Turku, Finland from 1993 to 1997 and Research Scientist at the Glaxo Institute for Molecular Biology (Geneva, Switzerland) from 1990 to 1993. Scientist at Bristol University (UK) 1985–1989.
Other major duties			Chairman of the Board at Delsitech Ltd. and Chairman of the Board at Wansår Corporation Ltd.			

Research and Product Development



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

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

Product	Potential indications	Authority regulated preclinical	Phase I
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		

* 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).

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

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

	Phase II	Phase III	Registration	In the market

Biotie's nalmefene is the first tablet form drug demonstrating efficacy in reducing heavy drinking in multicenter, controlled studies

Marketing Authorisation Application submitted in the UK in November 2006

Alcohol dependence

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, 1.2 million alcohol related violent incidents, and National Health Service estimates the annual costs of alcohol abuse to range between GBP 1.4 billion and GBP 1.7 billion. The efficacy of current treatments and available pharmaceuticals is limited and leaves market opportunity for new therapies.

Alcohol dependence is the lead indication for nalmefene

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.

BioTie submitted a Marketing Authorisation Application to the UK Medicines and Healthcare Regulatory Authority (MHRA) for nalmefene for the treatment of alcoholism in November 2006. A decision from the MHRA is expected during the second half of 2007. Nalmefene is expected to gain 10 year market exclusivity in the EU.

Nalmefene has further potential in other addictions

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 2 clinical trial for smoking cessation in July 2006.

In contrast, Somaxon released the results of its phase 2/3 clinical study in pathological gambling in December. 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.**

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

- **Nalmefene is now partnered worldwide**
- **Sales and marketing through H. Lundbeck A/S, Somaxon Pharmaceuticals, Britannia Pharmaceuticals, Eczacibasi, and Whanin Pharmaceuticals**

BioTie partnered nalmefene worldwide in 2006

In 2006, the company met its goals by signing up world-class partners for nalmefene globally. Important new partnering agreements to cover the rest of the world were signed in 2006: In April, BioTie signed a marketing and distribution agreement with Britannia Pharmaceuticals Limited, for nalmefene in the UK and Ireland. In October, BioTie signed marketing and distribution agreements for nalmefene with Eczacibasi İlaç Pazarlama AŞ in Turkey; and with Whanin Pharmaceutical Co., Ltd. in South Korea.

In November, BioTie and H. Lundbeck A/S signed an agreement on worldwide rights for nalmefene, excluding North America, Mexico, UK, Ireland, Turkey, and South Korea which had already been licensed. The license enters into force in 2007. Based on this agreement, BioTie is eligible for up to EUR 88 million in upfront and milestone payments plus royalty on sales. Lundbeck will be responsible for manufacturing and registration of the product in its territory. The company received EUR 10 million from Lundbeck on signing the agreement in 2006.

North American rights were licensed to Somaxon Pharmaceuticals in 2004. In North America, the first nalmefene indication could be valued at up to $13.2 million in milestone payments plus royalties from sales. Additional indications would generate additional milestone and royalty revenue for BioTie.

- **Fully human VAP-1 monoclonal antibody for inflammatory diseases**
- **VAP-1 SSAO enzyme inhibitor for inflammatory diseases**
- **Roche as key global partner, Seikagaku in Asia**

Significant unmet medical need in inflammatory diseases

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 $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.

First-in-class: fully human VAP-1 monoclonal antibody

In November 2006, BioTie and F. Hoffmann-La Roche (Roche) signed an option agreement for BioTie's fully human antibody program targeting VAP-1 in inflammatory diseases. BioTie's fully human VAP-1 antibody is based on Medarex, Inc's (NJ, USA) HuMab-technology and is expected to enter into clinical development during the first half of 2007.

This new agreement extends the collaboration between the two companies as Roche already held an exclusive option right to BioTie's VAP-1 SSAO enzyme small molecule inhibitor candidates in preclinical phase.

Under the terms of the new agreement covering the antibody program, 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 VAP-1 antibody, excluding Japan, Taiwan, Singapore, New Zealand, and Australia. BioTie received EUR 3 million of the initiation fee in 2006. The initial option right will end upon completion of phase 1.

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

First-in-class: VAP-1 SSAO enzyme inhibitor

In 2006 Roche and BioTie continued to 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 $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.

- **First-in-class: α2ß1-integrin inhibitor for thrombosis**
- **First recombinant heparin**

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

Heart attack 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 $13 billion.

BioTie's integrin α2ß1 inhibitor is expected to work by making the blood less likely to clot, thus, patients would be less likely to have a stroke or heart attack.

BioTie holds several patents, patent applications and other intellectual property rights on integrin α2ß1 and its inhibitors in the U.S., Europe, Japan and rest-of-the-world.

α2ß1 integrin inhibitors have additional potential in cancer and inflammation

Prostate cancer is a leading cause of male cancer death. There is a significant unmet medical need to improve survival, especially in patients who have failed hormonal therapy.

In patients with prostate cancer, α2ß1 integrin is a mediator in the formation of metastases into bone and studies suggest that integrin α2ß1 inhibitors may be of benefit in this condition. Positive results in several animal models of inflammation demonstrate significant potential in inflammatory diseases.

The program has not been actively offered for partnering at this stage.

First recombinant low molecular weight heparin

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

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

General Meetings

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

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

Shareholders are invited to a General Meeting by a notice published in at least two Finnish nationwide newspapers decided by the Board of Directors or by sending the notice to conveneat the earliest two 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.

Board of Directors

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

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

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

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

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

Election of the members of the Board

BioTie's Annual General Meeting held on 30 March 2006 elected four (4) members to the Board of Directors. Their term commenced on 30 March 2006 and will expire at the close of the 2007 Annual General Meeting. The Board members elected at the 2006 General Meeting are Mr. Juha Jouhki, Mr. Piet Serrure, Mr. Riku Rautsola and Mr. Pauli Marttila. According to the evaluation of independence, all members of the Board of Directors are considered independent of the company. In addition, Mr. Piet Serrure and Mr. Riku Rautsola are considered independent of the significant shareholders of the company. BioTie's current Board of Directors is presented in more detail on page 20.

Deviation from the Corporate Governance Recommendation

The Board of Directors of BioTie consists of four members. According to the Annual General Meeting held on 30 March 2006 four members is a sufficient number of members taking into account the size and the development phase of the company. Item 11 of the Corporate Governance Recommendation requires that the Board shall comprise of at least five members.

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

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

In accordance with the resolution made at the 2006 Annual General Meeting, the members of the Board are in 2006 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 18 meetings during 2006. The average ratio of attendance at the meetings was 99%.

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. BioTie's Board of Directors has not established any committees.

Remuneration paid to the Board of Directors in 2006 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.

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 168 551 in the salaries and other benefits to the Managing Director Timo Veromaa in 2006.

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

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.

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

The option rights and shares held by the members of the Management Team have been specified on page 6.

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. 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.

The 2006 Annual General Meeting of BioTie elected two auditors for the company: APA Johan Kronberg and Authorised Public Accountants Pricewaterhouse-Coopers Oy, with APA Tomi Moisio as the auditor with principal responsibility.

In accordance with the resolution of the 2006 Annual General Meeting, the auditors shall be paid in accordance with their reasonable invoices. Fees paid for auditors in 2006 auditing EUR 73 984 and other services EUR 83 645.

Risk management

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

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

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

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

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

Insider Rules

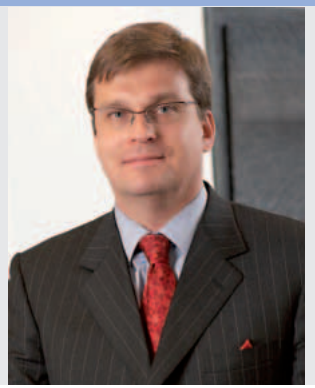
BioTie's Insider Rules, dated 1 December 2005, observe the Insider Guidelines of the Helsinki Stock Exchange, yet setting somewhat more stringent requirements in certain respects. BioTie's Insider Rules are updated and compliance therewith monitored on a regular basis.

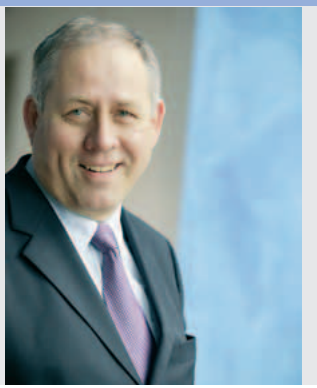
Pursuant to BioTie's Insider Rules, the shareholding data of the so-called Public Insiders is in the public domain and accessible either via the Finnish Central Securities Depository or via BioTie's website. Under the Insider Rules, the following persons belong to the group of Public Insiders: the members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

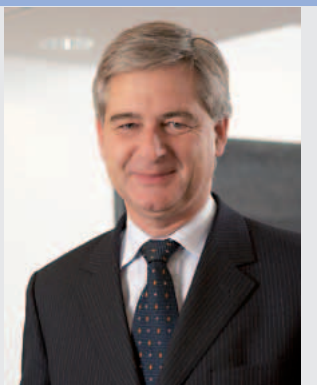
The Public Insiders, together with any other permanent insiders, form the so-called Permanent Insiders of BioTie. Three principal rules govern trading by the Permanent Insiders in BioTie's securities or derivatives. Firstly, trading is generally permitted only during the four-week period following the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

The company insider administration is included in the Sire-system of Finnish Central Securities Depository.

