OctoPlus

Annual Report 2006

PHARMACEUTICAL
INNOVATORS

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Message from the CEO

The past year has once more proven that OctoPlus has a successful business model, on the one hand combining proprietary technology with existing pharmaceutical products in order to enhance efficacy, safety and patient compliance of such medication, while on the other hand expanding its profitable contract development activities. The combination of these activities allows OctoPlus to build its own proprietary product portfolio and strengthen the in-house development and production capabilities which many medium-sized and large biopharmaceutical companies across the world utilise to further their own products under development. This business model facilitates rapid value creation while minimising the burn rate. The successful Initial Public Offering in the fall of 2006 once more elucidated the strength of our business model.

With respect to our product portfolio, we were especially pleased to be able to progress two of our five product candidates into the next phase of clinical trials. Approval was obtained for both Locteron as well as for OP-145 to initiate Phase II clinical trials. Data of the Phase II studies of Locteron™, treating chronic hepatitis C viral infections and of OP-145 against chronic otitis media, are already expected in 2007.

Our Contract Development activities experienced considerable growth. Revenues increased by 25% compared to the year before, predominantly as a result of the furtherance of Locteron. This step-up in revenues was achieved through a combination of additional staff and improved efficiency evidencing that OctoPlus is further professionalising the organisation.

In order to accommodate this growth and allow for further growth, we have commissioned the extension of our facilities in Leiden, adjacent to our current building. Furthermore, we have opened a Business Development office in Cambridge, MA, USA.

In the autumn of 2006, OctoPlus raised € 20 million (gross) through a public offering of its shares in the Netherlands and a private offering in other countries. The new investors came from various countries in Europe, from the United States of America as well as from other countries.

In conclusion, 2006 has been a very exciting and rewarding year. Two of our proprietary products evolved to the next phase of clinical trials. Contract Development revenues experienced further significant growth. In order to continue to finance developing the product portfolio, additional funds were raised through an Initial Public Offering on the Euronext (Amsterdam) stock exchange.

I would like to thank all employees for their contribution to our successes of 2006 and I am confident that 2007 will prove to be at least an equally exciting and rewarding year.

Joost J.M. Holthuis PhD,
Chief Executive Officer

Leiden, the Netherlands, 15 March 2007

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Report from the Board of Supervisory Directors

With great pleasure I present to you the 2006 financial statements of OctoPlus N.V. as prepared by the Executive Board. Attached to these statements is the auditors' report by Deloitte Accountants B.V., which is free from any qualifications. We have adopted the financial statements for 2006 and advise the Annual General Meeting to approve these statements and to grant discharge to the Executive Board with respect to its management and to the Board of Supervisory Directors with respect to its supervision.

The Board held six plenary meetings in 2006, discussing the Company's progress in several areas, not only the achievements with respect to OctoPlus' product portfolio but also the continued remarkable growth witnessed in its Contract Development activities and the financial position of the Company. Furthermore, the Board spent a considerable amount of time on various aspects related to the Initial Public Offering. Besides plenary meetings, the Board held several conference-call meetings and was furthermore also informed about developments via regular written updates provided by the Executive Board.

Apart from one occasion, all members of the Board of Supervisory Directors attended all meetings and conference calls. The Board of Supervisory Directors did not meet in closed session in order to evaluate its own functioning, nor to evaluate the functioning of each of the members of the Executive Board.

The implementation of the recommendations of the Tabaksblat Commission as laid down in the Netherlands' Corporate Governance Code and the incorporation thereof in OctoPlus' corporate governance policy has been finalised. OctoPlus adheres to all but nine of the recommendations of the Corporate Governance Code.

Based on the requirements of the Corporate Governance Code, OctoPlus' Articles of Association and the rules and regulations applicable to companies listed on Euronext (Amsterdam), OctoPlus' Corporate Governance Code includes the monitoring of processes related to internal risk management and control systems. Procedures are being formalised and implemented. The main elements of OctoPlus' corporate governance policy can be found in the relevant chapter of this annual report. The regulations which the Corporate Governance Code stipulates must be posted on the Company's website and can be found on www.octoplus.nl.

One of the elements of the Corporate Governance Code is that all members of the Board of Supervisory Directors are able to act critically and independently of one another as well as of the Executive Board. The Board declares that this requirement of the Corporate Governance Code has been complied with.

The Board has established two committees, an Audit Committee and a Remuneration and Nominating Committee. The Audit Committee met twice in 2006. The auditor attended the discussions of the annual accounts as well as the discussions regarding the interim audit. The Remuneration and Nominating Committee met twice. The remuneration policy was adopted at the Annual General Meeting of Shareholders on 21 April 2006.

The remuneration of the Executive Board is determined by the Board of Supervisory Directors, based on a proposal of the Remuneration and Nominating Committee and in line with the remuneration policy agreed upon earlier. The remuneration policy is in line with market practice and aims to attract and retain qualified and expert management, with the skills required to manage a quoted life sciences company. Remuneration of the members of the Executive Board consists of a fixed salary as well as variable components. The variable components consist of short-term elements and long-term elements, both of which are dependent on specific personal and corporate targets.

The remuneration of the members of the Board of Supervisory Directors complies with the Corporate Governance Code, consisting of a fixed remuneration in cash only.

A representation of the Board of Supervisory Directors attended the consultative meeting with the Works Council.

On 1 September 2006 the Extraordinary Meeting of Shareholders adopted an amendment to the Articles of Association, which converted OctoPlus from a private limited liability company (Besloten Vennootschap) into a public limited liability company (Naamloze Vennootschap). The amendment of the Articles of Association was effected on 4 October 2006, following the successful completion of the Initial Public Offering.

We would like to thank the Executive Board, all employees and consultants for their extraordinary contribution to OctoPlus' achievements in 2006. Their dedication has enabled OctoPlus to realise its 2006 goals and prepare the Company for ambitious 2007 objectives, releasing the Phase IIa data for Locteron for treating chronic hepatitis C viral infections, completing the Phase II study of OP-145 for treating chronic otitis media, and further growth of OctoPlus' Contract Development revenues.

On behalf of the Board of Supervisory Directors,

Hans Stellingsma,
Chairman of the Board of Supervisory Directors

Leiden, the Netherlands, 15 March 2007

OctoPlus gained approval to start a Phase IIa study with Locteron, a long-acting formulation of interferon alfa. Locteron is designed to be a best-in-class therapeutic for patients with chronic hepatitis C, with the potential to induce less side effects and provide a more patient-friendly therapy with only one injection every two weeks.

Locteron for hepatitis C > less side effects and more patient convenience

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Report from the Executive Board

Product development

OctoPlus' product portfolio consists of five products under development, Locteron for treating chronic hepatitis C viral infections, OP-145 for treating chronic otitis media infection, hGH-OctoDEX™ for growth hormone deficiency, HBV-OctoVAX™, a vaccine against hepatitis B infections, and JEV-OctoVAX a vaccine against Japanese encephalitis. In 2006 significant progress was achieved with all five of these products under development.

Locteron

At the EASL meeting in April 2006, OctoPlus and its partner Biolex Therapeutics Inc. (NC, USA) were able to report the successful results from the phase I study with Locteron, the controlled release formulation of interferon alfa developed by OctoPlus and Biolex, which is one of the products in the treatment of chronic hepatitis C viral infections. The Phase I study, focusing on safety, pharmacokinetics and pharmacodynamics in 27 healthy volunteers, showed that a single dose of Locteron was safe and well tolerated. Besides receiving Locteron in three different doses, a group of healthy volunteers received PEG-Intron, a commonly prescribed pegylated interferon, rather than Locteron. In particular the healthy volunteers receiving Locteron reported fewer, less severe and shorter lasting flu-like symptoms than those subjects receiving PEG-Intron. Flu-like symptoms are the most frequently experienced side effect of the currently used therapies.

The data from this trial indicate that Locteron could be dosed once-every-two-weeks, which is a substantial improvement over currently used pegylated interferons which require weekly injections. It is believed that reducing the dosing frequency of interferon therapy and improving the tolerability of the interferon therapy will improve patient compliance, in particular in light of the current 48-weeks treatment period for the treatment against hepatitis C genotype 1, the variant that is the most prevalent in Western countries. This study clearly established safety and tolerability of Locteron. Based on these results, the Phase IIa study was designed.

The Phase IIa Locteron study ("SELECT-1") is designed as a multi-centre, open-label study. At the end of 2006, approval was received to commence this study. The goal of this Phase IIa study is to test the safety and preliminary efficacy of Locteron over a course of multiple injections and to select doses to be tested in a subsequent Phase IIb study that will be designed to further examine the potential efficacy of Locteron. A total of 32 patients are being enrolled in the Phase IIa study. Each patient will be treated for 12 weeks (therefore receiving six injections of Locteron in accordance with the proposed once-every-two-weeks dosing schedule). Recruitment and dosing of patients commenced as of January 2007.

OP-145

In the first half of 2006 OctoPlus was able to announce the successful completion of the Phase I/IIa safety and tolerability study for OP-145 for treating chronic otitis media (chronic middle ear infection) that included a dose-ranging assessment in 16 therapy-resistant patients with an average disease duration of 17 years. Nine out of 16 patients showed either full recovery or a meaningful improvement after the two-week course of therapy. Certain patients in this study had also undergone surgery for treatment of resistant chronic middle ear infection without a successful clinical outcome. OP-145 was delivered via liquid drops into the ear canal and was administered twice a day for two weeks. The results of this study demonstrated that OP-145 was safe and well tolerated at all dose levels. Based on these results the product could be progressed to its next stage, a larger Phase II study.

The Phase II double-blind, placebo-controlled study in 52 patients of OP-145 is enrolling patients. The clinical endpoints of the study are safety and efficacy of OP-145. This Phase II study will be carried out in at least three clinical centres in the Netherlands. Recruitment and screening of patients commenced as of early 2007.

hGH-OctoDEX

During 2006 the formulation of hGH-OctoDEX was further improved. In particular, loading and a different source of human growth hormone have been the focal points. In the second half of the year pre-clinical tests were started, which are expected to provide additional data in the early part of 2007, essentially to evaluate the prospects of hGH-OctoDEX. Since other products under development are based on the OctoDEX™ technology, these new data enhance our understanding of the OctoDEX technology and its capabilities.

OctoVAX™ products

The OctoDEX technology has been further developed so that it can also be applied in an adjacent field; pulsed release after a pre-defined period. This application of the OctoDEX technology is named OctoVAX. OctoPlus is currently developing two products on the basis of this application, one against hepatitis B and one against Japanese encephalitis. Besides these two applications, the OctoVAX technology can be applied in conjunction with many other vaccines.

OctoVAX against hepatitis B

In 2006 various experiments were successfully completed, among which was a proof-of-concept study in mice. This very important experiment showed that a single shot of our HBV-OctoVAX formulation produced a stronger immunological response than two separate injections of yeast-based vaccines with the same adjuvant and in a comparable aggregate dose. With HBV-OctoVAX, antibody titres on the 56th day of the study were approximately twice as high compared with the sequentially-dosed yeast vaccine.

OctoVAX against Japanese encephalitis

A second vaccine under development is a vaccine against Japanese encephalitis, for which currently pre-clinical experiments are ongoing in order to select the most promising formulation for further development.

Surmodics

The partnership with Surmodics, regarding coating of medical devices, is developing satisfactorily. Surmodics is making good progress in developing a biodegradable medical device coating technology capable of delivering biologically active compounds.

Intellectual Property

During 2006 OctoPlus has been able to further strengthen its technology position. The patent portfolio consists of 185 granted patents and 61 patent applications, which are divided into 23 patent families, of which 11 relate to OctoDEX, seven to PolyActive™ and five to other technologies, including OP-145. In 2006, 52 patents were obtained and two patents were applied for.

Subsidies

In 2006 OctoPlus received a total of € 0.1 million of subsidies. Under the currently active subsidy programs OctoPlus has been granted a total of € 5.0 million, of which € 2.6 million has been received.

Contract Development

For the second consecutive year, the Contract Development activities experienced more than 20% growth compared to the year before. In 2006, Contract Development revenues accumulated to € 8.5 million (2005, € 6.8 million). The development of OctoPlus' product portfolio, especially preparing for Locteron's Phase IIa study also required a considerable effort from Contract Development, increasing the inter-segment revenues to € 2.9 million (2005, € 0.4 million). In order to accomplish these achievements, 12 people were recruited.

As a service company to the life sciences industry, OctoPlus' Contract Development revenues benefit from the development activities in the industry, complemented by the progress of OctoPlus' product portfolio. 2006 revenues were based on work carried out for 32 clients on 47 projects, covering a wide range of therapeutic areas with one common denominator: injectables. 13 new projects were started, many of which run into 2007.

OctoPlus has managed to establish a loyal client base. More than 40% of our clients are long-term clients, either outsourcing multiple projects at OctoPlus or returning to OctoPlus with a next project or development phase. This accounts for some 80% of revenues.

Human Resources

At year-end 2006, OctoPlus employed 139 people, 29 more employees than a year earlier. Regrettably, 5 members of staff decided to seek employment outside OctoPlus. On the other hand, 34 employees joined OctoPlus in order to strengthen the organisation and assist in extending the technology platform as well as the Contract Development capabilities.

The following table provides a comprehensive overview.

OctoPlus' staff per segment and educational background	Products & Drug Delivery	Contract Development	Corporate & shared functions	Consolidated
Number of employees	35	62	42	139
Additions	6	17	11	34
Departures	0	5	0	5
Educational background				
Scientific education	17	14	21	52
Other education	19	47	21	87

In view of OctoPlus' rapid growth, a large portion of the employees is relatively young; the average age is 34, with the vast majority of employees in the age brackets 26 – 30 and 31 – 35. Just over half of the employees are female.

Absenteeism due to sickness and pregnancy amounted to 5.6% (2005, 6.0%). A significant part of this absenteeism is due to pregnancy.

OctoPlus has a pro-active approach in order to prevent work-related accidents and illness. New employees receive training for safety and against work related risks. This policy is bearing fruit, as in 2006 no work-related accidents occurred.

Management and the Works Council met on a frequent basis, either in the form of formal meetings or in informal sessions. During those sessions general information was provided regarding the Company's operations, as well as matters being discussed in preparation for the formal meetings. In total Management and the Works Council met eight times. Besides discussing general operational and financial progress of OctoPlus, other matters such as organisation and employment conditions were also on the agenda.

