

BIOTIE THERAPIES CORP. FINANCIAL STATEMENTS RELEASE JANUARY 1 - DECEMBER 31,  
2005

The year 2005 in brief

- BioTie North-American licensing partner Somaxon Pharmaceuticals started a phase II/III clinical study in patients suffering from pathological gambling and a pilot phase II study in nicotine addiction (smoking cessation). Results are expected late in 2006.
- The company continued the development of a fully human antibody in its VAP-1 antibody program.
- BioTie and Roche continued their collaboration to develop BioTie's proprietary small molecule vascular adhesion protein-1 (VAP-1) SSAO program targeting inflammatory diseases.
- In October 2005 BioTie and sanofi-aventis agreed not to renew the option agreement that ended on March 31, 2005. Based on the good initial technical progress during the collaboration BioTie plans to continue the recombinant heparin program with a new development partner.
- Financial statements will be prepared in accordance with the IFRS standards. BioTie adopted IFRS at the beginning of 2005.
- The company raised EUR 6.6 million in an equity offering in June 2005.
- The National Technology Agency (Tekes) granted 2.5 million euros additional funding for BioTie's VAP-1 antibody program.
- The net loss in financial year 2005 stood at EUR -7.9 million (in 2004 EUR -9.6 million). Cash flow before financing items was EUR -7.8 million (EUR -6.1 million in 2004).
- The company's liquid assets amounted to EUR 7.1 million (in 2004, EUR 7.0 million) as at December 31, 2005. The company has liquid assets to finance its operations approximately to the end of the third quarter 2006 without any revenue.

Review of the financial year

BioTie's strategy

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

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

Drug development projects

Nalmefene program

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

dependence. Somaxon intends to develop nalmefene for the treatment of pathological gambling in the United States.

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

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

#### Recombinant heparin program

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

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

#### Vascular Adhesion Protein-1 (VAP-1)

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

#### VAP-1 monoclonal antibody program

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

#### VAP-1 SSAO small molecule inhibitor program

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

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

BioTie EUR 5 million. BioTie will retain all rights to any compounds developed until a license is granted.

#### Alfa2beta1 integrin small molecule inhibitor program

The screening and preclinical development of new alfa2beta1 integrin inhibitors continued in cooperation with the University of Turku, Åbo Akademi University and the University of Helsinki. Alfa2beta1 integrin inhibitors provide new methods for preventing thrombosis caused by vascular damage as well as preventing cancer metastasis. Two new patent applications were filed in the EU to strengthen the IP position of the identified compounds.

#### BTT-1507 program

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

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

#### Revenues

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

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

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

#### Financial results

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

## Financing

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

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

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

BioTie's equity ratio was -219.3 % on December 31, 2005 (-177.2 % in 2004). Cash and cash equivalents totaled EUR 7.1 million on December 31, 2005 (EUR 7.0 million in 2004). Taking into account already granted Tekes funding the company will have liquid assets to finance its operations to the end of the third quarter 2006 without any revenue.

## Equity

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

## Investments and cash flow

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

## Personnel

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

## Shareholders' meetings held during the reporting period

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

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

## The Board of Directors and auditors

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

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

## Management

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

## Group structure

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

## Authorization to increase share capital and dispose own shares

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

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

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

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

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

The Annual General Meeting authorised the Board of Directors to resolve on conveyance of own shares in the company's possession. The authorisation covers the 819,000 shares with a book equivalent value of EUR 0.02 in the company's possession.

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

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

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

Increase of the company's share capital and new issue

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

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

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

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

## Option programs

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

## Share price

The Biotie Therapies Corp. share is quoted on the Helsinki Exchanges NM List. The stock abbreviation is BTH1V and the lot size is 100 shares. Biotie Therapies has 52 675 221 shares and the share capital is EUR 1 053 504. The accounting equivalent value of the share is EUR 0.02. All the company's shares are of the same series and have equal rights. All the shares are freely transferable and contain one voting right.

At the end of the financial year the share price was EUR 0.53, The highest price for BioTie's share during the year was EUR 1.06 and the lowest was EUR 0.49. The average share price was EUR 0.75. BioTie's market capitalization at beginning of the financial year was EUR 40.39 million and at the end of the financial year EUR 27.92 million.

The average monthly trading during 1.1.-31.12.2005 was 750 299 shares. The value of shares traded during 2005 was EUR 6.76 million.

At the end of the financial year the company had 5 033 shareholders compared 4 968 at the of 2004.

The ten biggest shareholders of BioTie on 30 December, 2005

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

## Adoption of international financial reporting standards

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

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

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

## Future outlook

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

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

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

Operating cost are expected to be approximately at the same level in 2006 as in 2005.

The company has liquid assets to finance its operations to the end of the third quarter 2006 without any revenue.