Board of Directors







	Juha Jouhki Chairman of the Board of Directors	**Pauli Marttila** Deputy chairman of the Board	**Riku Rautsola**	**Piet Serrure**
Born	1966	1958	1954	1954
Place of residence	Espoo	Helsinki	Maryland, USA	Hove, Belgium
Education	M.Sc. (Tech.)	M.Sc. (Eng.)	Ph.D. (Econ.)	M.Sc. (Econ.)
Board member as from	2002, since 2005 Chairman of the Board of Directors	March 2005	March 2004	March 2004
Principal occupation	Managing Director of Thominvest Oy	Director of Sitra Ventures, the Venture Capital unit of Sitra, the Finnish Innovation Fund	President and CEO, VIRxSYS Corporation, a leading genetherapy company	Independent consultant
Principal employment history	Managing Director of Contral Clinics Ltd. (1996–1999), Chairman of the Board of Directors of Contral Pharma Ltd. (1998–2002). In different positions of Finncarriers Oy Ab (1992–1996).	Director, Life Sciences at Sitra (2005–2006), Director, Corporate Finance at Sitra Life Sciences (1999–2004). Since 1983, management positions in several R&D operations and business operations in Neste Corp. (later Fortum Corp.). General Manager of New Developments business unit at Neste Chemicals in Finland (1996–1999). Manager of Neste's Noptek Venture Capital Fund in the United States (1993–1995). Assistant Attaché at the Finnish Consulate General in Los Angeles (1984–1985).	Management, sales and research positions in Denmark, Germany, the United States and China over 20 years. President and CEO of Borean Pharma (2003–2004). CEO of Cosmix Molecular Biologicals since 2001. Management positions at Boehringer Ingelheim, Beiersdorf and Fresenius. Founding Member and chairman (2000–2001) of Accelerating Access, a public and private initiative of the UN and the pharmaceutical industry. "Free Nevirapine for the Prevention of Mother to Child HIV Transmission" Founder.	Benevent (venture capital company), 1985. Director and CEO of Parnib (NIB Capital) until 2001. Managing Director of Origo Management until 2006. Independent consultant since 2006. Positions at Du Pont de Nemours and Arthur Andersen. Member of the Board of Directors and of the Executive Committee of the European Private Equity and Venture Capital Association (EVCA) until 2004.
Other simultaneous positions of trust	Member of the Board of Directors at e.g. Thominvest Oy, Dreadnought Finance Oy, Procarbon AB, Neomedit Oy, Alimetrics Oy, Unicrop Oy and Interquest Oy.	Board memberships: BPM Group Oy (chairman), Mobidiag Oy (chairman), Ipsat Therapies Oy. Member of five Investment Committees for Bio Fund private venture capital funds, Advisory Board Member in Next Wave Funds (New York).	Board member, VIRxSYS	Board member: EASDAQ NV, Finco NV.

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

Review of the financial year of the BioTie Group

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

Drug development projects

Nalmefene program

In April, BioTie signed a marketing and distribution agreement with Britannia Pharmaceuticals Limited, based in Surrey, England, for nalmefene in the UK and Ireland.

Under the terms of the agreement, BioTie granted Britannia an exclusive license to market and distribute nalmefene as a prescription medicine for the treatment of substance abuse disorders and impulse control disorders in the UK and Ireland. Britannia will purchase nalmefene finished product from BioTie and Britannia will be responsible for its registration, sales and marketing. The agreement provides BioTie with financial returns typical for a product at the registration phase.

In July 2006, BioTie's North American licensing partner Somaxon Pharmaceuticals, Inc. announced positive results with nalmefene in a pilot phase 2 clinical trial for smoking cessation. In a single center, randomized, placebo-controlled study in which 76 smokers were enrolled, patients in the nalmefene 40mg group demonstrated numerically higher abstinence rates at all timepoints relative to placebo. Patients in the nalmefene 80mg group did not consistently achieve abstinence rates that were numerically superior to placebo. The study was not powered to demonstrate statistical significance.

In this study, nalmefene was generally well tolerated, with an adverse event profile similar to that observed in studies previously conducted with nalmefene. The most commonly reported adverse events were insomnia and nausea. The adverse events tended to be transient in nature and largely resolved after the first week on study drug. Elevation in liver enzymes was observed with a similar frequency in all groups.

In October, BioTie signed marketing and distribution agreements for nalmefene with Eczacibasi İlaç Pazarlama AŞ (Eczacibasi), based in Istanbul, for nalmefene in Turkey; and with Whanin Pharmaceutical Co., Ltd. (Whanin), based in Seoul, for nalmefene in South Korea.

Under the terms of the agreements, BioTie has granted Eczacibasi and Whanin an exclusive license to market and distribute nalmefene as a prescription medicine for the treatment of substance abuse disorders and impulse control disorders in their respective territories. BioTie will receive an undisclosed amount upfront and is eligible for milestone payments plus royalty on sales.

In November, BioTie and H. Lundbeck A/S signed an agreement on worldwide rights for nalmefene, excluding North America, Mexico, UK, Ireland, Turkey, and South Korea. Under the terms of the agreement, BioTie has granted Lundbeck an exclusive license to market and distribute nalmefene as a prescription medicine for the treatment of substance abuse disorders and impulse control disorders.

Under the terms of the agreement, BioTie will receive an execution fee of EUR 15 million, of which EUR 10 million was paid on signing. Once the license enters into force, already paid EUR 10 million and the rest of the execution fee EUR 5 million, total EUR 15 million is expected to be booked as revenue during 2007. In total, BioTie is eligible for up to EUR 88 million in upfront and milestone payments plus royalty on sales. Lundbeck will be responsible for manufacturing and registration of the product in its territory.

BioTie submitted a marketing authorisation application regarding nalmefene in the treatment of alcoholism to the UK Medicines and Healthcare Regulatory Authority (the "MHRA") in November.

In December 2006, Somaxon announced results from a phase 2/3 clinical trial evaluating 20mg and 40mg of nalmefene in patients with a diagnosis of pathological gambling.

In this study, nalmefene did not demonstrate a statistically significant difference compared to placebo on the primary endpoint, mean PG-YBOCS (Yale Brown Obsessive Compulsive Scale modified for Pathological Gambling) as measured at week twelve of the treatment period, for either of the doses studied. In addition, neither dose achieved statistical significance on the secondary endpoints in the trial. The most frequently reported adverse events were insomnia, nausea and dizziness. Elevation in liver enzymes was observed in some nalmefene-treated patients.

Somaxon announced that it intends to further assess the results from this clinical trial with BioTie. Somaxon also intends to assess the previously-reported results from its phase 2 clinical trial evaluating nalmefene for smoking cessation before making determinations regarding the future of the nalmefene program.

Vascular Adhesion Protein-1 (VAP-1)

In November, BioTie and F. Hoffmann-La Roche (Roche) signed an option agreement for BioTie's fully human antibody program targeting Vascular Adhesion Protein-1 (VAP-1) in inflammatory diseases. Inhibiting VAP-1 reduces inflammation by regulating the migration of leukocytes, or white blood cells, to inflamed tissues. BioTie's fully human VAP-1 antibody is based on Medarex, Inc's (NJ, USA) HuMab-technology and is expected to enter into clinical development in the first half of 2007.

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 initiation fee will be paid in two instalments in 2006–2007, and the initial option right will end upon completion of phase 1. 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. BioTie received EUR 3 million during the financial year.

Co-operation with Seikagaku Corporation proceeded as planned.

Other pre-clinical programs

Other pre-clinical programs (VAP-1 SSAO small molecule inhibitor program and α2ß1 integrin program) were progressed as previously planned in pre-clinical stage. In the recombinant heparin program the company continued to look for a partner to finance the future development of the program.

Revenues

Group's 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 1.1 million euros. During the financial year the company received in total 13.1 million euros from new partnering agreements. Of the total, BioTie received 10 million euros from Lundbeck, which will be recognized in revenue during 2007.

Revenue for the financial year in 2005 was in total 1.2 million euros and consisted of periodization of 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 Pharmaceu-

ticals in 2004, and periodization of the option fee from the option agreement signed with Aventis (sanofi-aventis) in 2004. No new milestone or signing fees were received in 2005.

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

Research and Development

Majority of BioTie's personnel is employed in research and development. Research and development costs during 2006 were EUR 8.0 millions (78% of total costs), in 2005 EUR 7.1 million (75%) and in 2004 EUR 9.5 million (76%).

Financial results

The net loss for the financial year was EUR –9.0 million. The corresponding figure for the previous year was EUR –7.9 million. Research and development costs for the period amounted to EUR 8.0 million (in 2005 EUR 7.1 million). As the company did not yet sign up a commercial partner for the recombinant heparin program, 0.7 million euros of capitalized development costs where written off during the financial year. Patent costs have been booked as expenses.

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

Financing

The company strengthened its financial position due to positive operative cash flow and equity offering in November–December 2006 in which the company raised EUR 18.8 million new capital, including EUR 10 million investment from Pequot Capital Management, Inc., one of the leading Life Science investment management companies in the United States.

BioTie's equity ratio was –46.5% on December 31, 2006 (–219.3% in 2005).

Cash and cash equivalents totaled EUR 31.8 million on December 31, 2006 (EUR 7.1 million in 2005).

Capital loans

The Finnish National Technology Agency (Tekes) has granted non-convertible capital loans of EUR 19 663 thousand. EUR 19 011 thousand has been paid to the company by the end of the financial year. The loan period is 8 years. The interest rate is base rate set by The Ministry of Finance minus 1%, however, at least 3%. The loans are instalment-free for four to five years, after that loans will be paid in equal shares. Capital loan has been granted to a definite product development project and the loan covers a contract-based share of the project's R&D expenses. Capital loans have been drawn between 1998 and 2006.