Facilities

In order to accommodate further growth, OctoPlus rented additional space in and around the facilities occupied in 2005. Currently OctoPlus occupies 2,888 m². Construction to extend the facility at the Zernikedreef, adjacent to OctoPlus' main building, commenced in autumn 2006. The additional facilities, encompassing approximately 3,500 m² of manufacturing facilities, laboratories as well as offices, are expected to become operational within the next 12 months.

In July 2006 OctoPlus opened a Business Development office in Cambridge (MA, USA), OctoPlus Inc., which employs two people.

Finances

Products & Drug Delivery

Revenue for this business unit has shifted from subsidies to licence income and has decreased from € 0.6 million to € 0.5 million. Cost of goods and services more than doubled, to € 4.8 million (2005, € 1.8 million). € 2.9 million of these costs are expenses incurred from Contract Development, related to pre-clinical and clinical trial material, predominantly for the Locteron studies. Considering the progress made this year, operating costs increased modestly by € 0.5 million to € 4.5 million (2005, € 4.0 million). The operating result deteriorated by € 3.6 million to a loss of € 8.8 million (2005, € 5.2 million), clearly showing OctoPlus' investment in developing the product portfolio.

Contract Development

OctoPlus' formulation and manufacturing activities generated total revenues of € 8.5 million, which is € 1.7 million more than in the previous year (2005, € 6.8 million). € 2.9 million of the € 8.5 million is inter-segment revenue (2005, € 0.4 million). In 2006, when faced with capacity issues, OctoPlus elected to allocate capacity to its own value-creating products, rather than attracting additional third party demand. Nevertheless, commitments of contracted works have been honoured and it is OctoPlus' intention to continue to expand its external and internal Contract Development activities in order to meet demand for its services. The gross margin remains at 97%. Since Contract Development is a service operation, revenues and operating costs are closely related. Operating costs rose by € 1.7 million to € 7.6 million (2005, € 5.90 million). The operating margin is 7.7%.

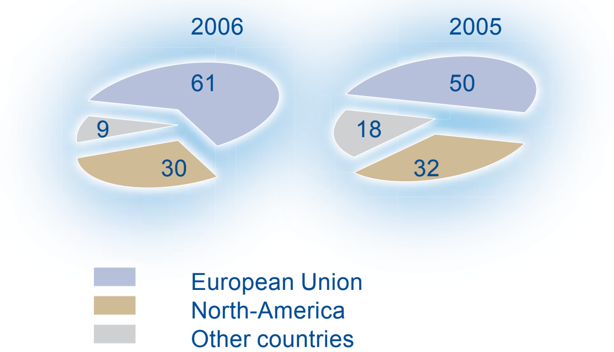
Key financial data

In € 1,000	Contract Development		Products & Drug Delivery		OctoPlus[1]	
	2006	2005	2006	2005	2006	2005
Operating income	8,504	6,804	474	579	6,051	7,017
Operating costs	7,869	6,086	9,287	5,776	14,571	11,461
Operating result	635	718	(8.813)	(5,197)	(8,520)	(4,444)
Interest income/(costs)					(145)	(118)
Result before taxes					(8,665)	(4,562)

[1] After eliminating inter-segment transactions

The rapid growth of the main activities of OctoPlus demanded increased support from the corporate organisation. Expenses for these support activities were lifted to € 5.5 million (2005, € 3.6 million). These costs have been allocated to the two business segments Products & Drug Delivery and Contract Development. Advisory costs and banking fees for the Initial Public Offer are charged to equity.

Revenues by region (%)



Consolidated revenues declined to € 6.1 million (2005, € 7.0 million). This decline is entirely attributable to internal demand for OctoPlus' Contract Development capacity. Costs of goods and services increased by € 0.5 million to € 2.1 million (2005, € 1.6 million). Less revenues and increased costs resulted in a significant reduction in gross margin to € 4.0 million (2005, € 5.4 million). Considering the expansion of the organisation and development of the proprietary product portfolio, operating costs increased moderately to € 12.5 million (2005, € 9.8 million).

2006's operating result amounts to a loss of € 8.5 million (2005, € 4.4 million).

Cash flow

OctoPlus' consolidated operating cash flow amounted to a € 6.4 million negative (2005 € 4.7 million negative). Investments in plant and equipment accounted for € 1.1 million (2005, € 1.2 million). The negative operating cash flow was more than offset by OctoPlus' financing activities in 2006. The second tranche of the January 2005 financing round and the net proceeds of OctoPlus' Initial Public Offer added approximately € 18.0 million, so that the net cash flow of OctoPlus was € 10.3 million, positive. Per year end OctoPlus has € 19.6 million cash, cash equivalents and deposits (2005 € 9.2 million). On top of that OctoPlus has a credit line available of € 2.0 million, increasing funds available to € 21.6 million.

Outlook

Management's focus of attention will be centred around the development of the product portfolio, especially the results from the ongoing clinical trials for Locteron and OP-145. Results of both Phase II studies are scheduled for later this year. The results of these studies are expected to affect the commercialisation opportunities of both products.

Since both the PolyActive and OctoDEX technologies can be applied to a wide range of pharmaceutical products, Management intents to initiate at least one proof-of-concept study in 2007 in order to enlarge OctoPlus' product portfolio.

The currently well-filled Contract Development portfolio supplemented with the ongoing discussions regarding additional outsourcing of development activities by OctoPlus' clients and potential clients supports our vision that 2007 will witness continuous growth for OctoPlus' Contract Development activities. The pace at which these activities can grow will largely depend on the capability to attract highly-qualified and experienced employees. It is to be expected that a significant portion of this growth will be based on the production of clinical trial material for both the ongoing Locteron and OP-145 clinical trials.

Information for Shareholders

Financial calendar

Annual General Meeting of Shareholders	24 April 2007
Publication of the first half 2007 report	3 August 2007

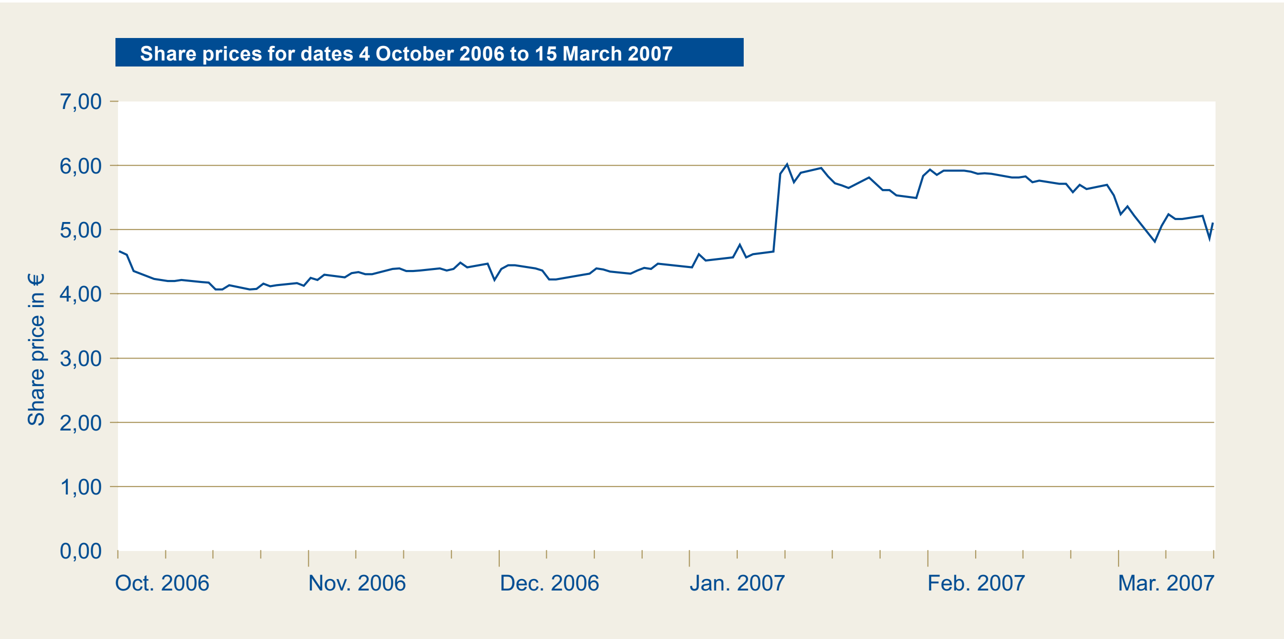
Major shareholders

Sodoro B.V.	19.1%
Life Sciences Partners	12.9%
SR-One	12.3%
Innoven Partenaires	12.2%
Fagus N.V.	9.2%
Surmodics Inc.	7.2%

Ticker symbol

Euronext Amsterdam	OCTO

Share price information

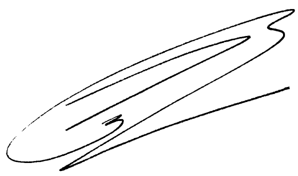


Leiden, the Netherlands, 15 March 2007

The Executive Board

Joost J.M. Holthuis, Chief Executive Officer

Hans C.H.L. Pauli, Chief Financial Officer



Revenues from Contract Development activities increased by 25% in 2006. More than 60% of revenues came from clients in Europe, 30% from North-America and 9% from other countries. More than 40% of our clients are long-term clients, either outsourcing multiple projects, or returning with a next product.

OctoPlus > experts in difficult-to-formulate therapeutics

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Corporate Governance

OctoPlus N.V. is a public limited liability company established under the laws of the Netherlands. OctoPlus N.V. was incorporated on 20 July 1995 as OctoPlus International Holding B.V., a holding company of OctoShare B.V. and its subsidiaries OctoPlus Development B.V., OctoPlus Technologies B.V., OctoPlus Sciences B.V., OctoShed B.V., Chienna B.V. and OctoPlus Inc. all of which are wholly-owned subsidiaries. On 1 September 2006 OctoPlus International Holding B.V. and OctoShare B.V. entered into a legal merger, with OctoPlus International Holding B.V. as surviving entity. At the same time OctoShed B.V. was renamed OctoShare B.V. This corporate reorganisation simplified the corporate structure, eliminating OctoShare B.V. as a sub-holding company.

On 4 October 2006 OctoPlus International Holding B.V.'s Articles of Association were amended in order to allow its shares to be traded on the Euronext exchange. All of OctoPlus' shares are listed on Euronext (Amsterdam).

Corporate governance concerns the relationship between the various governing bodies of the Company, the Executive Board, the Board of Supervisory Directors and the Shareholders, as well as the other stakeholders of the company. In particular it sees to the manner in which the company is governed, the accountability of management and the supervision thereof.

In accordance with the Netherlands' Corporate Governance Code, listed companies are obliged to clarify in their annual report to what extent they comply with the regulations and the best practices provision thereof in so far as they affect the Executive Board and the Board of Supervisory Directors. If a company does not, or does not intend to, comply with any of the principles or best practice provisions, it must explain its motivation thereto in its annual report.

OctoPlus subscribes to the principles and best-practice provisions of the Corporate Governance Code. In this section OctoPlus outlines how it has organised its corporate governance and how it complies with the most relevant best practice provisions. Any deviation from the Corporate Governance Code is motivated.

The foundation 'Continuiteit OctoPlus N.V.' is expected to be established shortly. The purpose of this foundation is to acquire the preference shares of OctoPlus N.V. which may be issued in the event of a (hostile) takeover bid or when a group of shareholders accumulate a significant stake in the Company with the main purpose of changing OctoPlus' strategy.

OctoPlus' governance

OctoPlus has a so-called two-tier governance structure in which the executive and supervisory responsibilities are separated. The Executive Board is responsible for the day-to-day affairs of the company. The Board of Supervisory Directors supervises the Executive Board. Certain decisions of the Executive Board, as outlined in the Articles of Association, require the prior approval of the Board of Supervisory Directors. Furthermore, the Board of Supervisory Directors can inform the Executive Board that additional decisions of the Executive Board require prior approval of the Board of Supervisory Directors. In executing their supervisory role, the members of the Board of Supervisory Directors must be guided by the best interests of OctoPlus and all its stakeholders.

The Executive Board as well as the Board of Supervisory Directors shall report to the Annual General Meeting of Shareholders with regard to OctoPlus' corporate governance regarding its structure and compliance with the Corporate Governance Code.

Structure and composition of the Executive Board

The Executive Board is responsible for the general affairs and business of OctoPlus and as such is responsible for progressing the Company to achieve its goals.

The Executive Board consists of:
- Joost J.M. Holthuis (1953), Chief Executive Officer
- Hans C.H.L. Pauli (1960), Chief Financial Officer

OctoPlus concurs with the Corporate Governance Code that a corporation is a long-term form of collaboration between all stakeholders, such as employees, suppliers, customers, financiers, government and other regulatory authorities as well as general society. The Executive Board fully subscribes to this principle and will report to the Board of Supervisory Directors and Shareholders regarding the Corporate Governance Code.

The Executive Board has collective powers and responsibilities, which have been divided among its members. The division of these powers and responsibilities and the rules governing its internal organisation have been laid down in by-laws, which are published on OctoPlus' website.

The General Meeting of Shareholders appoints members of the Executive Board, based on the nomination by the Board of Supervisory Directors. A member of the Executive Board shall be appointed for a period of four years and may be reappointed for additional periods of four years each. This appointment policy does not correspond with the current employment terms of the Executive Board members. OctoPlus will respect the current employment terms of its Executive Board members.

Board of Supervisory Directors' positions

Pursuant to the Corporate Governance Code members of the Executive Board are allowed to hold up to five supervisory board positions in other listed companies. The members of the Executive Board did not hold such positions in 2006.

Corporate Management Team

For its day-to-day operations OctoPlus has established a Corporate Management Team consisting of:

- Joost J.M. Holthuis (1953), Chief Executive Officer
- Hans C.H.L. Pauli (1960), Chief Financial Officer
- Gerben Moolhuizen (1967), Chief Business Officer
- Ewoud-Jan van Hoogdalem (1959), Chief Medical Officer
- Alexander W. Willemse (1970), Director Contract Development
- Leo G.L. de Leede (1955), Director Pre-Clinical Research & Development
- Ellen H. Tjebbes (1962), Director Quality Assurance

The Corporate Management Team members, other than the Executive Board members are appointed and dismissed by the Executive Board.

Ms Ellen Tjebbes has decided to leave OctoPlus and is as of 1 January 2007 no longer a member of the Corporate Management Team.

Internal risk management and control systems

The Executive Board is responsible for designing, implementing and operating the internal risk management and control systems. The purpose of such systems is to effectively manage any risks to which OctoPlus is exposed. Such systems can never provide complete assurance for achieving Company's goals, nor can these provide an absolute and complete guarantee that material errors, fraud and / or violation of laws and regulations will not occur.