BioTie is investigating different options to strengthen its financial position.

## The Board of Directors proposal for handling of the loss

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

## FINANCIAL STATEMENT

EUR 1,000	1.1.- 31.12.2005 12 months	1.1.- 31.12.2004 12 months
Revenue	1,227	2,325
Cost of sales	0	0
Gross profit	1,227	2,325
Research and Development expenses	-7,149	-9,545
General and administrative expenses	-2,371	-2,951
Other operating income	912	1,253
Operating profit (loss)	-7,381	-8,918
Financial income and expenses	-574	-433
Share of the profit of associated companies	13	8
Profit (loss) before taxes	-7,941	-9,343
Taxes	0	-217
Net income (loss)	-7,941	-9,561
Earnings per share (EPS), EUR	-0,16	-0,22

## BALANCE SHEET

EUR 1,000	31.12.2005	31.12.2004
Assets		
Non-current assets		
Intangible assets	1,047	1,353
Tangible assets	192	449
Shares and equity interests in associated companies	38	25
	<u>1,277</u>	<u>1,827</u>
Current assets		
Non-interest bearing receivables	571	1,227
Financial assets at fair value through profit or loss	6,687	4,255
Cash and cash equivalents	395	2,783
	<u>7,653</u>	<u>8,266</u>
Total	8,930	10,093
EUR 1,000		
Equity and liabilities		
Shareholders equity		
Share capital	1,054	878
Share premium fund	5,881	13
Retained earnings	-18,576	-9,211
Net income for the period	-7,941	-9,561
	<u>-19,583</u>	<u>-17,881</u>
Liabilities		
Provisions	55	23
Long-term liabilities	26,445	24,933
Current liabilities	2,013	3,017
	<u>28,514</u>	<u>27,974</u>
Total	8,930	10,093

## CASH FLOW STATEMENT

EUR 1,000	1.1.- 31.12.2005 12 months	1.1.- 31.12.2004 12 months
Cash flow from operating activities		
Net income (loss)	-7,941	-9,561
Adjustments:		
Non-cash transactions	755	952
Interest expenses and other financial expenses	722	607
Interest income	-148	-174
Taxes	0	217
Change in working capital:		
Change in trade and other receivables	716	-152
Change in trade and other payables	-1,976	2,557
Change in mandatory provisions	33	-427
Interests paid	-28	-43
Interests received	88	268
Taxes paid	0	-217
Net cash from operating activities	-7,779	-5,973
Cash flow from investing activities		
Investments	-9	-142
Net cash used in investing activities	-9	-142
Cash flow before financial activities	-7,789	-6,115
Cash flow from financing activities		
Share issue	6,043	17
Change in long term debt	1,890	2,703
Repayment of lease commitments	-101	-95
Net cash from financing activities	7,833	2,624
Net increase (+) or decrease (-) in cash and cash equivalents	44	-3,490
Cash and cash equivalents in the beginning of the period	7,038	10,528
Cash and cash equivalents in the end of the period	7,082	7,038

## KEY FIGURES

EUR 1,000	1.1.- 31.12.2005 12 months	1.1.- 31.12.2004 12 months
Business development		
Revenues	1,227	2,325
Personnel on average	47	47
Personnel at the end of period	45	46
Research and development costs	7,149	9,545
Capital expenditure	9	142
Profitability		
Operating profit (loss)	-7,381	-8,918
as percentage of revenues, %	-601.3	-383.6
Profit (loss) before taxes	-7,941	-9,343
as percentage of revenues, %	-647.0	-401.9
Balance sheet		
Cash and cash equivalents	7,082	7,038
Shareholders equity	-19,583	-17,881
Balance sheet total	8,930	10,093
Financial ratios		
Return on equity, %	-	-
Return on capital employed, %	-426.7	-173.8
Equity ratio, %	-219.3	-177.2
Gearing, %	-72.7	-69.4
Per share data		
Earnings per share (EPS), EUR	-0.16	-0,22
Shareholders' equity per share, EUR	-0.37	-0,41
Divided per share, EUR		
Pay-out ratio, %		
Effective dividend yield, %		
P/E-ratio		
Share price		
Lowest share price, EUR	0.49	0.72
Highest share price, EUR	1.06	1.50
Average share price, EUR	0.75	1.14
31.12. share price, EUR	0.53	0.92
Market capitalization, MEUR	27.9	40.4
Trading of shares		
Number of shares traded	9,003,598	17,561,900

As percentage of all	17.1	40.0
Adjusted weighted average number of shares during the period,	48,689,328	43,864,315
Adjusted number of shares at the end of the period	52,675,221	43,907,436

Contingent liabilities

1000 EUR	31.12.2005	31.12.2004
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Lease commitments	177	244
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Biotie Therapies Corp.

Board of Directors

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