The company had convertible bonds of EUR 2 523 thousand. The subscription period that permits subscription of a total of 1 278 000 company shares began on June 1, 2000, and will end on December 31, 2005, or provided that the loan capital will not be paid by then, until the loan capital has been paid or converted into shares of the company. The loan capitals are unpaid on December 31, 2006. The interest rate is 10% pa. In the consolidated financial information accrued interest expenses have been recognised.

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.

Convertible capital loans have been specified on page 35.

Equity

The company raised in equity offering during November–December EUR 18.8 million, which was booked in share capital.

The company had at 31 December, 2006 EUR 2.7 million (31.12.2005 EUR 4.1 million, 31.12.2004 EUR 6.0 million) worth of non-capital R&D loans granted by Tekes. Tekes has approved the conversion of five loans of EUR 5.8 million to capital loans of which 3.3 million has been converted during reporting period. BioTie's board made decisions in this matter in its meetings on January 26, 2005, March 30, 2005, March 30, 2006, and August 23, 2006.

Investments and cash flow

The cash flow from operations was 5.4 million euros positive (in 2005 –7.8 million euros). During the financial year the company received in total 13.1 million euros from new partnering agreements. Out of the total, BioTie received 10 million euros from Lundbeck, which will be recognized in revenue during 2007. The company's investments during the financial year amounted to EUR 0.8 million (EUR 9 thousand in 2005).

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.

Shareholders' meetings held during the financial year

The Annual General Meeting of Biotie Therapies Corp. was held on 30 March 2006.

The Annual General Meeting of Biotie Therapies Corp. adopted the income statement and balance sheet including the consolidated income statement and balance sheet for the financial year 1 January

Financial situation

1000 €	2006	2005	2004
Revenue	1 118	1 227	2 325
Operating profit	–8 361	–7 381	–8 918
Operating profit, % of revenue	–747.6	–601.3	–383.6
Equity ratio %	–46.5	–219.3	–177.2

Personnel	2006	2005	2004
Average number of personnel, end of period	37	47	47
Number of personnel, end of period	35	45	46
Personnel costs	2 052	2 446	2 281

2005 - 31 December 2005. The Annual General Meeting resolved that the company shall not distribute dividend from the financial year 2005 and that the parent company's loss of the financial year amounting to EUR 8 819 257.39 shall be transferred to shareholders' equity.

The Board of Directors and auditors

The Annual General Meeting discharged the members of the Board of Directors and the Managing Director from liability for the financial year, which ended on 31 December 2005. The Annual General Meeting resolved that the Board of Directors shall consist of four members and re-appointed the following persons as members to the Board of Directors: Juha Jouhki, Pauli Marttila, Riku Rautsola and Piet Serrure. Johan Kronberg, Authorised Public Accountant and PricewaterhouseCoopers Oy Authorised Public Accountants were appointed as auditors of Biotie Therapies Corp.

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

Management

Timo Veromaa acted as President and CEO of Biotie Therapies Corp.

Ms. Leena Hyytiä, Corporate Controller assumed the role of acting Chief Financial Officer from October 2006.

Authorization to dispose own shares

The Annual General Meeting authorised the Board of Directors, in accordance with the proposal of the Board of Directors, to resolve on conveyance of own shares in the company's possession by deviating from the shareholders' pre-emptive right. The authorisation covers the 819 000 shares which corresponds to approximately 1.55 per cent of the company's share capital and all voting rights attached to the shares. Company did not convey or acquire own share's during financial year.

According to the resolution, the Board of Directors is authorized to resolve on the conveyance price and the grounds for determining the price as well as on other terms and conditions relating to the conveyance. The shares may be conveyed against other remuneration than cash payment. The authorisation is in force until the next Annual General Meeting, however not longer than one year from the resolution of the Annual General Meeting.

Authorisation of the Board of Directors to resolve on increase of share capital through new issue

The Annual General Meeting authorised the Board of Directors to resolve, in accordance with the proposal of the Board of Directors, on increase of share capital through new issue by issuing new shares with a book equivalent value of EUR 0.02. On the basis of the authorisation the company's share capital may be increased in one or more issues so that the company's share capital may increase by the aggregate of EUR 194 320 and the number of shares by 9 716 000 shares at maximum.

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

Use of the premium fund to cover the loss of the financial year

The provisions of certain convertible capital loans set forth an obligation for the company to transfer funds from the share premium fund to cover the loss of the company as shown in the balance sheet. Due to the above, the Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, that EUR 6 411 908.13 is transferred from the premium fund to cover the loss shown in the balance sheet as of 31 December 2005. The transfer will decrease the restricted equity of the company by the transferred amount.

New option scheme

The Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, to issue option rights on the below mentioned terms:

The maximum number of the issued option rights shall be 3 000 000. A maximum of 1 000 000 option rights shall be marked with letter A, a maximum of 1 000 000 with letter B and a maximum of 1 000 000 with letter C. The option rights shall be offered for subscription free of charge and in deviation from the shareholders' pre-emptive subscription right to key personnel of Biotie Therapies Corp. and to a wholly owned subsidiary as decided by the Board of Directors.

Increase of the company's share capital and new issue

An Extraordinary General Meeting of Biotie Therapies Corp. (the "Company") was held on 28 November 2006.

The General Meeting of Shareholders approved the matters mentioned in the invitation to the meeting regarding the proposal of the Board of Directors of the Company to increase the share capital of the Company and amend the Articles of Association accordingly.

The Extraordinary General Meeting of Shareholders resolved in accordance with the proposal of the Board of Directors to offer new shares for subscription at the subscription price of EUR 0.51 per share. Through the offering up to 40 206 196 shares were offered in deviation from the shareholders' pre-emptive right to the offered shares to 1) certain institutional investors, including funds managed by Pequot Capital Management, Inc. and Thominvest Oy, Dreadnought Finance Oy and the Finnish National Fund for Research and Development ("Sitra") or entities nominated by them (the "Institutional Offering") and 2) to those of the current shareholders of the Company and holders of option rights and convertible loans who have not in advance waived their right to subscribe for the new shares (the "Shareholder Offering") (the Institutional Offering and Shareholder Offering together the "Offering").

Pursuant to the terms and conditions of the Subscription Agreement concluded between the Company and Pequot on 26 October 2006, Pequot subscribed for 19 607 843 new shares at the aggregate subscription price of EUR 10 000 000. Thominvest Oy and Dreadnought Finance Oy, who are shareholders of the Company, gave a subscription commitment or underwriting to subscribe for the shares so that the said companies and the Finnish National Fund for Research and Development ("Sitra") or entities nominated by them subscribed for 5 882 353 new shares at the aggregate subscription price of EUR 3 000 000.

In the Shareholder Offering the Company offered the new shares to the shareholders of the Company so that a shareholder being registered with the Company's shareholders' register maintained by the FCSD on the record date of the Offering on 1 December 2006 had to right to subscribe for two (2) new shares against each whole three (3) shares owned by the shareholder on the record date of the Offering unless the shareholder has waived his or her rights to subscribe for the new shares. The holders of convertible loans and option rights had the same right and holders of the convertible loans and option rights were entitled to subscribe for two (2) new

shares against each whole three (3) shares which the holder of the convertible loans or option rights was entitled to subscribe for on the record date of the Offering, i.e., on 1 December 2006 pursuant to the terms and conditions of such convertible loans and option rights.

The subscription price was determined to be EUR 0.51 per new share. The Board of Directors of Biotie Therapies Corp. approved on November 30, 2006 the share subscriptions made in the Institutional Offering during the period of 29 November - 30 November 2006 for the aggregate of 25 490 197 shares.

The Board of Directors approved on December 20, 2006 the share subscriptions made in the Shareholder Offering during the period of December 4 - December 15. The aggregate of 11 365 242 shares were subscribed for in the Shareholder Offering.

The Board of Directors of the company decided that the shares remaining unsubscribed for in the share issue, i.e. 3 350 757 shares, were not be offered to a third party for subscription.

The aggregate of 36 855 439 shares were subscribed for in the Institutional Offering and the Shareholder Offering. The aggregate subscription price for the subscribed shares and the corresponding increase of the share capital is EUR 18 796 273.89. The subscription price of the new shares were booked in its entirety in the share capital of the Company.

Option programs

Biotie Therapies Corp. has approved the option subscriptions made on the basis of the option scheme 2006, which the Annual General Meeting of Shareholders resolved to issue on 30 March 2006. All 3 000 000 option rights issued were subscribed for and the options entitle their holders to subscribe for a maximum of 3 000 000 new shares of Biotie Therapies Corp. in the aggregate.

Biotie Therapies Corp. has issued option rights by 31.12.2006 pursuant to a total of two different option programs. As a result of these option rights, the share capital of BioTie may be increased by a maximum of EUR 100 000 corresponding to 5 000 000 shares.

Share price

BioTie's shares are quoted on the Helsinki Stock Exchange, Nordic List (Small Cap, Health Care). Share trading code is BTH1V. Biotie Therapies has 89 530 660 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 1.18. The highest price for BioTie's share during the year was EUR 2.39 and the lowest was EUR 0.49. The average share price was EUR 1.10. BioTie's market capitalization at the beginning of the financial year was EUR 27.9 million and at the end of the financial year EUR 105.6 million.

The average monthly trading during financial year was 2 705 852 shares. The value of shares traded during 2006 was EUR 35.92 million.

At the end of the financial year the company had 6 181 shareholders compared to 5 033 in 2005.

Risks and Risk Management

BioTie's Managing Director is responsible for the operations of the Company. The Board of Directors approves the Company's strategy, budget and follows up the operative and financial situation of the company on a monthly basis. Each drug development project is managed by a Project Manager who reports to the Managing Director.

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

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

Property damages and indirect liability risks are covered by insurance.