In order to comply with the obligations in the area of internal risk management and control systems, OctoPlus has employed various measures:

- Annual strategic evaluation of our business and product portfolio;
- Regular periodic review meetings with Executive Board, Board of Supervisory Directors and Corporate Management Team;
- Monthly and quarterly financial reporting; and
- Management letters and audit reports provided by our external auditor.

Code of Conduct

The Company is in the process of formalising its Code of Conduct.

Board of Supervisory Directors

The Board of Supervisory Directors is responsible for supervising the conduct of and providing advice to the Executive Board and supervising OctoPlus' business generally. In performing its duties, the Board of Supervisory Directors is required to act in the interests of the Company's business as a whole. The members of the Board of Supervisory Directors are not, however, authorised to represent OctoPlus in dealings with third parties.

The Articles of Association provide that the Board of Supervisory Directors will determine the number of members of the Board of Supervisory Directors.

OctoPlus' Articles of Association provide that the General Meeting of Shareholders appoints the members of the Board of Supervisory Directors following a proposal by the Board of Supervisory Directors. The current members of the Board of Supervisory Directors have been appointed for the term set out in the table below. In view of the Netherlands' Corporate Governance Code, the Articles of Association will provide that any newly appointed member of the Board of Supervisory Directors will serve for a maximum of four years, unless stated otherwise in the resolution to appoint the Board of Supervisory Directors' member in question, and a Board of Supervisory Directors' member may only be reappointed twice. The General Meeting of Shareholders appoints a chairperson and the Board of Supervisory Directors appoints a deputy chairperson from amongst its members. Under the Articles of Association, the General Meeting of Shareholders may suspend or dismiss members of the Board of Supervisory Directors at any time. The Articles of Association provide that the members of the Board of Supervisory Directors shall retire periodically in accordance with a rotation plan as drawn up by the Board of Supervisory Directors.

Under the Articles of Association, the Board of Supervisory Directors can only adopt resolutions by an absolute majority of the total number of votes to be cast in a meeting where the majority of the members of the Board of Supervisory Directors then in office are present or represented. Each member of the Board of Supervisory Directors shall be entitled to one vote.

The Corporate Governance Code stipulates that the composition of the Board of Supervisory Directors is such that the members of the Board of Supervisory Directors are able to act critically and independently of each other, of the Executive Board and of any particular interests. All members of the Board of Supervisory Directors comply with the criteria for independence as set out in the Corporate Governance Code. However, three members of the Board of Supervisory Directors are not independent as is stipulated in section III.2.I of the Corporate Governance Code.

In 2006 the composition of the Board of Supervisory Directors was:

- Hans Stellingsma, Chairman
  Mr Stellingsma is a partner at Quintel, a strategic consultancy firm. Prior to his current position, he held numerous senior positions in a range of businesses in the Netherlands. In particular, he has served among others as member of the managing board of Origin N.V. and was chief executive officer of Content N.V. More recently, he was a senior partner with Monitor, a consulting firm.

- René Kuijten
  Mr Kuijten is a General Partner of Life Sciences Partners. On behalf of Life Sciences Partners, he serves or has served on the supervisory boards or as a Non-Executive Director of several of Life Sciences Partners' portfolio companies. Before 2001, when he joined Life Sciences Partners, he was a senior consultant at McKinsey & Company and co-leader of the European Pharmaceuticals and Health Care Practice.

- Philip Smith
  Since 2003, Mr Smith has served as General Partner of S.R. One, Limited. Prior to his current position, he held positions of increasing responsibility within the Pharmaceutical Development Group at SmithKline Beecham/ GlaxoSmithKline. He is currently on the Board of Directors of several of S.R. One's portfolio companies.

- Paul Toon
  Since 2004, Mr Toon has been Managing Partner of Innoven Partenaires. Before his current position, he held various positions in the finance industry especially relating to life science and technology companies, as well as fulfilling executive positions in companies active in this field. Furthermore, he is a board member of several of Innoven Partenaires' portfolio companies.

Board of Supervisory Directors

Name	Position	Citizenship	Initial nomination	Expiration of current term
Hans Stellingsma (1957)	Chairman	the Netherlands	2001	2010
René Kuijten (1964)	Member	the Netherlands	2005	2008
Philip Smith (1949)	Member	United States of America	2005	2009
Paul Toon (1968)	Member	United Kingdom	2005	2007

All members of the Board of Supervisory Directors were initially appointed for an indefinite term. However, in the Extraordinary General Meeting of Shareholders held on 1 September 2006, it was determined, subject to the execution of the deed of amendment of OctoPlus' Articles of Association, that pursuant to a roster, the terms of the different members of the Board of Supervisory Directors were limited, as described in the above table. When reappointed, the term of any of the above-mentioned members of the Board of Supervisory Directors is limited to four years.

Committees

The Board of Supervisory Directors has appointed from among its members an Audit Committee and a Remuneration and Nominating Committee. These committees prepare the decision making of the Board of Supervisory Directors on the relevant matters.

Audit Committee

The Audit Committee assists the Board of Supervisory Directors in monitoring systems of internal controls, the integrity of the financial reporting process and the contents of the financial statements and reports. The Audit Committee also assists the Board of Supervisory Directors in assessing and mitigating the business and financial risks.

The Audit Committee shall meet at least twice a year and shall also meet prior to each issuing of a press release containing financial figures.

The Audit Committee consists of René Kuijten (chairman) and Hans Stellingsma.

According to the Corporate Governance Code at least one member of the Committee should be a financial expert. Currently no member of the Committee is such an expert. The company intends to nominate a member of the Board of Supervisory Directors with adequate financial expertise in order to comply with this requirement under the Corporate Governance Code.

The Audit Committee has discussed with the auditors and management of the Company the effectiveness of the administrative organisation and measures of internal control in general, as well as the quality of the management information, follow-up of recommendations made by the auditors, financing of the Company, IT systems and the relationship with its auditors. On the basis thereof, the Company confirms that internal controls over financial reporting provide a reasonable level of assurance that the financial reporting does not contain any material inaccuracies and confirms that these controls have properly functioned in 2006 and that there are no indications that they will not continue to do so. Please note that this statement cannot be construed as a statement in accordance with the requirements of section 404 of the US Sarbanes-Oxley Act.

The management information and the IT systems are adequate for a company of OctoPlus' size; following the Initial Public Offering the Company is well financed for further growth and the recommendations of the auditor are adequately followed up. The relationship with Deloitte Accountants B.V., OctoPlus' auditor, was reviewed, especially concerning its independence regarding OctoPlus, and it was concluded that Deloitte Accountants B.V. is sufficiently independent in order to remain OctoPlus' auditor.

Remuneration and Nominating Committee

The Remuneration and Nominating Committee advises the Board of Supervisory Directors on the remuneration of the members of the Executive Board and monitors the Company's remuneration policy, which covers bonus plans for the Executive Board and the Corporate Management Team.

The Remuneration and Nominating Committee furthermore advises on selection criteria and appointment procedures for members of the Executive Board and members of the Board of Supervisory Directors, the proposals for appointments and reappointments, and the policy of the Executive Board on selection criteria and appointment procedures for the Corporate Management Team. It also assesses the functioning of individual members of the Board of Supervisory Directors and the Executive Board.

The Remuneration and Nominating Committee consists of Hans Stellingsma (chairman), René Kuijten and Philip Smith.

Remuneration policy

According to the Articles of Association, the General Meeting of Shareholders adopts the remuneration policy in respect of the remuneration of the Executive Board. The Board of Supervisory Directors establishes the remuneration of the individual members of the Executive Board, taking into account the policy adopted by the General Meeting of Shareholders, provided that arrangements in the form of shares or options to subscribe for shares are subject to the approval of the General Meeting of Shareholders. Such a proposal must include the number of shares or rights to subscribe for shares that may be granted to the members of the Executive Board and which criteria apply to a grant or modification.

The objective of OctoPlus' remuneration policy is to ensure a high direct involvement and to encourage high performance by personnel (including members of the Executive Board and Corporate Management Team). The remuneration system is based on achieving performance criteria that are determined on an annual basis.

Summary

OctoPlus acknowledges the importance of good corporate governance. The Executive Board and Board of Supervisory Directors have reviewed the Netherlands' Corporate Governance Code, generally agree with its basic provisions, and have taken and will take any further steps they consider appropriate to implement the Netherlands' Corporate Governance Code.

OctoPlus supports the Netherlands' Corporate Governance Code and will apply the relevant best practice provisions of the Netherlands' Corporate Governance Code, subject to the exceptions set out below.

II.1.1 *A management board member is appointed for a maximum period of four years. A member may be reappointed for a term of not more than four years at a time.*

The current members of the Executive Board have been appointed for an unlimited period and the Company does not consider it appropriate to renegotiate the existing agreements, in so far as this would be possible given the mandatory provisions of Netherlands' labour laws. Any future appointments of members of the Executive Board will be in compliance with this provision.

II.1.3 *The company shall have a suitable internal risk management and control system. It shall, in any event, employ as instruments of the internal risk management and control system:*
(a) risk analyses of the operational and financial objectives of the company;
(b) a code of conduct which should, in any event, be published on the website;
(c) guides for the layout of the financial reports and the procedures to be followed in drawing up the reports; and
(d) a system of monitoring and reporting.

OctoPlus does not yet have a Code of Conduct, but intends to adopt such a code in due course.

II.2.1 *Options to acquire shares are a conditional remuneration component, and become unconditional only when the management board members have fulfilled predetermined performance criteria after a period of at least three years from the grant date.*

The currently outstanding warrants and options have been granted unconditionally. These existing agreements shall not be amended. Considering that OctoPlus is still in a relatively early stage of development of our products and that the setting of credible predetermined performance criteria at a term of at least three years is not practical at this stage, OctoPlus shall not fully apply this provision. However, options are granted to members of the Corporate Management Team conditionally and will only become unconditional once the performance criteria have been met. The performance criteria cover a one year period only.

II.2.6 *The supervisory board shall draw up regulations concerning ownership of and transactions in securities by management board members, other than securities issued by their 'own' company. The regulations shall be posted on the website. A management board member shall give periodic notice, but in any event at least once a quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the company has not appointed a compliance officer, to the chairman of the supervisory board. A management board member who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement is exempted from compliance with this last provision.*

OctoPlus believes that the restrictions under Dutch securities law are sufficient to govern the ownership of and transactions in securities by members of the Executive Board. Implementing additional restrictions would potentially harm OctoPlus' ability to attract and ensure the continued services of the members of the Executive Board and therefore believes that applying this best practice provision is not in the Company's best interests.

III.2.1 *The supervisory board members, with the exception of not more than one person, shall be independent within the meaning of best practice provision III.2.2.*

The Board of Supervisory Directors consists of four members, of whom three were appointed by the General Meeting of Shareholders upon nomination by Life Sciences Partners, S.R. One and Innoven Partenaires, pursuant to the shareholders' agreement dated 19 January 2005. These shareholders did also subscribe for new shares in the initial public offering. The members of the Board of Supervisory Directors nominated by such shareholders are not independent within the meaning of the Netherlands' Corporate Governance Code. It is OctoPlus' intention to propose to the Annual General Meeting of Shareholders to appoint independent members of the Board of Supervisory Directors as soon as qualified candidates can be presented, in order to also comply with this provision of the Netherlands' Corporate Governance Code.

III.3.2 *At least one member of the supervisory board shall be a financial expert, in the sense that he has relevant knowledge and experience of financial administration and accounting for listed companies or other large legal entities.*

Currently no member of the Committee is a financial expert. The company intends to nominate a member of the Board of Supervisory Directors with adequate financial expertise in order to comply with this requirement under the Corporate Governance Code.

III.7.3 *The supervisory board shall adopt a set of regulations containing rules governing ownership of and transactions in securities by supervisory board members, other than securities issued by their 'own' company. The regulations shall be posted on the website. A supervisory board member shall give periodic notice, but in any event at least once a quarter, of any changes in his holding of securities in Dutch listed companies to the compliance officer or, if the company has not appointed a compliance officer, to the chairman of the supervisory board. A supervisory board member who invests exclusively in listed investment funds or who has transferred the discretionary management of his securities portfolio to an independent third party by means of a written mandate agreement is exempted from compliance with this last provision.*

OctoPlus believes that the restrictions under Netherlands' securities law are sufficient to govern the ownership of and transactions in securities by members of the Board of Supervisory Directors. Implementing additional restrictions would potentially harm the ability to attract and ensure the continued services of members of the Board of Supervisory Directors, and OctoPlus therefore believes that applying this best practice provision is not in the Company's best interests.

IV.3.1 *Meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences shall be announced in advance on the website and by means of press releases. Provision shall be made for all shareholders to follow these meetings and presentations in real time, for example by means of web casting or telephone lines. After the meetings, the presentations shall be posted on the company's website.*

Considering OctoPlus' size, it would create an excessive burden to provide facilities that enable shareholders to follow in real time the meetings and presentations referred to in the best practice provision. OctoPlus will, however, ensure that presentations are posted on the website immediately after the meetings in question.

V.3.1 *The external auditor and the audit committee shall be involved in drawing up the work schedule of the internal auditor. They shall also take cognisance of the findings of the internal auditor.*

The Company feels that the financial reporting will be sufficiently monitored by the Audit Committee and will, in view of its size, initially not appoint an internal auditor.

Complete overview of OctoPlus' corporate governance

A complete overview of the manner in which OctoPlus complies with the Corporate Governance Code can be found on the company's website, www.octoplus.nl, where the following documents can be consulted.

- Compliance with the Netherlands' Corporate Governance Code
- Executive Board regulations
- Board of Supervisory Directors' regulations
- Audit Committee regulations
- Remuneration and Nominating Committee regulations
- Articles of Association
- Internal code on inside information
- Whistleblower's procedure

Remuneration

According to OctoPlus' Articles of Association, the General Meeting of Shareholders adopts the remuneration policy in respect of the remuneration of the Executive Board. The Board of Supervisory Directors establishes the remuneration of the individual members of the Executive Board, taking into account the policy adopted by the

General Meeting of Shareholders, provided that arrangements in the form of shares or options to subscribe for shares, are subject to approval of the General Meeting of Shareholders.
Such a proposal must include the number of shares or rights to subscribe for shares that may be granted to the members of the Executive Board and which criteria apply to a grant or modification.
The objective of our remuneration policy is to ensure a high direct involvement and to encourage high performance by personnel (including members of the Executive Board and Senior Management). The remuneration system is based on achieving performance criteria that are determined on a yearly basis.

Remuneration system

The remuneration system is based on a combination of fixed and variable elements, whereby the fixed element exceeds the total of short-term and long-term incentives. In 2005 the Board of Supervisory Directors approved the current remuneration policy, consisting of a fixed salary in combination with short-term and long-term incentives. The Annual General Meeting of Shareholders shall adopt the remuneration policy, reflecting the remuneration system.

Base salary

Annually, the Board of Supervisory Directors reviews whether or not the base salary should be adjusted, taking into account internal as well as external factors, including OctoPlus' competitive environment.

Short-term incentives

At the Board of Supervisory Directors meeting of 13 March 2005 the Board of Supervisory Directors reviewed the short-term incentive plan for the Executive Board and the other members of the Corporate Management Team.

The short-term incentives are linked to clearly measurable personal milestones, which milestones are related to a person's specific roles and responsibilities and are approved by the Board of Supervisory Directors. All milestones of the members of the Executive Board are related to the short-term incentives, are revised annually and approved by the Board of Supervisory Directors. The specific milestones are not disclosed, as these are commercially sensitive.

Long-term incentives

At the Board of Supervisory Directors' meeting of 13 March 2005 the Board of Supervisory Directors reviewed the long-term incentive plan for the Executive Board and the other members of the Corporate Management Team.

The long-term incentives consist of conditionally granted options. Pursuant to achieving predetermined milestones, the granting of the options will become unconditional and will subsequently vest in accordance with OctoPlus' employee stock option plan. The long-term incentives are linked to clearly measurable personal and corporate milestones and are approved by the Board of Supervisory Directors. The specific milestones are not disclosed, as these are commercially sensitive.

Contracts of employment for the Executive Board

The employment agreements with the members of the Executive Board have an indefinite term and can be terminated, subject to the statutory notice period, which is one month for the employee and one to four months for the Company, dependent on the number of years of service. The employment agreements with the members of the Executive Board do not provide for severance payments in the event of termination.

Pension plan and other benefits

The members of the Executive Board each have an individual defined-contribution pension plan, with a pensionable age of 65.

Detailed information

Further detailed information concerning remuneration is provided in Note 31 of the notes to the consolidated financial statements of this annual report.

Remuneration policy of Board of Supervisory Directors

The Annual General Meeting of Shareholders determines the remuneration of the members of the Board of Supervisory Directors. The remuneration of the members of the Board of Supervisory Directors consists of a fixed cash remuneration. Further detailed information concerning remuneration is provided in Note 31 of the notes to the consolidated financial statements of this annual report.

Risks and Risk management

OctoPlus is exposed to general business risks and specific industry risks. Listed below are the risks perceived to be most significant to the Company, although the risks we face are not limited to this list.

OctoPlus' success depends substantially on the most advanced product candidates, which are still under development. If OctoPlus is unable to bring any or all of these product candidates to market, or experiences significant delays in doing so, the ability to generate product revenue and the likelihood of success will be harmed.

OctoPlus' ability to generate product revenue in the future will depend on the successful development and commercialisation of the product candidates. Any of the product candidates could be unsuccessful if it:

- does not demonstrate acceptable safety and efficacy in pre-clinical or clinical trials or otherwise does not meet applicable regulatory standards for approval;
- does not offer therapeutic or other improvements over existing or future drugs used to treat the same conditions;
- is not capable of being produced in commercial quantities at acceptable costs;
- is not accepted in the medical community or by third-party payors; or
- the partnership with Biolex for the development of Locteron may prove to be unsuccessful and be terminated.

OctoPlus does not expect any of the current product candidates to be commercially available until 2011/2012 at the earliest, if at all. If unable to make the product candidates commercially available, OctoPlus will not generate product revenues and will not be successful. The results of the clinical trials to date do not provide assurance that acceptable efficacy or safety will be shown upon completion of Phase III clinical trials.

OctoPlus faces intense competition.

The pharmaceutical and biotechnology industries are highly competitive. Any product candidates that we successfully develop will compete with existing and future therapies. Many of these competitors have substantially greater financial, technological, manufacturing, marketing, managerial and research and development resources and experience than OctoPlus has. Accordingly, competitors may succeed in developing competing technologies and products more rapidly than OctoPlus does. Even if the product candidates are ultimately approved, they may not gain market acceptance among physicians, patients and others in the medical community.

OctoPlus faces rapid technological change.

The success of OctoPlus depends, in part, on maintaining a competitive position in the development of products and technologies in a rapidly evolving field. Within the pharmaceutical and biotechnology industries, major technological changes can happen quickly. Rapid technological change, or the development by competitors of technologically improved or different drug delivery systems or products, could render OctoPlus' platform technologies or product candidates obsolete or non-competitive.

OctoPlus has significant product liability exposure, which may harm OctoPlus' business and reputation.

OctoPlus faces an inherent risk of product liability lawsuits related to the testing of product candidates, and will face an even greater risk if the product candidates are introduced commercially. An individual may bring a liability claim against us if one of the product candidates causes, or merely appears to have caused, an injury. If OctoPlus cannot successfully defend itself against the product liability claim, the Company may incur substantial liabilities.

Some of the collaborations and customer supply agreements contain liability and/or indemnification provisions under which OctoPlus may claim damages from counterparties and under which the counterparties may claim damages from OctoPlus, including damages caused by product defects. In the event OctoPlus needs to claim damages from a counterparty, OctoPlus may not receive payments covering the damages in full, either because the applicable provision limits the payment to a certain amount, is unenforceable for any reason or because the counterparty is unable to pay (due to insolvency or otherwise). Although in many cases OctoPlus tries to limit liability, such limitations may not be effective in the event that OctoPlus needs to pay damages and OctoPlus nevertheless could become liable to make substantial payments.

OctoPlus has clinical trial and other liability insurance, which OctoPlus currently believes is adequate to cover liabilities OctoPlus may incur. However, current or future insurance coverage may prove insufficient to cover any liability claims brought against OctoPlus. OctoPlus intends to expand the insurance coverage to include the sale of commercial products if marketing approval is obtained for the product candidates. Because of the increasing costs of insurance coverage, OctoPlus may not be able to maintain insurance coverage at a reasonable cost or obtain insurance coverage that will be adequate to satisfy any liability that may arise.

OctoPlus needs to enter into collaborative relationships to further develop its business, obtain active pharmaceutical ingredients and to conduct pre-clinical and clinical trials. If OctoPlus fails to enter into such agreements, or if OctoPlus, or any of its collaborators, terminates or fails to perform any obligations under the collaborative agreements, the development and commercialisation of the product candidates could be delayed or terminated.

A material component of OctoPlus' business strategy is to establish and maintain collaborative arrangements with pharmaceutical and biotechnology companies, research institutions and foundations and private and public universities and to seek grants from the Netherlands' government and the European Union, to fund research and possible development and commercialisation of the product candidates. OctoPlus also intends to establish collaborative relationships to obtain domestic or international sales, marketing and distribution capabilities if any of the product candidates receive regulatory approval.

The process of establishing collaborative relationships is difficult, time-consuming and involves significant uncertainty. Moreover, even if collaborative relationships are established, it may be difficult to maintain or perform under such collaboration arrangements, as funding resources may be limited or collaborators may seek to renegotiate or terminate their relationships due to unsatisfactory clinical results, a change in business strategy, a change of control or other reasons. If OctoPlus or any of its collaborators fails to fulfil any responsibilities in a timely manner, or at all, contractual disputes may arise and research, clinical development or commercialisation efforts related to that collaboration could be delayed or terminated. Additionally, it may become necessary for OctoPlus to assume responsibility for activities that would otherwise have been the responsibility of the collaborators. Furthermore, if OctoPlus is unable to establish and maintain collaborative relationships on acceptable terms, OctoPlus may have to delay or discontinue further development of one or more of the product candidates, undertake development and commercialisation activities at OctoPlus' expense or find alternative sources of funding.

OctoPlus' success is dependent on the intellectual property rights of itself and third parties, and its interest in such rights are complex and uncertain.

The patent positions of pharmaceutical and biotechnology companies, including OctoPlus' patent positions, involve complex legal and factual questions and, therefore, validity and enforceability cannot be predicted with certainty. Patents may be challenged, deemed unenforceable, invalidated or circumvented. The validity, enforceability and commercial value of these rights, therefore, are highly uncertain.
OctoPlus intends to apply for patents covering technologies and product candidates as OctoPlus deems appropriate. OctoPlus may fail to apply for patents on important technologies or products in a timely fashion, or at all, and in any event, the applications filed may be challenged and may not result in issued patents.

There can be no assurance that OctoPlus would prevail in any intellectual property infringement action or will be able to obtain a license to any third party intellectual property on commercially reasonable terms, successfully develop non-infringing alternatives on a timely basis, or license non-infringing alternatives, if any exist, on commercially reasonable terms. Any significant intellectual property impediment to our ability to develop and commercialise OctoPlus products could have a material adverse affect on our business and prospects.

OctoPlus has incurred losses since 2002 and anticipates that we will continue to incur losses for the foreseeable future. We may not achieve or sustain profitability again.

OctoPlus is not profitable and has incurred losses in each year since 2002. OctoPlus does not currently have any products that have been approved for marketing, and OctoPlus continues to incur research and development and general and administrative expenses related to our operations. OctoPlus' net loss before taxes of the years ended 31 December 2006, 2005, 2004 and 2003 was € 8.7 million, € 4.6 million, € 2.2 million, and € 2.2 million, respectively. As of 31 December 2006, OctoPlus had an accumulated deficit of € 19.0 million. OctoPlus expects to continue to incur losses for the foreseeable future, and expects these losses to increase as OctoPlus continues research activities and conduct development of, and seek regulatory approvals for, product candidates, and commercialise any approved drugs. Losses, among other things, have caused and will continue to cause shareholders' equity and working capital to decrease. To date, OctoPlus has derived a substantial portion of its revenues from Contract Development Business.

OctoPlus has also received government subsidies and has generated nominal licensing revenues through the out-licensing of certain technologies. OctoPlus does not anticipate that it will generate revenues from the sale of products for the foreseeable future. If product candidates fail in clinical trials or do not gain regulatory approval, or if product candidates do not achieve market acceptance, OctoPlus may never again achieve profitability. Even if profitability is achieved in the future, OctoPlus may not be able to sustain profitability in subsequent periods.

Raising additional capital by issuing securities or through collaboration and licensing arrangements may cause dilution to existing shareholders, restrict our operations or require us to relinquish proprietary rights.

OctoPlus may seek the additional capital necessary to fund its operations through public or private equity offers, debt financings and collaboration and licensing arrangements. To the extent that OctoPlus raises additional capital through the sale of equity or convertible debt securities, shareholders' ownership interest will be diluted, and the terms of such securities may include liquidation or other preferences that adversely affect shareholders' rights. Debt financing, if available, may involve agreements that include covenants limiting or restricting OctoPlus' ability to take specific actions such as incurring additional debt, making capital expenditures or declaring dividends. If additional funds are raised through collaboration and licensing arrangements with third parties, OctoPlus may have to relinquish valuable rights to its technologies or product candidates, or grant licenses on terms that are not favourable.

OctoPlus' internal risk management and control system

OctoPlus has developed an internal risk management and control system, which requires frequent evaluation of the magnitude and likelihood of the above mentioned and other risk factors and the potential impact thereof on the Company. Management believes that the risk management and control systems have been effective in 2006. However, as OctoPlus plans to further grow and bring its products into the next stages of development in rapidly changing environments, the risk management and control systems will be reviewed frequently in order to assess their quality and reliability.

5

Consolidated Financial Statements

Consolidated balance sheet

(In € x 1,000)

	Note	At 31 December 2006	At 31 December 2005
ASSETS			
Non-current assets			
Intangible assets			
Goodwill	6	243	243
Patents	6	1,217	1,167
Other intangible assets	6	306	295
		1,766	1,705
Property, plant and equipment			
Land and buildings	7	3,128	3,246
Machines and installations	7	2,747	2,499
Other equipment	7	475	528
		6,350	6,273
Financial assets carried at cost	8	16	16
Long-term deposits	9	1,000	-
		9,132	7,994
Current assets			
Short-term deposits	9	11,500	-
Inventories	10	498	15
Trade receivables	11	1,139	1,345
Social securities and other taxes	11	377	255
Other receivables, prepayments and accrued income	11	1,085	1,165
Cash and cash equivalents	9	8,535	9,726
		23,134	12,506
Total assets		32,266	20,500
EQUITY			
Shareholders' equity	12	21,142	7,766
Convertible subordinated loan	13	-	3,985
Total group equity		21,142	11,751
LIABILITIES			
Non-current liabilities			
Pension liabilities	15	-	89
Finance lease liabilities	16	3,592	3,649
Other non-current liabilities	17	26	-
		3,618	3,738
Current liabilities			
Current portion of non-current liabilities	16	164	142
Bank overdrafts	16	1,482	496
Trade payables	17	2,468	1,491
Payable to related parties	17	12	-
Social securities and other taxes	17	226	239
Other current liabilities	17	3,154	2,643
		7,506	5,011
Total liabilities		11,124	8,749
Total equity and liabilities		32,266	20,500

The notes on pages 30 to 54 are an integral part of these consolidated financial statements.

Consolidated income statement

(In € x 1,000)

	Note	Year ended 31 December 2006	2005
Service revenues		5,587	6,563
Royalty and license revenues		332	60
Income from subsidies	18	132	394
Total revenues		6,051	7,017
Raw materials and auxiliaries	19	180	237
Cost of contracted work and other external charges	19	1,928	1,390
Employee benefits	20	6,140	4,758
Depreciation and amortisation	6,7	1,060	863
Other costs	21	5,263	4,213
Total operating costs		14,571	11,461
Operating loss		(8,520)	(4,444)
Interest income	23	246	287
Interest costs	23	(391)	(405)
Result before corporate income taxes		(8,665)	(4,562)
Corporate income taxes	24	-	353
Result for the year		(8,665)	(4,209)
Attributable to:			
Equity holders of the Company		(8,665)	(4,209)
Result per share for result attributable to the equity holders of the Company during the year (expressed in € per share):			
Basic	25	(0.68)	(0.38)
Diluted	25	(0.68)	(0.38)

The notes on pages 30 to 54 are an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

(In € x 1,000)

	Note	Share capital	Share premium reserve	Other reserves	Accumulated deficit	Convertible loan	Total equity
		Attributable to equity holders of the Company					
Balance at 1 January 2005		47	4,746	28	(6,177)	-	(1,356)
Result for the year		-	-	-	(4,209)	-	(4,209)
Total recognised loss for 2005		-	-	-	(4,209)	-	(4,209)
Employee share option scheme:							
Value of employee services	12	-	-	132	-	-	132
Issue of share capital	12	69	13,130	-	-	-	13,199
Convertible subordinated loan	13	-	-	-	-	3,985	3,985
		69	13,130	132	-	3,985	17,316
Balance at 31 December 2005		116	17,876	160	(10,386)	3,985	11,751
Balance at 1 January 2006		116	17,876	160	(10,386)	3,985	11,751
Result for the year		-	-	-	(8,665)	-	(8,665)
Total recognised loss for 2006		-	-	-	(8,665)	-	(8,665)
Employee share option scheme:							
Value of employee services	12	-	-	90	-	-	90
Options exercised, lapsed & forfeited		-	-	(47)	47	-	-
Issue of share capital (pre-IPO)	12	3	687	-	-	164	854
Share split	12	1,305	(1,305)	-	-	-	-
Convertible subordinated loan	13	-	4,149	-	-	(4,149)	-
Issue of share capital (IPO)	12	516	16,596	-	-	-	17,112
		1,824	20,127	43	47	(3,985)	18,056
Balance at 31 December 2006		1,940	38,003	203	(19,004)	-	21,142

The notes on pages 30 to 54 are an integral part of these consolidated financial statements.