Financial risks are managed in accordance with the financial policy approved by the Board of Directors. Foreign exchange exposures are hedged when necessary. Liquid assets are invested into low risk instruments. The company does not apply hedge accounting.

As is common in the field, the most material commercialisation agreements may be terminated or they may need to be amended upon a change of control of the company.

The value of the agreement on a product candidate is measured in the pharmaceutical industry by the amount the contracting partner has agreed to pay as initial payment at the conclusion of the agreement (so-called signing fee) and as so-called milestone payments during the lifecycle of the agreement. The receipt of milestone payments requires that certain in advance determined milestones (such as commencement or finalising of a drug development study, reaching certain test results or regulatory approval) have been achieved. The fulfilment of these pre-determined matters is often uncertain when entering into an agreement.

Moreover, the commercialisation agreements are normally accompanied by a royalty paid by the party commercialising the drug to the party developing it. Royalty is generally calculated as a percentage of the net sales of the product. The size and payment of the royalty depends usually on the patent or other intellectual property rights applicable to the product.

Future outlook

Decision from the UK Medicines and Healthcare products Regulatory Authority (MHRA) on the marketing authorisation for nalmefene in the UK is expected in the second half of 2007.

Fully human VAP-1 monoclonal antibody program is expected to enter into clinical development phase during the first half of 2007.

BioTie expects to make a positive result during 2007 based on milestone payments from partnering agreements. Operating costs are expected to be approximately at the same level in 2007 as in 2006.

The company's goal is to reach profitability during 2010 with existing liquid resources and with the expected income from the partnering agreements.

The Board of Directors proposal for handling of the loss

The Board of Directors proposes that no dividend from the financial year 2006 will be paid, and that the loss of the financial year EUR 8.0 million (FAS) will be transferred to shareholders' equity.

Consolidated Income Statement (IFRS)

1 000 €	Note	1.1.–31.12.2006	1.1.–31.12.2005
Revenue	4	1 118	1 227
Research and development expenses		–7 970	–7 149
General and administrative expenses		–2 207	–2 371
Other operating income	7	698	912
Operating profit / loss		–8 361	–7 381
Financial income	8	215	148
Financial expenses	8	–812	–722
Share of the profit of associated companies	13	0	13
Profit / loss before taxes		–8 958	–7 941
Taxes	9	–7	0
Net income (loss)		–8 964	–7 941
Distribution to parent company shareholders		–8 964	–7 941
Earnings per share (EPS) basic and diluted, EUR	10	–0.16	–0.17

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

Consolidated Balance Sheet (IFRS)

1 000 €	Note	31.12.2006	31.12.2005
ASSETS			
Non-Current Assets			
Intangible assets	11	801	1 047
Property, plant and equipment	12	109	192
Shares and equity interests in associated companies	13	0	38
Financial assets at fair value through profit or loss	15	20 000	0
		20 910	1 277
Current Assets			
Current receivables	14	560	571
Financial assets at fair value through profit or loss	15	7 878	6 687
Cash and cash equivalents		3 886	395
		12 323	7 653
Assets, total		33 233	8 930
EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	23	19 850	1 054
Share premium fund	23	0	5 881
Retained earnings		–21 692	–18 576
Net income (loss)		–8 964	–7 941
Shareholders' equity total		–10 807	–19 583
Long-term liabilities			
Provisions	21	27	40
Interest-bearing liabilities	16	23 508	21 276
Non-interest-bearing liabilities	17	6 528	5 169
		30 063	26 485
Current liabilities			
Provisions	21	16	16
Interest-bearing liabilities	18	27	42
Accounts payable and other debts	19	13 934	1 971
		13 977	2 029
Liabilities total		44 040	28 514
Equity and liabilities total		33 233	8 930

Statement of Changes in Shareholders' Equity (IFRS)

	Parent company shareholders' equity					
1 000 €	Shares (1000 pcs)	Share capital	Share premium fund	Own shares	Retained earnings	Shareholders' equity total
Balance at 1.1.2005	43 907	878	13	–15	–18 756	–17 881
Net income (loss) for the period					–7 941	–7 941
Share issue	8 768	175	5 868			6 043
Options granted					195	195
	8 768	175	5 868	0	–7 746	–1 703
Balance at 31.12.2005	52 675	1 054	5 881	–15	–26 502	–19 583
Net income (loss) for the period					–8 964	–8 964
Options granted					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	–5 881	0	–4 139	8 776
Balance at 31.12.2006	89 531	19 850	0	–15	–30 641	–10 807

Consolidated Cash Flow Statement (IFRS)

1 000 €	Note	1.1.–31.12.2006	1.1.–31.12.2005
Cash flow from operating activities	24		
Net income (loss)		–8 964	–7 941
Adjustments:			
Non-cash transactions		1 249	755
Addition/disposal (–) due to revaluation of financial assets at fair value through profit or loss		–84	–58
Interest expenses and other financial expenses		812	722
Interest income		–215	–148
Taxes		7	0
Change in working capital			
Change in trade and other receivables		–19	716
Change in trade creditors and other liabilities		12 535	–1 976
Change in mandatory provisions		–12	33
Interest paid		–25	–28
Interest received		131	88
Income taxes paid		–7	0
Cash flow from operating activities		5 408	–7 837
Casf flow from investing activities			
Change in financial assets at fair value through profit or loss	15		
Additions		–25 000	–5 000
Disposals		4 000	2 626
Investments	12	–819	–9
Sale of associated companies		45	0
Net cash used in investing activities		–21 773	–2 383
Cash flow from financing activities			
Payments from share issue		17 639	6 043
Proceeds from borrowings		2 232	1 890
Repayment of lease commitments		–15	–101
Net cash from financing activities		19 856	7 833
Increase (+) or decrease (–) in cash and cash equivalents		+3 490	–2 388
Cash and cash equivalents at the beginning of the period		395	2 783
Cash and cash equivalents at the end of the period		3 886	395

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

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

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

1. Accounting principles

A. Basis of preparation

BioTie's consolidated financial statements have been prepared in compliance with the International Financial Reporting Standards (IFRS) adopted in the EU on December 31, 2006. The consolidated financial statements have been prepared under the historical cost convention, excluding a few exceptions specified in the accounting principles section below. For example, financial assets at fair value through profit or loss.

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

The Group has adopted IFRS reporting standards as from January 1, 2005. Prior to the introduction of IFRS, the Group has prepared its consolidated financial statements in accordance with Finnish Accounting Standards (FAS).

BioTie´s financial statements have been prepared assuming that the Company will continue as a going concern. BioTie is a drug development company. Candidate drugs are primarily developed until phase II clinical studies (Proof of concept). BioTie has 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 February 28, 2007.

B. Group accounting

(1). Subsidiaries

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

(2). Associated companies

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

(3). Foreign currency translation

The consolidated financial statements are presented in Euro, which is the Company's functional and presentation currency.

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Translation differences on non-monetary financial assets and liabilities are reported as part of their fair value gain or loss.

C. Revenue Recognition

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

Recognition of revenue from upfront 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.

Recognition of revenue from milestone payments

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

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

D. Property, plant and equipment

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

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

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

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

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

E. Intangible assets – Goodwill

(1) Goodwill

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

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

(2) Research and development expenses

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

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

Due to the risk related to development of pharmaceutical products, capitalisation in the balance sheet requires that the development of the product can be completed with sufficient security. When sufficient security is not ensured, the development costs are expensed. 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 paid for production licence in 2006 and costs paid to the bioheparin project's previous technology partner, Inalco and some computer software. The definite useful life and correspondingly the depreciation period for capitalized bioheparin IP-costs is 10 years. Acquired computer software licences are capitalised on the basis of the costs incurred. These costs are amortised using straigh-line depreciation method over their estimated useful lives (four years). The depreciation period for capitalized production licence is 20 years.

Currently there are no intangible assets with indefinite useful lives.

F. Impairment of non-financial assets

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

G. Financial assets

The financial asset categories according to IAS 39 are financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss includes two subcategories: a) financial assets held for trading and b) financial assets designated on initial recognition as one to be measured at fair value with fair value changes in profit or loss.

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

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

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

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

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

H. Leases

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

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

I. Cash and cash equivalents

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

J. Share capital

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

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

K. Financial liabilities and expenses for long-term liabilities

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

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

Interest costs are expensed as they occur.

L. Taxes

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

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

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

M. Employee benefits

Pensions

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

Equity compensation benefits

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

N. Public Grants

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

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

O. Provisions

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

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

P. Critical accounting estimates and judgements

When preparing the financial statements, estimates and presumptions pertaining to the future need to be made, but their realization may differ from the estimates and presumptions made. Estimates requiring application of judgment have been made mainly to bioheparin capitalization and production license capitalization during the financial year 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 during the financial year. In addition, application of judgment is required when applying the accounting principles of the financial statements.

Q. New IFRS standards, IFRIC interpretations

IASB has published the standards and interpretations below and their application will be obligatory in 2007 or later.

The Group has decided not to apply these standards yet and will adopt them during upcoming financial years. The Group is examining the effects of the standards on its financial statements.