Consolidated cash flow statement

(In € x 1,000)

	Note	2006	2005
		Year ended 31 December	
Cash flows from operating activities			
Result before corporate income taxes		(8,665)	(4,562)
Adjustments for:			
Depreciation and amortisation	6,7	1,060	863
Share-based payments	20	90	132
Interest costs		391	405
Interest income		(246)	(287)
Change in pension liability		(89)	(42)
Changes in working capital:			
Inventories		(483)	-
Trade receivables		206	(171)
Payable to related parties		12	3
Social securities and other taxes		(122)	(206)
Other receivables, prepayments and accrued income		80	(609)
Trade payables		977	412
Other liabilities and accruals		498	(556)
Cash used in operations		(6,291)	(4,618)
Increase in other non-current liabilities		26	-
Interest received		246	287
Interest paid		(391)	(405)
Net cash used in operating activities		(6,410)	(4,736)
Cash flows from investing activities			
Purchases of property, plant and equipment	27	(916)	(924)
Purchases of intangible assets	6	(172)	(294)
Increase in long-term and short-term deposits	9	(12,500)	-
Net cash used in investing activities		(13,588)	(1,218)
Cash flows from financing activities			
Proceeds from issuance of shares	12,27	17,966	13,038
Proceeds from issuance of convertible subordinated loan	13	-	3,985
Repayment of finance lease liabilities		(145)	(163)
Net cash generated from financing activities		17,821	16,860
Cash, cash equivalents and bank overdrafts			
Net increase/(decrease) during the year		(2,177)	10,906
Balance at beginning of the year		9,230	(1,676)
Balance at end of the year	9	7,053	9,230

The notes on pages 30 to 54 are an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1 General information

OctoPlus N.V. (‘the Company’ or ‘OctoPlus’) and its subsidiaries (together ‘the Group’) are engaged in providing services for life sciences companies in the field of drug formulation. Furthermore, the Group develops a product portfolio based on its proprietary drug delivery technology. The Company was renamed on 4 October 2006 from OctoPlus International Holding B.V. to OctoPlus N.V. as part of the Company’s Deed of Amendment prior to the Company’s Initial Public Offering (‘IPO’; see Note 12). The new company name is used throughout this document; also for periods prior to 4 October 2006.

The Company is a public limited liability company incorporated and domiciled in the Netherlands. The address of its registered office is Zernikedreef 12, 2333 CL Leiden, the Netherlands.

These consolidated financial statements are subject to approval by the General Meeting of Shareholders.

On 4 October 2006, immediately prior to OctoPlus’ IPO and as approved by the extraordinary meeting of shareholders, all outstanding shares were converted into the same number of ordinary shares and each ordinary share was split into 100 ordinary shares (see Note 12). The financial statements, including the number of shares, options and warrants as well as the per share data, have been retroactively restated to reflect this share split for all periods presented, with the exception of Note 12, section share capital and share premium reserve.

2 Summary of significant accounting policies

The principal accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied to the years presented, unless otherwise stated.

2.1 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (‘IFRS’), including International Accounting Standards (‘IAS’) and interpretations issued by the International Accounting Standards Board (‘IASB’) as adopted by the EU (‘EU-IFRS’). With reference to the company-only income statement of the Company, use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

The consolidated financial statements have been prepared under the historical cost convention. Furthermore, the consolidated financial statements are presented in Euros and all values are rounded to the nearest thousand except when otherwise indicated.

The preparation of financial statements in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group’s accounting policies. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 4.

2.2 Consolidation

The Company is the holding company of a group of companies. The other consolidated group companies (‘subsidiaries’) are:

- OctoShare B.V.[1], 100%, having its legal seat in Leiden, the Netherlands
- OctoPlus Development B.V., 100%, having its legal seat in Leiden, the Netherlands
- OctoPlus Technologies B.V., 100%, having its legal seat in Leiden, the Netherlands
- OctoPlus Sciences B.V., 100%, having its legal seat in Leiden, the Netherlands
- Chienna B.V., 100%, having its legal seat in Bilthoven, the Netherlands
- OctoPlus Inc.[2], 100%, having its legal seat in Delaware, United States of America

[1] On 1 September 2006, OctoShare B.V. merged into the Company. Subsequently, OctoShed B.V., another 100% subsidiary of the Company, changed its name into OctoShare B.V. pursuant to a deed of amendment of its articles of association.

[2] In accordance with IAS 21.9, the functional currency of OctoPlus Inc. is Euros.

Subsidiaries

Subsidiaries are all entities over which the Group has the power to govern the financial and operating policies, generally accompanied by a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date that control ceases.

The purchase method of accounting is used to account for the acquisition of subsidiaries by the Group. The cost of an acquisition is measured as the fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interest. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired (also after re-assessment), the difference is recognised directly in the income statement.

Inter-company transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses between group companies are also eliminated, however, these are considered to be an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

2.3 Segment reporting

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

2.4 Foreign currency translation

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Euros, which is the Company's functional and presentation currency.

(b) Transactions and balances

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.

2.5 Intangible assets

(a) 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 at the date of acquisition. If the cost of acquisition is less than the fair value of the net assets of the subsidiary acquired (also after re-assessment), the difference is recognised directly in the income statement.

Separately recognised goodwill is tested annually for impairment, or more frequently when there is an indication that the unit may be impaired, and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed in subsequent periods. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

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

(b) Patents

Acquired patents have a definite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of patents over their estimated useful lives (generally 10 years unless a patent expires prior to that date). Amortisation begins when an asset is available for use. However, in the years presented in these financial statements, no amortisation on patents is recorded since the technology which the patents relate to is not yet available for use.

(c) Computer software

Acquired computer software is capitalised on the basis of the costs incurred to acquire and bring to use the specific software. These costs are amortised over their estimated useful lives (generally three years).

(d) Research and development

Research expenditure is recognised as an expense in the period in which it is incurred. Costs incurred on development projects are recognised as intangible assets when it is probable that the project will be a success considering its commercial and technological feasibility, generally when filed for regulatory approval for commercial production and when costs can be measured reliably. Other development expenditures are recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period. Development costs with a finite useful life that have been capitalised are amortised from the commencement of the commercial production of the product on a straight-line basis over the period of its expected benefit.

2.6 Property, plant and equipment

Property, plant and equipment comprise the land and building in Leiden, leased under a finance lease agreement, machines and installations and other equipment. All property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditures that are directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance charges are expensed in the financial period in which these are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives. Land is not depreciated; other items are depreciated as follows:

– Buildings	20 years
– Machines and installations	3-10 years
– Other equipment	3-5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (also refer to 2.7).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

Finance leases

The Group leases certain property, plant and equipment. Leases of property, plant and equipment where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the commencement of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments.

Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in 'finance lease liabilities'. The interest element of the finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the shorter of the useful life of the asset or the lease term.

2.7 Impairment of non-financial assets

Goodwill and other assets not subject to amortisation are reviewed for impairment at least annually. Assets subject to amortisation or depreciation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value-in-use (i.e. the present value of the future cash flows to be generated by an asset from its continuing use in the business). For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

2.8 Financial assets

The Group has financial assets in the two categories "loans and receivables" and "financial assets carried at cost". In the years presented in these financial statements, the Group did not purchase or hold any derivative financial instruments.

(a) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in "current assets", except for maturities greater than 12 months after the balance sheet date, which are classified as "non-current assets". Loans and receivables are carried at amortised costs using the effective interest method.

(b) Financial assets carried at cost

Financial assets carried at cost (less accumulated impairment losses) are unquoted equity instruments that are not carried at fair value because their fair value cannot be reliably measured. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date. These financial assets are subsequently carried at cost.

Regular purchases and sales of investments are recognised on trade-date; the date on which the Group commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs. Investments are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. If there is objective evidence that an impairment loss has been incurred on an unquoted equity instrument that is not carried at fair value because its fair value cannot be reliably measured, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

2.9 Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the first-in, first-out (FIFO) method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

2.10 Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognised in the income statement within "other costs".

2.11 Cash and cash equivalents

Cash and cash equivalents includes cash-in-hand, current accounts, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts. Bank overdrafts are shown separately within current liabilities on the balance sheet.

2.12 Equity

Ordinary shares and preference shares are classified as equity.

A financial instrument or its component parts are classified on initial recognition as a financial liability, a financial asset or an equity instrument in accordance with the substance of the contractual arrangement and the definitions of a financial liability, a financial asset and an equity instrument. An equity instrument is defined as any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Based on these principles, the Group's subordinated convertible loan is classified as equity.

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

2.13 Deferred corporate income taxes

Deferred corporate income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred corporate income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the balance sheet date and are expected to apply when the related deferred corporate income tax asset is realised or the deferred corporate income tax liability is settled. Deferred corporate income tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

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

2.14 Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently stated at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in the income statement over the period of the borrowings using the effective interest method.

Borrowings are classified as 'current liabilities' unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date ('non-current liabilities').

2.15 Employee benefits

(a) Pension obligations

Until 31 January 2006, the Group operated a collective defined benefit pension plan for nearly all employees, funded through payments to an insurance company. This plan included an average pay part and a defined contribution surplus salary part. The contract for the plan ended on 31 January 2006 and was not extended. As from 1 February 2006 onwards, the Group operates a defined contribution pension plan for all employees (both a collective plan and a few individual plans).

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions once the contributions have been paid. The contributions are recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

A defined benefit plan is a pension plan that is not a defined contribution plan. Typically, defined benefit plans define an amount of pension benefit that an employee will receive on retirement, usually dependent on one or more factors such as age, years of service and compensation. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised actuarial gains or losses and past service costs. The defined benefit obligation is calculated annually by an independent actuary using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using a discount rate determined on basis of corporate bonds, adjusted for the duration of the liability. Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions in excess of the greater of 10% of the value of plan assets or 10% of the defined benefit obligation are charged or credited to the income statement over the employees' expected average remaining working lives. Past-service costs related to changes to the pension plan are recognised immediately in the income statement, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the 'vesting period'). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

(b) Share-based compensation

The Company operates an equity-settled, share-based compensation plan. The costs of employee share option plans are measured by reference to the fair value of the options at the date at which the options are granted using a Binomial option model.

The costs of these options, which reflect the services rendered by employees in exchange for the grant of the options, are recognised in the income statement, together with a corresponding increase in equity during the vesting period. The total amount to be expensed over the vesting period is determined by reference to the fair value of the options granted, excluding the impact of any non-market vesting conditions (for example, profitability and sales growth targets).

Estimates of forfeitures are included in assumptions about the number of options that are expected to become exercisable. At each balance sheet date, the Company revises its estimates of the number of options that are expected to become exercisable. It recognises the impact of the revision of original estimates, if any, in the income statement, with a corresponding adjustment to equity. The income statement charge or credit for a period represents the movement in cumulative expense recognised at the beginning and end of that period.

The proceeds received net of any directly attributable transaction costs are credited to share capital (nominal value) and share premium when the options are exercised.

(c) Profit-sharing and bonus plans

The Group recognises a liability and an expense for bonuses and profit-sharing plans if contractually obliged or if there is a past practice that has created a constructive obligation.

2.16 Provisions

Provisions are recognised when; the Group 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 the amount can be reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

2.17 Revenue recognition

Revenue comprises the fair value of the sale of goods and services, and is shown net of value-added tax, rebates and discounts and after eliminated sales within the Group. The Group's revenues primarily consist of sales of services, license and royalty revenues and subsidies (see 2.18). These revenues are recognised as follows:

(a) Service revenues

Sales of services are recognised in the accounting period in which the services are rendered, by reference to the stage of completion of the specific transaction when the outcome of a transaction can be estimated reliably. The stage of completion is assessed on the basis of the actual service provided as a proportion of the total services to be provided.

(b) License and royalty revenues

License and royalty revenues include amounts earned from third parties with licenses and/or options to the Group's intellectual property. License and royalty revenues are recognised when earned in accordance with the substance and under the terms of the related agreements and when it is probable that the economic benefits associated with the transaction will flow to the entity and the amount of the revenue can be measured reliably.

In situations where the Group has continuing performance obligations, revenues related to license fee payments are deferred and the related revenue is recognised in the period of expected performance.

Multiple element arrangements

In certain circumstances, it is necessary to apply the recognition criteria to the separately identifiable components of a single transaction in order to reflect the substance of the transaction. Conversely, the recognition criteria are applied to two or more transactions together when they are linked in such a way that the commercial effect cannot be understood without reference to the series of transactions as a whole.

The Group offers arrangements whereby a customer licenses the right to use the Group's intellectual property and purchases research and development services under one arrangement. When such multiple element arrangements exist, an element is accounted for as a separable element if it has value to the customer on a stand-alone basis and the fair value can be determined objectively and reliably.

When license revenues and service revenues are identified as separable elements in a multiple element transaction, the license revenue recognised is determined based on the fair value of the license in relation to the fair value of the arrangement taken as a whole and is recognised in accordance with the accounting policy for license and royalty revenues as discussed above. The revenue relating to the service element, which represents the fair value of the servicing arrangement in relation to the fair value of the arrangement, is recognised over the service period. The fair values of each element are determined based on the current market price of each of the elements when sold separately.