- IFRIC 11, IFRS 2 - Group and Treasury Share Transactions
- IFRIC 10, Interim Financial Reporting and Impairment
- IFRIC 9, Reassessment of Embedded Derivatives
- IFRIC 8, Scope of IFRS 2
- Amendment to IAS 21: Net investment in a foreign operation
- IFRIC 7, Applying the restatement approach under IAS 29, Financial reporting in hyperinflationary economies
- IFRIC 6, Liabilities arising from participating in a specific market - Waste electrical and electronic equipment
- IFRS 7, Financial instruments: Disclosures
- Amendment to IAS 1 - Capital disclosures
- Amendment to IAS 39 and IFRS 4 - Financial guarantee contracts
- Amendment to IFRS 1 and IFRS 6
- Amendment to IAS 39 - The fair value option
- Amendment to IAS 39 Cash flow hedge accounting of forecast intragroup transactions
- Amendments to IAS 19 "Employee Benefits": Actuarial Gains and Losses, Group Plans and Disclosures
- IFRS 6, Exploration for and Evaluation of Mineral Resources
- IFRIC 4, Determining whether an arrangement contains a lease
- IFRIC 5, Rights to Interests arising from Decommissioning, Restoration and Environmental Rehabilitation Funds
- IFRS 8, Operating Segments
- IFRIC 12, Service Concession Arrangements

2. Financial risk management

(1). Categories of financial risk

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

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

(i). Foreign exchange risks

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

(ii). Interest rate risks

The Group's income and operating cash flows are substantially independent of changes in market interest rates. The Group invests liquid assets in low risk securities. The Group's loans from the National Technology Agency (Tekes) are mainly tied to the base rate defined by the Finnish Ministry of Finance. The interest rate of convertible capital loan agreements is fixed. At the end of the fiscal year, 10.7% of loans had a fixed interest rate. BioTie does not cover interest rate risks.

(iii). Credit risks

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

(iv). Liquidity risks

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

(2). Derivative financial instruments

There have been no derivative financial instruments in 2005 and 2006.

3. Segment reporting

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

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

4. Revenue	2006	2005
Aventis collaboration and option agreement	0	231
Somaxon licensing agreement	725	724
Seikagaku licensing agreement	272	272
F. Hoffman-La Roche option agreement	115	0
Marketing and distribution agreements	6	0
Total	1 118	1 227

The revenue for the financial year 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.

The revenue for the financial year 2005 consisted of periodization of the upfront payment of the licensing agreement with Seikakagu Corporation, Aventis (sanofi-aventis) and Somaxon Pharmaceuticals. Currency rate difference is not formed.

5. Personnel costs	2006	2005
Wages and salaries	2 052	2 446
Other obligatory personnel expenses	100	126
Other voluntary personnel expenses	189	107
Pension expenses – contribution-based pension plans	344	393
Options granted	102	195
Total	2 786	3 267

The average number of personnel in 2006 was 37 (2005: 47).

6. Depreciation	2006	2005
Depreciation by asset		
Intangible assets	1 007	307
Machinery and equipment	141	267
Total	1 147	573
Depreciation by operation		
Research and development	1 141	556
Administration	7	17
Total	1 147	573

7. Other operating income	2006	2005
Research and development subsidies		
from The National Technology Agency (Tekes)	377	598
Research and development subsidies of EU	6	41
Ministry of Trade and Industry	4	12
Rent	187	256
Other	124	4
Total	698	912

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

8. Financial income and expenses	2006	2005
Financial income:		
Interest income	131	90
The fair value changes of assets recorded at fair value		
in the profit and loss account	84	58
Total	215	148
Financial expenses:		
Interest on Tekes loans	–559	–467
Interest on finance leases	–1	–2
Interest on convertible capital loan agreement	–252	–252
Total	–812	–722

9. Taxes	2006	2005
Withholding taxes on income from foreign countries	–7	0
	–7	0

BioTie has 2006 received upfront-payments and milestone payments of EUR 76 thousand of which has been deducted a withholding tax in Korea (EUR 7 thousand). This tax is deductable in Finland in 2 years time against taxable profit. However, it is not probable that the company will make profit and be able to deduct the paid withholding tax in near future.

10. Earnings per share

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

	2006	2005
Net profit attributable to shareholders (1 000 €)	–8 964	–7 941
Weighted average number of shares in issue (thousands)	54 996	47 870
Earnings per share (basic) (€ per share)	–0.16	–0.17
Earnings per share (diluted) (€ per share)	–0.16	–0.17

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

The Group has two kinds of diluted instruments augmenting the number of common shares: stock options and convertible capital loan agreements. Shares subscribed with options and convertible capital loan agreements have not been included in the diluted earnings per share, as they have a strengthening effect on the presented period.

Instruments with a possible dilution effect to earnings per share:

Adjustments:	2006	2005
– presumed modification of convertible capital loan agreements (thousands)	1 278	1 278
– stock options (thousands)	5 000	2 516
Total	6 278	3 794

11. Intangible assets

	Intangible rights
Financial year ending on 31.12.2005	
Book value on 1.1.	1 353
Depreciation	–307
Book value on 31.12.	1 047
31.12.2005	
Acquisition cost	4 209
Accumulated depreciation	–3 162
Book value	1 047
Financial year ending on 31.12.2006	
Book value on 1.1.	1 047
Additions	762
Depreciation	–1 007
Book value on 31.12.	801
31.12.2006	
Acquisition cost	4 970
Accumulated depreciation	–4 169
Book value	801

Intangible rights consist mainly, EUR 759 thousand, of capitalized acquisition costs for the production license provided in 2006. Intangible rights of year 2005 consisted mainly, EUR 988 thousand, of capitalized acquisition for the bioheparin IP-rights paid to bioheparin project's previous technology partner, Inalco. As the company did not yet sign up a commercial partner for the recombinant heparin program, 0.7 million euros of capitalized costs were written off during the financial year. The depreciation time for the expenses capitalized in 2006 is 20 years. The remaining amount, EUR 42 thousand, includes mainly software.

12. Property, plant and equipment

	Machinery and equipment
Financial year ending on 31.12.2005	
Book value on 1.1.	449
Additions	9
Depreciation	–267
Book value on 31.12.	192
31.12.2005	
Acquisition cost	2 179
Accumulated depreciation	–1 987
Book value	192
Financial year ending on 31.12.2006	
Net book value on 1.1.	192
Additions	57
Depreciation	–141
Book value on 31.12.	109
31.12.2006	
Acquisition cost	2 236
Accumulated depreciation	–2 128
Book value	109

Assets include approximately EUR 2.0 million of completely depreciated assets still in use. Additions include EUR 38 thousand (2005: EUR 0) 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:

	2006	2005
Acquisition cost – capitalized on the basis of finance lease	1 107	1 070
Accumulated depreciation	–1 027	–941
Book value	81	129

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

13. Investments in associated companies and subsidiaries

Associated companies	Country	Share of ownership %
Biovian Ltd., Tykistökatu 6 B, Turku	Finland	9.9%
Contral America Inc., with no activities	USA	25.0%

	2006	2005
At the beginning of the period	38	25
Sale of associated companies	–38	0
Share of profit/loss before taxes	0	18
Share of taxes	0	–5
Share of profit/loss after taxes	0	13
At the end of the period	0	38

Biotie Therapies Corp. has the right to occupy one seat on the Board of Directors of Biovian Ltd., which is why it has been treated as an associated company. BioTie disposed the 9.9% holding in Biovian Ltd. during March 2006 and realized a gain of 7 thousand euros.

Biovian Ltd.	2006	2005
Assets	0	1 002
Liabilities	0	614
Revenue	0	1 471
Net income for the period	0	136

Subsidiaries	Country
Biotie Therapies International Ltd	Finland

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

14. Receivables and advance payments

	2006	2005
Interest-free receivables:		
VAT receivables	207	124
Other receivables	84	86
Prepaid expenses and accrued income	269	361
Total	560	571

Other receivables include EUR 4 thousand (EUR 6 thousand in 2005) for rental guarantees and a collateral of EUR 80 thousand for lease limit.

15. Financial assets at fair value through profit or loss

	2006	2005
Money market funds	27 878	6 687
Long term	20 000	0
Short term	7 878	6 687

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.

16. Non-current interest-bearing liabilities	2006	2005
Non-convertible capital loans from Tekes	18 311	14 591
Long-term liabilities to Tekes	2 662	4 146
Convertible capital loan agreements	2 523	2 523
Lease liabilities	12	17
Total	23 508	21 276

The loans include a total of EUR 12 thousand (2005: EUR 17 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 19 011 thousand has been paid to the company by the end of the financial year. The amount includes EUR 700 thousand which will be booked as capital loans as soon as the approved expenses are accrued and settlement concerning expenses has been approved. The loan period is 8 years. The interest rate is base rate set by The Ministry of Finance minus 1%, however, at least 3%. The loans are instalment-free for four to five years, after that loans will be paid in equal shares. Capital loan has been granted to a definite product development project and the loan covers a contract-based share of the project's R&D expenses. Capital loans have been drawn between 1998 and 2006.

Convertible capital loan agreements

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

The Group has calculated the fair value of the capital loan agreement at the moment of its drawing and discovered that no share of equity is to be separated from the loan but the loan is defined entirely as liabilities. Amounts from 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 balance sheet (FAS) of the Company. The capital may be returned only if the restricted equity (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.

Long-term liabilities

At the end of the financial year, BioTie had EUR 2 662 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.

The weighted average of effective interest rates at the date of the financial statements was as follows:	2006	2005
Non-convertible capital loans	3%	3%
Convertible capital loans	10%	10%
Long-term liabilities	1%	1%
Lease liabilities	4.0%	3.7%

Capital loans and R&D loans are due as follows:	2006	2005
Under 1 year	8 175	6 932
1–5 years	13 065	9 951
Over 5 years	2 257	4 377
Total	23 496	21 260

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

17. Non-current non-interest-bearing liabilities	2006	2005
Interest debts	4 142	3 355
Upfront payments of license agreements	2 386	1 813
Total	6 528	5 169
Current value of upfront payments of license agreements	2 319	1 762

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 adopted balance sheet for the most recently ended financial year (FAS).