2.18 Income from subsidies

The Group receives certain subsidies, which support the Group's research efforts in defined research and development projects. These subsidies generally provide for reimbursement of approved costs incurred as defined in various grants. Subsidies are recognised at their fair value when there is a reasonable assurance that the subsidy will be received and the Group will comply with all attached conditions.

The Group includes income from subsidies under 'income from subsidies' in the income statement in order to enable comparison of its income statement with companies in the life sciences sector. Companies in the life sciences sector generally present governmental subsidies as income, as these subsidies often are a significant source of income. Furthermore, research and development expenses would, generally, be incurred to the same amount if no governmental contributions would be granted.

The WBSO ('afdrachtvermindering speur- en ontwikkelingswerk') is a fiscal facility that provides subsidies to companies, knowledge centres and self-employed people who perform research and development activities (as defined in the WBSO Act). Under this Act, a contribution is paid towards the labour costs of employees directly involved in research and development. The contribution is in the form of a reduction of payroll taxes and social security contributions.

Subsidies relating to labour costs (WBSO) are deferred and recognised in the income statement as negative labour costs over the period necessary to match them with the labour costs that they are intended to compensate.

2.19 Operating leases

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

2.20 Dividend distribution

Dividend distribution to the Company's Shareholders is recognised as a liability in the Group's financial statements in the period in which the dividends are approved by the Company's Shareholders.

3 Financial risk management

3.1 Financial risk factors

The Group is exposed to a variety of financial risks: market risk, credit risk, liquidity risk and cash flow and fair value interest rate risk. The Group's overall risk management program seeks to minimise potential adverse effects of these financial risk factors on the Group's financial performance.

(a) Market risk

Foreign exchange risk arises from future commercial transactions and recognised assets and liabilities in foreign currencies. In the years presented, the Group had no significant outstanding receivables or payables in currencies other than Euros. As of 31 December 2006, 12% of the outstanding payables and none of the outstanding receivables consist of currencies other than the Euro.

The Group is not exposed to equity securities price risk, since it does not hold any such investments, or commodity price risk.

(b) Credit risk

The five largest external partners generate approximately 56% of total revenues in 2006. The outstanding receivables with these parties comprise of 57% of the total trade receivables at 31 December 2006. Management does not believe that this results in major credit risks since all customers are companies of good reputations. The Group has policies in place to ensure that contracts are only signed with customers with an appropriate credit history.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities plus the availability of funding through an adequate amount of committed credit facilities. The Company raised € 20.0 million cash (gross) in 2006 through its IPO and mainly invested these amounts in fixed-term deposits with first class financial institutions/ banks. As a result of the amount raised in the IPO, the Company has sufficient funds for a period of at least 12 months. Due to the dynamic nature of the underlying businesses, the Group aims to remain flexible in funding by keeping committed credit lines available.

(d) Cash flow and fair value interest rate risk

Most of the funds raised through the IPO have been invested in fixed-term deposits, with the amount deposited decreasing over time in accordance with a fixed, pre-defined schedule. As a result, the Group's income and operating cash flows are not significantly impacted by changes in market interest rates but the Group does have a marginal fair-value risk.

3.2 Estimation fair value of financial instruments

The Group does not hold any financial instruments traded in active markets. Financial assets consist of loans and receivables and an unquoted equity investment, which is not carried at fair value because its fair value cannot be reliably measured.

4 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year as well as critical judgements in applying the Group's accounting policies are discussed below.

(a) *Impairment test of goodwill and patents*

Goodwill and intangible assets not yet available for use are not amortised but are subject to an annual impairment test or more frequent testing whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. For the purpose of the impairment testing, goodwill is allocated to cash-generating units. In the years presented, all goodwill recognised relates to the acquisition of Chienna B.V. in the year 2003 and is allocated to the Group's Products & Drug Delivery unit. The technology that the patents acquired as part of the acquisition of Chienna B.V. relates to is not yet available for use. These patents were also allocated to the Group's Products & Drug Delivery unit and are tested for impairment as part of this cash-generating unit. The recoverable amount of the applicable cash-generating unit is determined based on value-in-use calculations by using the discounted cash flow model.

In performing impairment testing of goodwill and patents, management must make significant judgements and estimates to determine whether the cash flows generated by the cash-generating unit that the assets belong to are less than the unit's carrying value. Determining cash flows requires the use of judgements and estimates that have been included in the Group's strategic plans and long-term forecasts. The data necessary for performing the impairment tests are based on management estimates of future cash flows. The discount rates used are estimated pre-tax rates which reflect specific risks relating to the relevant segment.

(b) *Corporate income taxes*

The Group, which has a history of recent tax losses, recognises deferred tax assets arising from unused tax losses or tax credits only to the extent that the relevant fiscal unity has sufficient taxable temporary differences or there is convincing other evidence that sufficient taxable profit will be available against which the unused tax losses or unused tax credits can be utilised by the fiscal unity. Management's judgement is that sufficient convincing other evidence is not available and a deferred tax asset is therefore only recognised to the extent that a fiscal unity has sufficient taxable temporary differences.

(c) *Pensions*

For the collective defined benefit pension plan that was operated by the Group until 31 January 2006, actuarial assumptions are made about demographic variables (such as mortality) and financial variables (such as future increases in salaries) for the calculation of the present value of the pension obligation and the net cost. The discount rate is determined by reference to market rates of high-quality corporate bonds. Any changes in these assumptions would have impacted the carrying amount of the Group's pension obligations. Additional information on these assumptions is included in Note 15.

(d) *Share-based payments*

Share options granted to employees are measured at the fair value of the equity instruments granted (indirect method of measurement). Fair value is determined through the use of an option-pricing model considering, among others, the following variables:

- a The exercise price of the option;
- b The expected life of the option;
- c The current value of the underlying shares;
- d The expected volatility of the share price, calculated considering the effect of dividends on stock price;
- e The dividends expected on the shares; and
- f The risk-free interest rate for the life of the option.

For the Company's share option plans, management's judgement is that the Binomial method is most appropriate for determining fair values as this method allows accounting for non-transferability, vesting conditions and early exercise. During 2006, options were granted at two different points in time; in the first quarter of the year related to the employees' 2005 performance and on 31 December 2006 related to the employees' 2006 performance. At the time of granting the options related to the employees' 2005 performance as well as the conditional grant of options related to certain key management members' 2006 performance, published share price information was not available and the

Company therefore had to estimate the fair value of its shares and the expected volatility of that value. At the time of the 31 December 2006 unconditional option grants, published share price information was available, as the Company is publicly listed from 4 October 2006 onwards.
The expected volatility of the unconditional option grants on 31 December 2006 is still based on the average historical volatility of the peers over a period that agrees with the period of maturity, as the Company has only been listed for a relatively short period of time. All assumptions and estimates are further discussed in Note 12 to the consolidated financial statements.

The result of the share option valuations and the related compensation expense is dependent on the model and input parameters used. Even though Management considers the fair values reasonable and defensible based on the methodologies applied and the information available, others might derive at a different fair value for each of the Company's share option plans.

(e) Capitalisation of development costs

Costs incurred on development projects are recognised as intangible assets when it is probable that a project will be a success considering its commercial and technological feasibility. Management's judgement is required in determining when the Group should start capitalising of development costs. Management determined that commercial and technological feasibility is, in general, probable when the Group files for regulatory approval for commercial production and costs can be measured reliably.
At 31 December 2006, the Group has not filed for regulatory approval for its proprietary drug delivery technology. Based on Management's assessment of commercial and technological feasibility, no development costs have been recognised as intangible assets in the consolidated financial statements.

(f) Recent accounting announcements

The Group has adopted the following mandatory 2006 IFRS/ IFRIC updates:

- IAS 19 Amendment, *Actuarial Gains and Losses, Group Plans and Disclosures;*
- IAS 21 Amendment, *Net Investment in a Foreign Operation;*
- IAS 39 Amendment, *Cash Flow Hedge Accounting of Forecast Intragroup Transactions IAS39p80;*
- IAS 39 Amendment, *The Fair Value Option IAS39p9(b);*
- IAS 39 and IFRS 4 Amendment, *Financial Guarantee Contracts IAS39p2(e);*
- IFRS 6, *Exploration for and Evaluation of Mineral Resources;*
- IFRS 1 and IFRS 6 Amendment, *IFRS 1 and IFRS 6 Amendment;*
- IFRIC 4, *Determining whether an Arrangement Contains a Lease;*
- IFRIC 5, *Rights to Interests Arising from Decommissioning, Restoration and Environmental Rehabilitation Fund;*
- IFRIC 6, *Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment Services.*

Adoption of these standards did not have an impact on the Group's financial statements.

Early adoption of the below listed IFRS/ IFRIC updates is permitted:

- IFRIC 7, *Applying the Restatement Approach under IAS 29, Financial Reporting in Hyperinflationary Economies;*
- IFRIC 8, *Scope of IFRS 2;*
- IFRIC 9, *Reassessment of Embedded Derivatives;*
- IFRIC 10, *Interim Reporting and Impairment;*
- IAS 1 Amendment, *Presentation of Financial Statements; Capital Disclosures;*
- IFRS 7, *Financial Instruments: Disclosures;*
- IFRIC 11, *IFRS 2 – Group and Treasury Share Transactions;*
- IFRS 8, *Operating Segments;*
- IFRIC 12, *Service Concession Arrangements.*

The Group is currently investigating the impact of these standards and has therefore chosen not to early-adopt these standards. According to Management's preliminary assessment, the impact of adopting these standards is minor.

5 Segment information

Primary reporting format – business segments

At 31 December 2006, the Group is organised into two main business segments:

1. Providing development services for life sciences companies in the field of drug formulation ("Contract Development unit"); and
2. Development of a product portfolio based on the Group's proprietary drug delivery technology ("Products & Drug Delivery unit").

The segment results for the year ended 31 December 2006 are as follows:

	Contract Develop-ment	Products & Drug Delivery	Unallo-cated	Group
Total gross segment revenues	8,504	342	18	8,864
Inter-segment revenues	(2,927)	-	(18)	(2,945)
Subsidies	-	132	-	132
Revenues	5,577	474	-	6,051
Operating result	635	(8,813)	(342)	(8,520)
Finance costs – net				(145)
Result before corporate income taxes				(8,665)
Corporate income taxes				-
Result for the year				(8,665)

Until 31 December 2005, all of the actual expenditures of the Company's supporting functions (such as the Finance Department, the Human Resources department, the IT department as well as the Executive Board) were allocated to one of our two business segments Contract Development and Products & Drug Delivery. From 1 January 2006 onwards, only the budgeted expenditures for these supporting functions are allocated. In case of variances to budget for these supporting functions, an 'unallocated' result remains, which is shown in the column 'Unallocated'. For 2006, we have witnessed a total overrun of € 342 for the supporting departments.
Inter-segment transfers or transactions are entered into under normal commercial terms and conditions that would also be available to unrelated third parties.

The segment results for the year ended 31 December 2005 are as follows:

	Contract Develop-ment	Products & Drug Delivery	Unallo-cated	Group
Total gross segment revenues	6,804	185	–	6,989
Inter-segment revenues	(366)	-	–	(366)
Subsidies	-	394	–	394
Revenues	6,438	579	–	7,017
Operating result	718	(5,197)	35	(4,444)
Finance costs – net				(118)
Result before corporate income taxes				(4,562)
Corporate income taxes				353
Result for the year				(4,209)

The unallocated operating result of € 35 relates to one-off corporate matters, which are not allocated to one of the business segments.

Other segment items included in the income statement are as follows:

	Contract Develop-ment	Products & Drug Delivery	Unallo-cated	Group
Year ended 31 December 2006				
Depreciation and amortisation	761	279	20	1,060
Year ended 31 December 2005				
Depreciation and amortisation	633	230	–	863

The segment assets and liabilities at 31 December 2006 and capital expenditure for the year then ended are as follows:

	Contract Develop-ment	Products & Drug Delivery	Unallo-cated	Group
Assets	9,961	3,452	18,853	32,266
Liabilities	7,667	14,156	(10,699)	11,124
Capital expenditure (Note 6 and 7)	582	111	505	1,198

The segment assets and liabilities at 31 December 2005 and capital expenditure for the year then ended are as follows:

	Contract Develop-ment	Products & Drug Delivery	Unallo-cated	Group
Assets	9,499	6,061	4,940	20,500
Liabilities	7,722	11,373	(10,346)	8,749
Capital expenditure (Note 6 and 7)	559	271	552	1,382

Secondary reporting format – geographical segments

The Group's customers are mainly located in Europe and North America as shown below:

Revenues	2006	2005
European Union	3,671	3,543
North-America	1,844	2,222
Other countries	536	1,252
	6,051	7,017

Revenues are allocated based on the country in which the customer is located. Nearly all of the Group's assets and capital expenditure (as disclosed per business segment above) are located in the Netherlands.

6 Intangible assets

	Goodwill	Patents	Other intangible assets	Total
At 1 January 2005				
Cost	243	1,167	38	1,448
Accumulated amortisation	-	-	(27)	(27)
Net book amount	243	1,167	11	1,421
Year ended 31 December 2005				
Opening net book amount	243	1,167	11	1,421
Additions	-	-	294	294
Amortisation charge	-	-	(10)	(10)
Closing net book amount	243	1,167	295	1,705
At 31 December 2005				
Cost	243	1,167	332	1,742
Accumulated amortisation	-	-	(37)	(37)
Net book amount	243	1,167	295	1,705
Year ended 31 December 2006				
Opening net book amount	243	1,167	295	1,705
Additions	-	50	122	172
Amortisation charge	-	-	(111)	(111)
Closing net book amount	243	1,217	306	1,766
At 31 December 2006				
Cost	243	1,217	454	1,914
Accumulated amortisation	-	-	(148)	(148)
Net book amount	243	1,217	306	1,766

Other intangible assets consist of acquired software, which is amortised over its estimated useful lives.

Patents

In the years presented in these financial statements, no amortisation on patents is recorded since the technology, which the patents relate to, is not yet available for use. However, the Group estimates at the end of each annual reporting period the recoverable amount of these patents, irrespective of whether there is any indication that it may be impaired.

Impairment test of goodwill and patents

For the purpose of the impairment testing, goodwill and patents have been allocated to a cash-generating unit since these assets do not generate cash inflows that are largely independent of those from other assets. In the years presented, substantially all goodwill and patents recognised relate to the acquisition of Chienna B.V. in 2003, and is allocated to the Group's Products & Drug Delivery unit (see Note 5 on segment information). This business segment is treated as one cash-generating unit.

The recoverable amount of this cash-generating unit is determined based on a value-in-use calculation (i.e. the present value of the future cash flows expected to be derived from the Products & Drug Delivery unit over the remaining life of the patents). The calculation uses cash flow projections based on financial plans and existing and potential new customer contracts. No impairment loss has been recognised as a result of the impairment testing of goodwill and patents. Key elements for assessing impairment include successful completion of the various (pre-) clinical stages of products currently under development, as well as existing customer contracts.

For executing the impairment testing, Management considered the relevant current contracts with its licensing partners, as well as ongoing discussions with potential parties to the extent these contracts provide access to the PolyActive technology the Group obtained when acquiring Chienna B.V.

Management reviewed the contracted licensing revenues, the possibility of such revenues actually occurring and the timing thereof. The expected cash flow from these agreements has been discounted against a risk-adjusted discount rate of 35%. Management has also evaluated the likelihood of successfully completing one of the ongoing discussions regarding out-licensing of the PolyActive technology based on the proposed terms and conditions. The envisaged cash flow is adjusted for probability of success and value of time.
The sum of both calculations results in a recoverable amount of the Products & Drug Delivery unit that significantly exceeds the unit's carrying value, so impairment of goodwill and patents is not considered necessary.

7 Property, plant and equipment

	Land	Buildings	Machines & instal-lations	Other equip-ment	Total
At 1 January 2005					
Cost	1,084	2,364	4,466	1,415	9,329
Accumulated depreciation	-	(84)	(2,258)	(949)	(3,291)
Net book amount	1,084	2,280	2,208	466	6,038
Year ended 31 December 2005					
Opening net book amount	1,084	2,280	2,208	466	6,038
Additions	-	-	814	274	1,088
Depreciation charge	-	(118)	(523)	(212)	(853)
Closing net book amount	1,084	2,162	2,499	528	6,273
At 31 December 2005					
Cost	1,084	2,364	5,280	1,689	10,417
Accumulated depreciation	-	(202)	(2,781)	(1,161)	(4,144)
Net book amount	1,084	2,162	2,499	528	6,273
Year ended 31 December 2006					
Opening net book amount	1,084	2,162	2,499	528	6,273
Additions	-	-	835	191	1,026
Depreciation charge	-	(118)	(587)	(244)	(949)
Closing net book amount	1,084	2,044	2,747	475	6,350
At 31 December 2006					
Cost	1,084	2,364	6,115	1,880	11,443
Accumulated depreciation	-	(320)	(3,368)	(1,405)	(5,093)
Net book amount	1,084	2,044	2,747	475	6,350

The land and buildings as shown above relate to the main property utilised by the Company and are accounted for as a finance lease. The land is not de-recognised from the balance sheet as the Group has a continuing involvement in the land. Accordingly, the amount received in relation to the land is considered to be financing and included within “finance lease liabilities” on the balance sheet.

Finance leases and securities

Property, plant and equipment includes the following amounts where the Group is a lessee under finance leases:

	2006	2005
Cost capitalised finance leases	3,994	4,261
Accumulated depreciation	(400)	(585)
Net book amount	3,594	3,676

Finance lease liabilities are secured on the assets held under finance leases as the rights to the leased assets revert to the lessor in the event of default. Bank overdrafts are secured on other property, plant and equipment of the subsidiary OctoPlus Development B.V. with book value at 31 December 2006 of € 2,192 (2005: € 2,419) (Note 16).

8 Financial assets carried at cost

	2006	2005
Beginning of the year	16	16
Additions	-	-
End of the year	16	16
Non-current portion	(16)	(16)
Current portion	-	-

Financial assets carried at cost relate to an investment in Zernike Investments Beheer B.V. As part of a sale and leaseback transaction for the land and building as included within property, plant and equipment, a Group company became to hold all preference shares (90% of issued share capital) of Zernike Investment Beheer B.V. having its legal seat in Maassluis, the Netherlands. This Group company is entitled to a pre-defined share of the profit of Zernike Investment Beheer B.V. However, the Group has no significant influence on Zernike Investment Beheer B.V.’s business and operating policy.

9 Cash, cash equivalents and deposits

	2006	2005
Cash at bank and in hand	5,535	226
Bank deposits (< 3 months)	3,000	9,500
Cash and cash equivalents	8,535	9,726
Bank overdrafts	(1,482)	(496)
Net cash and cash equivalents	7,053	9,230
Short-term deposits (between 3 months and 12 months)	11,500	-
Long-term deposits (> 12 months)	1,000	-
Total short-term and long-term deposits	12,500	-

The effective interest rate on all bank deposits was approximately 2.9% in 2006, with the maturity on these deposits varying between directly withdrawable and 13 months.

10 Inventories

	2006	2005
Inventory raw materials	498	15

Raw materials have increased significantly year-on-year as the Group started producing its own pharmaceutical products, such as Locteron, from 2006 onwards. Significant amounts of high-value inventories are required for these productions.

There has not been a reversal of any write-down of assets in the years 2005 or 2006.

11 Trade and other receivables

	2006	2005
Trade receivables	1,181	1,387
Provision for impairment of receivables	(42)	(42)
Trade receivables – net	1,139	1,345
Corporate income taxes	6	-
Wage taxes	21	-
VAT to be received	350	255
Social securities and other taxes	377	255

	2006	2005
Prepaid expenses	473	351
Accrued income	42	484
Other amounts to be received	570	330
Other receivables, prepayments and accrued income	1,085	1,165

Accrued income includes € 88 (2005: € 113) related to subsidies.

The nominal value less impairment provision of trade and other receivables are assumed to approximate their fair values.

Additions to and releases from the provision for impaired receivables are included in 'other costs' in the income statement. However, there was no movement in the provision for impairment of receivables in 2006.

12 Shareholders' equity

Share capital & share premium reserve

For share capital & share premium reserve, see table below:

	Number of issued shares			Share capital (€ x 1,000)			
	Ordinary shares	Class AP	Class BP	Ordinary shares	Class AP	Class BP	Total
At 1 January 2005	46,934	-	-	47	-	-	47
New shares issued	-	53,752	14,863	-	54	15	69
At 31 December 2005	46,934	53,752	14,863	47	54	15	116
New shares issued up to 3 October 2006	290	2,177	609	-	2	1	3
At 3 October 2006	47,224	55,929	15,472	47	56	16	119
Share conversion	71,401	(55,929)	(15,472)	72	(56)	(16)	-
Shares after conversion	118,625	-	-	119	-	-	119
Share split	11,862,500	-	-	1,305	-	-	1,305
New shares issued	4,301,076	-	-	516	-	-	516
At 31 December 2006	16,163,576	-	-	1,940	-	-	1,940

The number of outstanding shares per 31 December 2005 was 115,549, comprising of 46,934 Ordinary shares, 53,752 Class AP preferred shares and 14,863 Class BP preferred shares.
As a result of the January 2005 investment agreement, additional shares were issued in June 2006 and a total of € 750 was raised.
As a consequence, the number of Class AP preferred shares increased with 2,177 shares to 55,929 shares per 30 June 2006 and the number of Class BP preferred shares increased with 609 shares to 15,472 shares per 30 June 2006. As a result of this transaction, share capital increased with € 3, share premium reserve increased with € 583 and the subordinated convertible loan increased with € 164.
Because of exercising options in 2006 in the period 1 January up to 3 October, the number of ordinary shares increased with 290 shares to 47,224 per 3 October 2006, resulting in an increase of share capital with € 0 and an increase of share premium reserve with € 104.

Immediately prior to OctoPlus' IPO on 4 October 2006, which is discussed in more detail below, a Deed of Amendment and Conversion was executed which had the following impact:

- An authorised capital of the Company of € 8,640, divided into 36,000,000 ordinary shares with a nominal value of € 0.12 per share and 36,000,000 preference shares with a nominal value of € 0.12 per share.
- All Ordinary ("Class C") shares, all Class AP preferred shares and all Class BP preferred shares, outstanding immediately prior to the IPO were converted into the same number of ordinary shares,
- A split of each of these ordinary shares into 100 ordinary shares with a nominal value of € 0.01 per share,
- An increase in the nominal value of these ordinary shares to € 0.12 per share, resulting in an increase of share capital with € 1,305 and a corresponding reduction in share premium reserve,
- The creation of a new class of preference shares.

As a result of this Deed, the total number of issued and outstanding ordinary shares immediately prior to the IPO was 11,862,500. With the IPO, the Company issued 4,301,076 new shares at a price of € 4.65 per share, raising a total of € 20.0 million (gross). As a result, the total number of issued and outstanding ordinary shares increased to 16,163,576 at 31 December 2006. No preference shares are issued and outstanding at 31 December 2006.

No shares are held as treasury shares at 31 December 2005 and 2006.

Other reserves

The costs of share options to employees and Executive Board are recognised in the income statement, together with a corresponding increase in equity during the vesting period, taking into account (deferral of) corporate income taxes. The accumulated expense of share options recognised in the income statement is shown separately in the equity category "other reserves" in the "consolidated statement of changes in equity". Pursuant to the options being exercised, lapsed or forfeited, "other reserves" is reversed with a corresponding entry to "retained earnings".
In the years presented in these financial statements, the Company did not have any legal or other types of reserves.

Share options

The Company operates an equity-settled share based compensation plan. As per the stock option plan approved by the Shareholders and Board of Supervisory Directors on 1 September 2006, the option pool is maximised at 7.5% of the issued and outstanding share capital. As of 31 December 2006, the option pool therefore amounts to 1,212,268 options (7.5% of 16,163,576 issued and outstanding ordinary shares). Out of this pool, the number of issued and outstanding stock options is 652,815 per 31 December 2006 (2005: 331,400).

The exercise price of the granted options is equal to or higher than the market price of the shares on the date of the (conditional) grant. All options are subject to the employee completing a pre-defined number of years of service ("the vesting period"). Each instalment of the Company's graded vesting awards is treated as a separate share option grant. Consequently, the vesting periods for the individual instalments of the Company's graded vesting awards vary between 1 and 4 years for options granted after 1 December 2004 and between 0 and 5 years for options granted before 1 December 2004. The options are exercisable from the grant date onwards, except for certain key management members whose options are only exercisable after the conditionally granted options become unconditional due to achieving pre-defined milestones. Employees that have exercised options and leave the Company during the vesting period are generally obliged to repay part of the proceeds ("the award") received.

The Group has no legal or constructive obligation to repurchase or settle the options in cash.
Movements in the number of share options outstanding and their related weighted average exercise prices are as follows:

	2006		2005	
	Average exercise price in € per share	Number of options	Average exercise price in € per share	Number of options
At 1 January	3.49	331,400	3.50	376,500
Granted	2.95	385,115	-	-
Forfeited	3.32	(21,900)	3.58	(11,600)
Exercised	3.58	(33,500)	-	-
Lapsed	3.58	(8,300)	3.58	(33,500)
At 31 December	3.19	652,815	3.49	331,400

Share options outstanding at the end of the year have the following expiry year and exercise prices:

Expiry year	Share options	Exercise price in € per share	Share options	Exercise price in € per share
	2006	2006	2005	2005
2005			6,500	3.58
2006	10,000	3.58	40,700	3.58
2007	40,500	3.74	49,000	3.71
2008	-	-	-	-
2009	222,200	3.43	235,200	3.43
2010	10,000	2.70	-	
2011	370,115	2.99	-	
	652,815		331,400	

The 6,500 options with expiry year 2005 outstanding at 31 December 2005 relate to share options exercised in 2005 for which the formal registration and share issuance did not take place until 2006. For further details on the options with an expiry date in 2006 but still included as outstanding options at 31 December 2006, reference is made to Note 32.

A total of 385,115 options were granted to OctoPlus employees in 2006 (2005: no options granted). 90,600 options were granted to OctoPlus employees in the first quarter of based on the employees' 2005 performance. The fair value of these 90,600 options granted, which needs to be recorded as an expense over the lifetime of these options, was € 107, using the Binomial valuation model. The significant inputs into the model for the options granted in 2006 were an exercise price of € 2.70 per share at the grant date, annual risk-free interest rates between 3.03% and 3.54%, volatility of 93% and no expected dividend yields. The historical volatility used is based on the average of the historical weekly volatility of the peers over a period that agrees with the period of maturity. Since the Company was not listed at the time of granting these 90,600 options, the share price was not readily available at the valuation date of the share option. The share price used at the first quarter 2006 grant dates have been estimated by Management on basis of a valuation that was performed in conjunction with the venture capital round of January 2005. The respective estimated share price at the date of this valuation was € 2.70 per share. New shares, as a result of the January 2005 investment agreement have also been issued in 2006 for a price of € 2.70 per share. This valuation was not performed contemporaneously with the option grants, but Management believes that the share price at the grant date approximates the share price calculated at the valuation date.

Following assessment of certain key management members' achievement, 236,015 of the conditionally granted options became unconditional pursuant to certain key management members achieving pre-defined milestones. The exercise price of these options is € 2.70 per share, identical to the other options granted in the first quarter of the year 2006. Apart from these options being conditional to achieving the pre-defined milestones, these options could only be granted following extension of the option pool to 7.5% of the issued and outstanding share capital, which extension was approved in the shareholders meeting of 1 September 2006.
A total of 58,500 options have been awarded to certain other employees of the Company related to their 2006 performance. The exercise price of these options is € 4.55 per share, identical to the 2006 OctoPlus closing share price.

The fair value of these 294,515 options granted, which needs to be recorded as an expense over the lifetime of these options, was € 368, using the Binomial valuation model. The significant inputs into the model for the options related to the employees' 2006 performance granted in 2006 were an exercise price of € 2.70 per share for the conditional option grants and € 4.55 per share for the unconditional option grants respectively, an annual risk-free interest rate of 3.92%, volatility of 69% and no expected dividend yields.
The historical volatility used is based on the average of the historical weekly volatility of the peers over a period that agrees with the period of maturity

Warrants

In 2003 and 2004 various parties (including employees and Management) guaranteed a loan made by a bank to the Group in a total amount of € 400 and provided loans to the Group totalling € 250. As part of the agreements, these parties

had the option to receive an interest of 1.0% per month (based on the amount guaranteed or loan provided) or the lower interest of 0.5% per month and 140 warrants per € 100 per month. In total, 3,920 warrants, with each warrant entitling the holder thereof the right to acquire 100 shares, have been granted as part of this arrangement (2003: 560 and 2004: 3,360). The warrants can be exercised until 30 November 2008.
The exercise price of these warrants was determined at € 5.50. No warrants have been exercised until 31 December 2006.