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

18. Current interest-bearing liabilities	2006	2005
Lease liabilities	27	42
Finance lease debts – minimum lease payments		
Under 1 year	27	42
1–5 years	12	17
Total	39	59
Finance charges from leases to be accrued in the future	1	2
Current value of finance lease debts	38	57
Current value of finance lease debts is due as follows:		
Under 1 year	26	41
1–5 years	12	16
Total	38	57

19. Accounts payable and other debts	2006	2005
Accounts payable	854	295
Debts to associated companies	0	35
Debts related to social security costs and to other tax-like charges	76	74
Accrued expenses and prepaid income	570	571
Upfront payments of license agreements	12 420	997
Other debts	15	0
Total	13 934	1 971
Current value of upfront payments of license agreements	12 084	970

Accrued expenses and prepaid income include mainly a provision for vacation pay EUR 252 thousand (2005: EUR 268 thousand) and amortization of research expenses EUR 273 thousand (2005: EUR 209 thousand). Other liabilities from the year 2006 EUR 15 thousand consist mainly of EU accounts not transferred to other participants of the EU project.

20. Deferred taxes

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

The Group has deferred tax assets (2006: EUR 22 848 thousand, 2005: EUR 20 668 thousand) in relation to losses confirmed or to be confirmed in taxation. Furthermore, the Group has deferred tax assets in terms of depreciation in accounting but not in taxation (2006: EUR 608 thousand, 2005: EUR 504 thousand).

The Group has deferred tax liabilities because of the measurement of the financial assets at fair value through profit or loss (2006: EUR 59 thousand, 2005: EUR 37 thousand).

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

The Group has recorded a deferred tax debt of EUR 59 thousand (2005: EUR 37 thousand) and also a tax asset of EUR 59 thousand (2005: EUR 37 thousand):

	2006	2005
Deferred tax assets	59	37
Deferred tax liabilities	59	37

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

The gross movement on the deferred income tax in income statement is as follows:		
Change in tax assets	22	15
Change in tax liabilities	–22	–15

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

Losses confirmed in taxation		Expires
Loss for the fiscal year 1997	350	2007
Loss for the fiscal year 1998	2 443	2008
Loss for the fiscal year 1999	7 976	2009
Loss for the fiscal year 2000	10 691	2010
Loss for the fiscal year 2001	16 177	2011
Loss for the fiscal year 2002	25 465	2012
Loss for the fiscal year 2003	10 171	2013
Loss for the fiscal year 2004	6 219	2014
Loss for the fiscal year 2005	8 383	2015
	87 876	

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
	2 338

21. Provisions

	Unprofitable leases	Total
January 1, 2006	55	55
Used during the financial year	–12	–12
December 31, 2006	43	43

Division of total provisions:	2006	2005
Long term	27	39
Short term	16	16
Total	43	55

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 202 thousand in 2006 (EUR 263 thousand in 2005). The minimum rent for the subleases concluded amounts to EUR 186 thousand in 2006 (EUR 246 thousand in 2005). The Group has a provision of EUR 43 thousand for these subleases.

22. Contingent liabilities

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

	2006	2005
Under 1 year	59	115
1–5 years	14	63
Total	73	177

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

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

	Number of shares (thousands)	Common shares EUR 1 000	Share premium fund EUR 1 000	Total EUR 1 000
January 1, 2005	43 907	878	13	891
Share issue	8 768	175	6 399	6 574
– share issue expense			–531	–531
December 31, 2005	52 675	1 054	5 881	6 934
Transfer from the share premium fund			–5 881	–5 881
Share issue	36 855	18 796		18 796
December 31, 2006	89 531	19 850	0	19 850

The parent company of the Group possesses 819 000 own shares at EUR 1.18 per share, the market value of the shares was EUR 966 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.

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

	2006	2005
At the beginning of the period	2 005	2 484
Given	3 000	0
Exercised	0	0
Expired	–5	–480
At the end of the period	5 000	2 005

On the basis of the option rights exercised for share subscription by December 31, 2006 (December 31, 2005) any new shares were issued (2005: 1 860 shares at a price of EUR 0.02 per share). This resulted in the receipt of the following amounts EUR 37.20 in 2005 from which transaction costs adjusted by deferred taxes have been deducted.

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

Expiry date	Subscription price	2006	2005
31.12.2009	0.90	800	800
31.12.2009	0.98	600	600
31.12.2009	1.07	600	600
31.12.2011	0.60	1 000	
31.12.2011	0.66	1 000	
31.12.2011	0.71	1 000	
Total		5 000	2 000

The fair value of the option rights granted is calculated using the Black-Scholes option pricing model. According to the calculation, the fair value of EUR 615 thousand is amortized as an expense to the vesting period, i.e. years 2004–2008.

Type of arrangement	Share option plan Options 2006	Options 2004
Date of grant	30.3.2006	14.1.2004
Number granted (thousands)	3 000	2 000
Subscription price, EUR	0.60/0.66/0.71	0.90/0.98/1.07
Share price at grant date, EUR	0.58	0.84
Expiry date	31.12.2011	31.12.2009
Vesting conditions	1–3 years service	1–3 years service
Method of settlement	Shares	Shares
Expected volatility, average	44.20%	58.70%
Contractual life (years)	5.76	5.97
Risk-free interest rate, average	3.40%	2.50%
Expected dividends	0.00%	0.00%
Estimated reductions of personnel (at the date of grant)	10.00%	10.00%
The estimated fair value, EUR, average	0.12	0.44
Pricing model	Black-Scholes	Black-Scholes

24. Adjustment of cash flow from operating activities	2006	2005
Net income (loss)	–8 964	–7 941
Adjustments:		
Non-cash transactions		
Depreciation	1 147	573
Options granted	102	195
Share of the profit of associated companies	0	–13
Addition/disposal (–) due to revaluation of financial assets at fair value through profit or loss	–84	–58
Interest expenses and other financial expenses	812	722
Interest income	–215	–148
Taxes	7	0
Changes to working capital:		
Change in trade and other receivables	–19	716
Change in trade creditors and other liabilities	12 535	–1 976
Change in mandatory provisions	–12	33
Interest paid	–25	–28
Interest received	131	88
Income taxes paid	–7	0
Net cash flow from operating activities	5 408	–7 837

25. Transactions with related party

	2006	2005
The following transactions were realized with related party:		
i) Sale of goods and services		
Biovian Ltd. (associated company)	0	4
ii) Purchase of goods and services		
Purchase of services:		
Biovian Ltd.	0	819
iii) Receivables and debts owing from the sale/purchase of goods/services		
Debts to related party:		
Biovian Ltd.	0	35

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

iv) Loans from related party		
Loan from Dreadnought Finance Ltd. (other related party)	1 230	1 163

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

vi) Management Benefits		
Salaries and other short-term employee benefits	741	535
Share-based payments (share of management in the option expenses)	78	100
Termination benefits, payment-based	283	179
Total	1 102	814

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

vii) Stock options given to management

The total number of stock options given to the company's management during 2006 was 1 628 thousand (2005: 0). 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 financial year, the number of outstanding options granted to management was 2 368 000 (at the end of the financial year 2005: 1 020 000).

26. Transactions after the date of the financial statements

No substantial transactions.

Parent Company Income Statement (FAS)

1 000 €	Note	1.1.–31.12.2006	1.1.–31.12.2005
Revenue	1	3 113	0
Cost of sales		0	0
Gross profit		3 113	0
Research and development expenses		–8 620	–6 921
General and administrative expenses		–2 184	–2 333
Other operating income	4	727	912
Other operating expenses	5	–1 157	–531
Operating profit (loss)		–8 121	–8 874
Financial income and expenses	6	107	55
Profit (loss) before extraordinary items		–8 014	–8 819
Extraordinary items +/–		0	0
Profit (loss) before appropriations and taxes		–8 014	–8 819
Taxes		–7	0
Net income (loss)		–8 021	–8 819

Parent Company Balance Sheet (FAS)

1 000 €	Note	31.12.2006	31.12.2005
ASSETS			
Fixed assets and other long-term investments			
Intangible assets	7	41	1 043
Tangible assets	7	28	62
Investments	8	9	19
		78	1 124
Current assets			
Current receivables	9	560	571
Securities	10	27 650	6 543
Cash in hand and at banks		3 877	386
		32 087	7 501
Total		32 165	8 625
EQUITY AND LIABILITIES			
Shareholders' equity	11		
Share capital		19 850	1 054
Share premium fund		0	6 412
Retained earnings		–14 894	–12 487
Net income (loss)		–8 021	–8 819
		–3 066	–13 840
Mandatory provisions	13	43	55
Liabilities			
Long-term liabilities			
Capital loans	14	20 834	17 114
Other long-term liabilities	14	2 839	4 322
		23 673	21 436
Current liabilities	16	11 515	974
Liabilities total		35 188	22 410
Total		32 165	8 625

1 000 €	Note	31.12.2006	31.12.2005
Cash flow from operating activities			
Operating profit		–8 121	–8 874
Depreciation	3	1 056	400
Taxes		–7	0
Change in mandatory provisions		–12	33
Change in working capital		10 551	–163
Financial income and expenses	6	107	55
Net cash from operating activities		3 573	–8 550
Cash flow from investing activities			
Disposals of investments		10	0
Capital expenditure	7	–19	–9
Cash flow from investing activities		–9	–9
Cash flow before financing activities		3 563	–8 559
Cash flow from financing activities			
Share issue	11	18 796	6 574
Change in long-term debt		2 237	1 890
Cash flow from financing activities		21 033	8 465
Increase (+) or decrease (–) in cash and cash equivalents		+24 596	–94
Cash and cash equivalents at the beginning of the period		6 930	7 024
Cash and cash equivalents at the end of the period		31 527	6 930

Accounting principles

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

Research and development expenses

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

Fixed assets

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

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

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

Leasing

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

Mandatory provisions

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

Pension expenses

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

Subsidies

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

Foreign currency

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

Capital loans

Capital loans has been earlier reported in equity. Now they are reported in long-term liabilities according to new Companies Act. Figures from period 1.1.–31.12.2005 has been changed accordingly.

1 000 €	1.1.–31.12.2006	1.1.–31.12.2005

1. Revenue

F-Hoffman-La Roche agreement	3 000	0
Marketing and distribution agreements	113	0
Total	3 113	0

2. Personnel costs

Wages and salaries	2 052	2 446
Pension expenses	344	393
Other personnel expenses	288	232
Total	2 684	3 072
Salary to president and remuneration of board members	283	328
The average number of personnel	37	47
Personnel at the end of period	35	45

3. Depreciation

Intangible rights	1 003	304
Machinery and equipment	44	96
Machinery and equipment, R&D	9	0
Total*)	1 056	400
*) of which related to R&D computer programs and equipment	9	0

4. Other operating income

Research and development subsidies from The National Technology Agency (Tekes)	377	598
Research and development subsidies of EU	6	41
Ministry of Trade and Industry	4	12
Rents	187	256
Other	153	4
Total	727	912

5. Other operating expenses

Costs from the share issues	1 157	531
Total	1 157	531

6. Financial income and expenses

Interest income	131	90
Interest expenses	–24	–35
Total	107	55

7. Intangible and tangible assets

1 000 €	Other long-term investments	Intangible assets	Intangible assets R&D	Machinery and equipment
Historical costs on 1.1.2006	1 098	3 074	25	673
Capital expenditure on 1.1.–31.12.	0	0	0	20
Historical costs on 31.12.2006	1 098	3 074	25	693
Accumulated depreciation	–1 098	–2 031	–25	–620
Total before depreciation	0	1 043	0	72
Depreciation	0	–1 003	0	–44
Net book value on 31.12.2006	0	41	0	28

	Machinery and equipment R&D	Merger goodwill	Total
Historical costs on 1.1.2006	343	1 431	6 644
Capital expenditure on 1.1.–31.12.	9	0	29
Historical costs on 31.12.2006	352	1 431	6 672
Accumulated depreciation	–343	–1 431	–5 548
Total before depreciation	9	0	1 124
Depreciation	–9	0	–1 056
Net book value on 31.12.2006	0	0	68

1 000 €		1.1.–31.12.2006	1.1.–31.12.2005

8. Group

Biotie Therapies International Ltd, Turku	Book value 9	100%	100%
Ownership in partner companies			
Contral America Inc., USA		25%	25%
Biovian Ltd	Book value 10	0,0%	9,9%

9. Current receivables

VAT receivables	207	124
Other receivables	90	86
Prepaid expenses and accrued income*)	263	361
Total	560	571
*) of which R&D subsidy	178	297

1 000 €	1.1.–31.12.2006	1.1.–31.12.2005

10. Securities

Market value	27 878	6 687
Book value	27 650	6 543
Difference	227	144

11. Shareholders' equity

Share capital at the beginning of the period	1 054	878
Share issue	18 796	175
Share capital at the end of the period	19 850	1 054
Share premium fund at the beginning of the period	6 412	13
Transfer from the share premium fund	–6 412	
Share issue		6 399
Share premium fund at the end of the period	0	6 412
Retained earnings at the beginning of the period	–21 306	–12 487
Transfer from the share premium fund	6 412	
Retained earnings at the end of the period	–14 894	–12 487
Net income (loss)	–8 021	–8 819
Shareholders' equity	–3 066	–13 840
Distributable funds at the end of the period	–22 916	–21 306

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	0
Option rights remaining	3 000 000
Entitlement to subscribe a total of 3 000 000 shares	
Of which the company possesses	974 400
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.

Changes in numbers 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	14 053 504	1.12.2006
New issue		0.51	78 165 418	89 530 660	5 796 273	19 849 778	27.12.2006

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

1 000 €	1.1.–31.12.2006	1.1.–31.12.2005

13. Mandatory provisions

Rent for unutilized premises	43	55
Total	43	55

14. Long-term liabilities

Non-convertible capital loans	18 311	14 591
Convertible capital loans	2 523	2 523
Loans from The National Technology Agency (Tekes)	2 662	4 146
Interest on capital loans	176	176
Total	23 673	21 436

Capital loans has been earlier reported in equity. Now they are reported in long-term liabilities according to new Companies Act. Figures from period 1.1.–31.12.2005 has been changed accordingly.

Non-convertible capital loans

The National Technology Agency (Tekes) has granted capital loans of EUR 19 663 thousand. EUR 19 011 thousand has been paid to the company by the end of the financial year. EUR 18 311 thousand has been recorded as capital loans and EUR 700 thousand as long-term liabilities. The amount recorded as long-term liabilities will be booked as capital loans as soon as the approved expenses are accrued and settlement concerning expenses has been approved.

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

Convertible capital loans

The company had convertible bonds of EUR 2 523 thousand. The subscription period that permits subscription of a total of 1 278 000 company shares began on June 1, 2000, and will end on December 31, 2005. Or, provided that the loan capital will not be paid by then, until the loan capital has been paid or converted into shares of the company. The interest rate is 10% pa. Par value of the shares is in total EUR 26 thousand. Accumulated interest of convertible bonds, EUR 2 033 thousand, is not recorded in the financial statements.

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

1 000 €	31.12.2006	31.12.2005
Accumulated interest on capital loans	3 966	3 179
Recorded as expenses	176	176
Total	4 142	3 355

15. Instalment on capital loans and long-term liabilities

	Capital loans	Long-term liabilities	Total
Due next financial year	8 135	40	8 175
Due next 1–5 years	12 087	978	13 065
Due after 5 years	612	1 645	2 257
Total	20 834	2 662	23 496

1 000 €	1.1.–31.12.2006	1.1.–31.12.2005

16. Current liabilities

Advances received	10 011	0
Accounts payable	854	330
Other debts	80	74
Accrued expenses and prepaid income*)	570	571
Total	11 515	974
*) of which accrued vacation pay	252	268

17. Contingent liabilities

Due next year	58	169
Due later on	14	80
Total	73	249

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 1.18 per share, the market value of the shares was EUR 966 thousand 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.

Proposal to the Annual General Meeting

The Board of Directors proposes to transfer the loss EUR –8 021 230.19 of the period to retained earnings.

Helsinki, February 28, 2007

Juha Jouhki
Chairman of the Board

Timo Veromaa
President and CEO

Pauli Marttila

Riku Rautsola

Piet Serrure

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.–31.12.2006. 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, 2007

PricewaterhouseCoopers Oy
Authorised Public Accountants

Johan Kronberg
APA

Tomi Moisio
APA, CPFA

Biotie Therapies Corp. published a total of 29 stock exchange releases or announcements in 2006. 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.

March 1, 2006

Biotie Therapies Corp. revised outlook for 2006

BioTie announced that R&D spending during 2006 is expected be somewhat lower compared to 2005. This is due to postponement of certain major outsourcing costs from 2006 to 2007 until further financing is secured. This decision is not expected to have significant impact on the development timeline of the key projects. As a result of the revised R&D plan the liquid resources are forecasted to be sufficient to finance the company's operations until the end of February 2007.

March 30, 2006

The resolutions of Annual General Meeting of Biotie Therapies Corp. which convened on 30 March 2006

The Annual General Meeting of BioTie adopted the income statement and balance sheet including the consolidated income statement and balance sheet for the financial year 1 January 2005 - 31 December 2005. The Annual General Meeting resolved that the company shall not distribute dividend from the financial year 2005 and that the parent company's loss of the financial year amounting to EUR 8 819 257.39 shall be transferred to shareholders' equity.

The Annual General Meeting resolved that the Board of Directors shall consist of four members and appointed the following persons as members to the Board of Directors: Juha Jouhki, Pauli Marttila, Riku Rautsola and Piet Serrure. At its organisation meeting, which convened immediately after the Annual General Meeting, the Board of Directors appointed Juha Jouhki as the Chairman of the Board of Directors.

The Annual General Meeting authorised the Board of Directors to resolve, in accordance with the proposal of the Board of Directors, on increase of share capital through new issue by issuing new shares with a book equivalent value of EUR 0.02. On the basis of the authorisation the company's share capital may be increased in one or more issues.

The Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, to issue option rights on the below mentioned terms:

The maximum number of the issued option rights shall be 3 000 000. A maximum of 1 000 000 option rights shall be marked with letter A, a maximum of 1 000 000 with letter B and a maximum of 1 000 000 with letter C. The option rights shall be offered for subscription free of charge and in deviation from the shareholders' pre-emptive subscription right to key personnel of Biotie Therapies Corp. and to a wholly owned subsidiary as decided by the Board of Directors. Option rights are offered in deviation from the shareholders' pre-emptive subscription right because the option rights are a part of the company's incentive program wherefore significant economic reasons for the deviation for the company exist.

The provisions of certain convertible capital loans set forth an obligation for the company to transfer funds from the share premium fund to cover the loss of the company as shown in the balance sheet. Due to the above, the Annual General Meeting resolved, in accordance with the proposal of the Board of Directors, that EUR 6 411 908.13 is transferred from the premium fund to cover the loss shown in the balance sheet as of 31 December 2005. The transfer will decrease the restricted equity of the company by the transferred amount.

April 28, 2006

BioTie to submit MAA for oral nalmefene and signs first marketing agreement in Europe

BioTie announced having signed a marketing and distribution agreement with Britannia Pharmaceuticals Limited, based in Surrey, England, for nalmefene in the UK and Ireland.

June 30, 2006

Change in BioTie management

Ms. Leena Hyytiä, corporate controller, will assume the role of acting chief financial officer, effective October 1, 2006. Ms. Hyytiä, M.Sc. (Econ.).

July 27, 2006

Somaxon Pharmaceuticals reports positive results from a pilot phase 2 study of oral nalmefene in smoking cessation

Somaxon Pharmaceuticals, Inc. (Nasdaq: SOMX) announced that oral nalmefene hydrochloride, an opiate antagonist under development by the company, demonstrated positive results in a pilot phase 2 clinical trial for smoking cessation.

October 27, 2006

BioTie signs further nalmefene marketing agreements, is submitting MAA

BioTie announced having signed marketing and distribution agreements for nalmefene with Eczacibasi Ilaç Pazarlama AŞ (Eczacibasi), based in Istanbul, for nalmefene in Turkey; and with Whanin Pharmaceutical Co., Ltd. (Whanin), based in Seoul, for nalmefene in South Korea.

November 21, 2006

Proposals of the Board of Directors of Biotie Therapies Corp. to the Extraordinary General Meeting of shareholders convening on 28 November 2006 and the submission of marketing authorisation application regarding nalmefene

The Board of Directors of Biotie Therapies Corp. (the "Company") proposed with regard to Chapter 20, section 23 of the Finnish Companies Act (21 July 2006/624) that the Company's Extraordinary General Meeting of Shareholders (the "EGM") would resolve on the share issue and amendment of the Company's Articles of Association as described in Appendix 1 to improve the financial position of the Company and strengthen the Company's equity.

BioTie announced that Britannia Pharmaceuticals Ltd ("Britannia"), a marketing partner of the Company, has submitted an electronic documentation on marketing authorisation application regarding nalmefene in the treatment of alcoholism to the UK Medicines and Healthcare Regulatory Authority (the "MHRA"). The decision of the MHRA on the marketing authorisation is expected in the second half of 2007. Pending approval of the marketing authorisation Britannia anticipates launching oral nalmefene in the United Kingdom in 2007.

November 24, 2006

BioTie and Roche sign agreement for VAP-1 antibody program

BioTie announced having signed with F. Hoffmann-La Roche (Roche) 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.

November 27, 2006

Lundbeck and BioTie sign agreement for nalmefene

BioTie announced having signed an agreement with H. Lundbeck A/S on worldwide rights for nalmefene, excluding North America, Mexico, UK, Ireland, Turkey, and South Korea.

Under the terms of the agreement, BioTie will receive an execution fee of EUR 15 million, of which EUR 10 million is payable on signing. The license enters into force in 2007. In total, BioTie is eligible for up to EUR 88 million in upfront and milestone payments plus royalty on sales. Lundbeck will be responsible for manufacturing and registration of the product in its territory.

November 28, 2006

Resolutions of the extraordinary general meeting of Biotie Therapies Corp. on 28 November 2006

The General Meeting of Shareholders approved the matters mentioned in the invitation to the meeting regarding the proposal of the Board of Directors of the Company to increase the share capital of the Company and amend the Articles of Association accordingly.

Offering

The Extraordinary General Meeting of Shareholders resolved in accordance with the proposal of the Board of Directors to offer new shares for subscription at the subscription price of EUR 0.51 per share. Through the offering up to 40 206 196 shares will be offered.

Main Stock Exchange Releases in 2006 in Brief

November 30, 2006

Subscriptions in the offering of Biotie Therapies Corp.

The Board of Directors of Biotie Therapies Corp. approved the share subscriptions made in the Institutional Offering during the period of 29 November - 30 November 2006 for the aggregate of 25 490 197 shares.

The aggregate of 25 490 197 shares were subscribed in the Institutional Offering. The subscription price was EUR 0.51 per share. The aggregate subscription price for the subscribed shares is EUR 13 000 000.47. As a result of the registration of the increase of share capital the Company's share capital will amount to EUR 14 053 504.89 and the number of shares to 78 165 418 accordingly.

December 5, 2006

BioTie licensing partner Somaxon reports results from a clinical trial of nalmefene in pathological gambling

BioTie North American licensing partner Somaxon Pharmaceuticals, Inc. announced results from a Phase 2/3 clinical trial evaluating 20mg and 40mg of oral nalmefene hydrochloride, an opiate antagonist, in patients with a diagnosis of pathological gambling.

Nalmefene did not demonstrate a statistically significant difference compared to placebo on the primary endpoint, mean PG-YBOCS (Yale Brown Obsessive Compulsive Scale modified for Pathological Gambling) as measured at week twelve of the treatment period, for either of the doses studied. In addition, neither dose achieved statistical significance on the secondary endpoints in the trial. The most frequently reported adverse events were insomnia, nausea and dizziness. Elevation in liver enzymes was observed in some nalmefene-treated patients.

December 20, 2006

BioTie raised EUR 18.8 million new capital in the combined institutional and shareholder offering

BioTie announced that in addition to the share subscriptions in the Institutional offering approved on November 30, 2006, the Board of Directors of Biotie Therapies Corp. has today approved the share subscriptions made in the Shareholder Offering during the subscription period of 4 December 2006 - 15 December 2006 for the aggregate of 11 365 242 shares.

The aggregate of 11 365 242 shares were subscribed for in the Shareholder Offering. The subscription price was EUR 0.51 per share. The aggregate subscription price for the subscribed shares is EUR 5 796 273.42.

As a result of the registration of the increase of the share capital, the company's share capital will amount to EUR 19 849 778.31 and the number of shares to 89 530 660 accordingly. The Board of Directors of the company has decided that the shares remaining unsubscribed for in the share issue, i.e. 3 350 757 shares, will not be offered to a third party for subscription.

The aggregate of 36 855 439 shares were subscribed for in the Institutional Offering and the Shareholder Offering. The aggregate subscription price for the subscribed shares and the corresponding increase of the share capital is EUR 18 796 273.89.

Formulas for the Calculation of the Financial Ratios

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

Return on equity, %

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

Return on capital employed, %

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

Equity ratio, %

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

Gearing, %

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

Earnings per share (EPS)

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

Shareholders' equity per share

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

Dividend per share

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

Pay-out ratio, %

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

Effective dividend yield, %

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

P/E ratio

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

Consolidated Company 1 000 €	IFRS 1.1.–31.12.2006 12 months	IFRS 1.1.–31.12.2005 12 months	IFRS 1.1.–31.12.2004 12 months	IFRS 1.1.–31.12.2003 12 months	FAS 1.1.–31.12.2004 12 months	FAS 1.1.–31.12.2003 12 months
Business development						
Revenue	1 118	1 227	2 325		4 457	2 243
Personnel on average	37	47	47	66	47	66
Personnel at the end of the period	35	45	46	55	46	55
Research and development expenses	7 970	7 149	9 545		9 244	11 888
Capital expenditure	819	9	142		54	57
Profitability						
Operating profit (loss)	–8 361	–7 381	–8 918		–7 080	–12 395
as percentage of revenue, %	–747.60	–601.30	383.60		–158.90	–552.60
Profit (loss) before extraordinary items					–6 866	–12 215
as percentage of revenue, %					–154.10	–544.50
Profit (loss) before taxes	–8 958	–7 941	–9 343		–6 866	–12 215
as percentage of revenue, %	–800.90	–647.00	–401.90		–154.10	–544.50
Balance sheet						
Cash and cash equivalents	31 763	7 082	7 038	10 608	7 033	10 422
Shareholders' equity	–10 807	–19 583	–17 881	–8 540	1 739	6 428
Balance sheet total	33 233	8 930	10 093	14 133	9 686	14 030
Financial ratios						
Return on equity, %	–	–	–	–	–	–
Return on capital employed, %	–113.5	–426.7	–173.8	–	–66.8	–103.9
Equity ratio, %	–46.5	–219.3	–177.2	–60.4	–119.7	–32.3
Gearing, %	76.1	–72.7	–69.4	–73.9	–106.4	–138.0
Per share data						
Earning per share (EPS), €	–0.16	–0.17	–0.22		–0.16	–0.40
Shareholders' equity per share, €	–0.12	–0.37	–0.41	–0.20	–0.26	–0.10
Dividend per share, €	–	–	–	–	–	–
Pay-out ratio, %	–	–	–	–	–	–
Effecting dividend yield, %	–	–	–	–	–	–
P/E ratio	–	–	–	–	–	–
Share price, €						
– Lowest share price	0.49	0.49	0.72	0.40	0.72	0.40
– Highest share price	2.39	1.06	1.50	1.61	1.50	1.61
– Average share price	1.10	0.75	1.14	0.71	1.14	0.71
– 31.12. share price	1.18	0.53	0.92	0.80	0.92	0.80
Market capitalization, Meur	105.6	27.9	40.4	34.9	40.4	34.9
Trade of shares						
– Number of shares traded	32 470 230	9 003 598	17 561 900	12 189 112	17 561 900	12 189 112
– As percentage of all shares, %	36.3	17.1	40.0	27.9	40.0	27.9
Adjusted weighted average number of shares during the period	54 995 830	48 689 328	43 864 315	31 116 906	43 864 315	31 116 906
Adjusted weighted average number of shares at the end of the period	89 530 660	52 675 221	43 907 436	43 686 397	43 907 436	43 686 397
Adjusted weighted average number of shares during the period, fully diluted	57 363 494				47 784 186	33 336 433
Adjusted weighted average number of shares at the end of the period, fully diluted	92 172 296				47 891 127	45 905 924

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