13 Convertible subordinated loan

Following the shareholders' agreement of 29 December 2004, on 19 January 2005, a group of venture capital investors participated in the Company for an amount of € 19,000 (€ 18,250 in 2005 and € 750 in 2006). In addition to the preference shares issued (see Note 12), € 3,985 was provided to the Group in 2005 and an additional € 164 in 2006.
At the time the subordinated convertible loan was outstanding, the Company did not have an obligation to redeem the loan or to pay interest/dividends, except when normal dividends are paid to the other Shareholders. The loan issuer was only entitled to collect any sums pursuant to the loan agreement if and to the extent the (other) investors received any sums pursuant to their ownership of Class AP preferred shares in the Company. The total amount of the subordinated convertible loan was therefore classified as equity in the 2005 consolidated financial statements.
As per the contract for this subordinated convertible loan, the Class BP preferred shares were converted into ordinary shares and the loan was converted into share premium reserve at the time of the Company's IPO on 4 October 2006.

14 Deferred corporate income taxes

Deferred corporate 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 corporate income taxes relate to the same fiscal authority.
Deferred corporate income tax assets and liabilities are measured at the (substantially) enacted tax rates that are expected to apply to the period when the asset is realised or the liability is settled.
For the Group's deferred corporate tax assets and liabilities at 31 December 2006, this resulted in a corporate income tax rate of 25.5% (31 December 2005: 29.1%) used to calculate the deferred corporate income tax assets and liabilities for fiscal unity OctoPlus N.V. and Chienna B.V., both located in the Netherlands, and a corporate income tax rate varying between 15% for losses up to $50,000, 25% for losses between $50,001 - $75,000, 34% for losses between $75,001 - $100,000 and 39% for all losses in excess of $100,000 for the US subsidiary OctoPlus Inc.

The movement on the recognised deferred corporate income tax liability is as follows:

	2006	2005
Beginning of the year	-	353
Deferred corporate income taxes (Note 24)	-	(353)
End of the year	-	-

Over the last few years, the Company has shown a net loss, with in general deferred corporate income tax assets, caused by these net losses, well exceeding potential deferred corporate income tax liabilities. As a consequence, the Company did not record deferred corporate income tax assets or liabilities, with 2004 year-end balances as the only exception. In 2004, the new fiscal unity OctoPlus N.V. was created and the deferred corporate income tax liability arising from the deferral of a gain on the sale of property in this fiscal unity was higher than the deferred corporate income tax asset arising from the 2004 net book loss in the fiscal unity.

Temporary differences

In 2004, a fiscal reserve for re-investments was created for a € 1.6 million gain on the sale of the Company's main property, as recorded in fiscal unity OctoPlus N.V. (which property was subsequently leased back through a finance lease). A substantial part of this fiscal reserve for re-investments is used in OctoPlus N.V.'s 2005 corporate income tax filing and the remaining part will be used in OctoPlus N.V.'s 2006 corporate income tax filing.
To date, none of the Group companies have witnessed any other significant temporary differences.

Permanent differences

In the years 2005 and 2006, two significant permanent differences arose related to the January 2005 financing round and the October 2006 IPO. For book purposes, these expenditures (amounting to € 4.2 million in total) are directly offset with the proceeds within share premium reserve but for tax purposes, these expenditures are deducted from taxable income, resulting in € 4.2 million of additional tax losses carried forward.

Corporate Income Tax 2007 Bill

As of 1 January 2007, the Corporate Income Tax 2007 Bill became effective. As from this date onwards, tax loss carry-forward in the Netherlands is subject to a time limitation of 9 years.
The Corporate Income Tax 2007 Bill has become effective retroactively, with a transitional provision for losses sustained in the years up to 2002. These losses may still be offset against future profits up to and including book years starting in 2011. The total amounts of tax losses carried forward and corporate deferred tax assets as well as the amounts of recognised and unrecognised corporate deferred taxes per fiscal unity are as follows:

	Tax losses carried forward	Deferred tax asset	Recog-nised	Not recog-nised
At 31 December 2005				
OctoPlus N.V. [1]	5,660	1,645	381	1,264
Chienna B.V. [2]	4,911	1,429	-	1,429
OctoPlus Inc.	-	-	-	-
	10,571	3,074	381	2,693
At 31 December 2006				
OctoPlus N.V. [1]	12,874	3,283	381	2,902
Chienna B.V. [2]	9,733	2,482	-	2,482
OctoPlus Inc.	127	31	-	31
	22,734	5,796	381	5,415

[1] The use of tax losses in future years may be restricted as a result of profit split rules for mergers and fiscal unities as stipulated in the Dutch Corporate Income Tax Act 1969.
[2] Chienna B.V. was acquired on 1 March 2003 and was included in the fiscal unity OctoPlus N.V. as of 1 January 2007.

The tax losses carried forward per year are as follows:

	OctoPlus Inc.	OctoPlus N.V.	Chienna B.V.
2002 or earlier	-	23	930
2003	-	2,545	716
2004	-	604	1,165
2005	-	3,603	2,095
2006	127	6,099	4,827
Total tax losses carried forward	127	12,874	9,733

15 Pension liabilities

The amounts recognised in the balance sheet for the defined benefit plan per 31 December 2005 and 2006 are determined as follows:

	2006	2005
Present value of funded obligations	-	924
Fair value of plan assets	-	(794)
	-	130
Unrecognised actuarial losses	-	(41)
Liability in the balance sheet	-	89

Until 31 January 2006, the Company operated a collective defined benefit plan. This plan was replaced on 1 February 2006 by a collective defined contribution plan. Under this new plan, the Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods. No amounts have been recognised in the balance sheet at year-end 2006 for the terminated defined benefit plan, as the only risk remaining for the Company after the termination date is the risk involving the transfer of pension benefits from the Company's pension plan to a third party pension plan at the end of employment with one of the Group companies, which risk and its financial impact is perceived by the Company as not material.

The amounts recognised in the income statement for the defined benefit plan are as follows:

	2006	2005
Current service cost	5	62
Interest cost	4	45
Expected return on plan assets	(4)	(40)
Other costs	8	73
Curtailment	(80)	-
Total expense, included in 'employee benefits' (Note 20)	(67)	140

The actual return on plan assets for the defined benefit plan in 2006 (1 January 2006 – 31 January 2006) was € 0 (2005: loss of € 6).

The movement in the liability recognised in the balance sheet is as follows:

	2006	2005
Beginning of the year	89	131
Total expense charged to the income statement	13	140
Contributions (incl. other costs paid)	(22)	(182)
Curtailment	(80)	-
End of the year	-	89

The principal actuarial assumptions used were as follows:

	2006	2005
Discount rate	4.25%	5.00%
Expected return on plan assets	4.25%	5.00%
Rate of salary increases	2.50%	2.00%
Rate of pension benefit increases	0.25%	1.00%

Assumptions regarding future mortality experience have been set based on published statistics used by Dutch insurance companies (‘collectief ‘93’).

16 Borrowings and finance lease liabilities

Finance lease liabilities

	2006	2005
Non-current portion	3,592	3,649
Current portion	164	142
Finance lease liabilities	3,756	3,791

The bank overdraft of € 1,482 (2005: € 496) relates to the facility with ABN Amro Bank N.V. (see for more details below).

	2006	2005
Finance lease liabilities – minimum lease payments:		
No later than 1 year	517	500
Between 1 and 5 years	1,711	1,693
Later than 5 years	4,968	5,311
	7,196	7,504
Future finance charges on finance leases	(3,440)	(3,713)
Present value of finance lease liabilities	3,756	3,791
The present value of finance lease liabilities is as follows:		
No later than 1 year	164	142
Between 1 and 5 years	417	384
Later than 5 years	3,175	3,265
	3,756	3,791

Lease liabilities are effectively secured by the lessor as the rights to the leased asset revert to the lessor in the event of default.

Bank overdrafts

The Company’s subsidiary OctoPlus Development B.V. utilises a current account lending facility with ABN Amro Bank N.V. amounting to € 2.0 million for working capital and investment purposes. OctoPlus Development B.V. has provided the following securities:

- Pledge on equipment (excluding finance leases) (book value at 31 December 2006: € 2,192 and 31 December 2005: € 2,419);
- Pledge on inventories and receivables (book value at 31 December 2006: € 1,624 and 31 December 2005: € 1,360);
- Joint and several liability of OctoPlus N.V.;
- In addition, the financing agreement included a covenant which required the shareholders’ equity of OctoPlus Development B.V. to exceed 25% of its balance sheet total. No breaches of this covenant have occurred during 2005 and 2006.

The carrying amounts of short-term borrowings (bank overdrafts) approximate their fair values.

Effective interest rates and borrowing facilities

The effective interest rates at the balance sheet date were as follows:

	2006	2005
Bank overdrafts	4.5%	4.5%
Finance lease liabilities	9.1%	9.1%

The Group’s only borrowing facility at 31 December 2005 and 2006 is the current account lending facility of OctoPlus Development B.V. amounting to € 2.0 million referred to above. The undrawn borrowing facility at the balance sheet date was as follows:

	2006	2005
Undrawn borrowing facility (at floating rate)	518	1,504

17 Trade and other payables

	2006	2005
Trade payables	2,468	1,491
Current amounts due to related parties (Note 31)	12	-
Payable to related parties	12	-
Corporate income taxes	-	2
Wage taxes and accrued social security costs	226	237
Social securities and other taxes	226	239
Subsidies received in advance (Note 18)	853	853
Deferred income	448	147
Prepayments by customers	928	745
Accrued expenses	925	831
Other amounts to be paid	-	67
Other current liabilities	3,154	2,643
Non-current portion:		
Deferred income	26	-
Other current and non-current liabilities	3,180	2,643

Trade payables have increased significantly to € 2,468 (2005: € 1,491), mainly as a result of some large vendor invoices related to the Company's IPO of 4 October 2006 outstanding at year-end 2006. These invoices have been reimbursed early 2007.

18 Income from subsidies

OctoPlus Technologies B.V. started a development project in the year 2001 of which the expected cost approximated € 7,432. For this project, SenterNovem, the department of the Ministry of Economic Affairs responsible for subsidies, has granted a technical development credit of 35% of the amounts spent between 30 January 2001 and 31 March 2005, which equals an amount of € 2,601. The partnership with SenterNovem for this project has been terminated in 2005 and the Group will finance the remaining amounts internally.

Further conditions with regard to the repayment of the technical development credit have been stipulated by SenterNovem and are dependent of net turnover resulting from this development project. Based on the contract with SenterNovem, the following redemption conditions have been agreed:

- Annually before 27 February of the following calendar year, during the development period and further from 2005 and during a maximum of 10 calendar years, an amount equal to 35% of the royalty fees and entrance fees resulting or derived from the development project.
- Within four weeks after receiving the final decision concerning the magnitude of the grant: 35% of the proceeds obtained by sale or otherwise of a null series, prototype, parts hereof or from other assets that have been financed by this grant.
- Within four weeks after receiving the final decision concerning the magnitude of the grant: 35% of the value of the assets financed with the grant and still can be used and are not used for the production of rendering services resulting from the grant.

The contract described above is the only subsidy contract of any OctoPlus legal entity with redemption conditions; i.e. a part of potential future revenues needs to be paid to SenterNovem. The total subsidy received has been recognised as 'income from subsidies' since it is non-refundable. A liability for the royalty fees will only be recognised when such payments become probable.

In 2004, in collaboration with the Thorax Centre of Erasmus University (Rotterdam, the Netherlands), OctoPlus Technologies B.V. commenced a 3-year research project for a novel approach to treat myocardial regeneration. Total costs of this project approximate € 3,250. SenterNovem has granted a subsidy of € 2,000 in order to relieve OctoPlus Technologies B.V.'s and Erasmus University's burden in the costs. OctoPlus will finance the costs that exceed the € 2,000 subsidy. An advance of 25% of the total subsidy (€ 500) was received by OctoPlus in December 2004 and is recorded as 'subsidies received in advance' under 'other current liabilities' on the balance sheet at 31 December 2005 and 31 December 2006 (Note 17).

In 2004, OctoPlus Technologies B.V., in partnership with Utrecht University (Utrecht, the Netherlands), initiated a study for a second-generation drug delivery technology. For this study, a total subsidy of € 1,413 has been granted of which € 897 is allocated to OctoPlus Technologies B.V. (being 70% of its estimated expenditures) and € 516 is allocated to Utrecht University (being 60% of its estimated expenditures). The project is expected to run over a period of 3 years. An advance of 25% of the total subsidy (€ 353) was received by OctoPlus in December 2004 and is recorded as 'subsidies received in advance' under 'other current liabilities' on the balance sheet at 31 December 2005 and 31 December 2006 (Note 17).

In 2005, a development project was carried out in association with InnoCore Technologies B.V. The total estimated project costs amount to € 122 and

OctoPlus Technologies B.V.'s share of the total project costs was € 54. SenterNovem granted in total € 50 in subsidy to this project.

19 Raw materials and auxiliaries and costs of contracted work and other external charges

The costs included in raw materials and auxiliaries are the materials used in production runs for customers. Costs of contracted work and other external charges include costs related to clinical studies, toxicology studies and other purchased research and development costs.

20 Employee benefits

	2006	2005
Wages and salaries	5,517	3,994
Social security costs	399	462
Share options granted to directors and employees (Note 12)	90	132
Pension costs – defined contribution plans	201	30
Pension costs – defined benefit plans (Note 15)	(67)	140
	6,140	4,758
Number of employees at 31 December	139	110

The wages and salaries are net of WBSO subsidies of € 475 (2005: € 337).

21 Other costs

	2006	2005
Housing costs	669	540
Production costs	967	957
Office expenses	438	224
Selling & Marketing costs	825	715
General expenses	658	538
Other personnel costs	1,706	1,239
	5,263	4,213

Other costs have increased mainly due to an increase in staff and activities of the Company.

For leases where the Group is a lessee under operating leases, lease rentals amounting to € 255 (2005: € 233) are included in 'other costs' in the income statement.

The amount of inventories recognised as an expense in 2006 is € 675 (2005: € 564) and are included in 'production costs' under 'other costs'.

22 Research and development costs

The costs directly attributable to research and development recognised as costs in the income statement were as follows:

	2006	2005
Direct research and non-capitalised development costs	6,526	3,378

The Group's total costs related to research and development including indirect costs are € 9.3 million (2006) and € 5.8 million (2005).

23 Interest income and interest costs

	2006	2005
Interest income:		
- Bank deposits	246	287
Interest costs:		
- Bank borrowings, overdrafts and other debt	(34)	(44)
- Finance leases	(357)	(361)
	(391)	(405)
Finance costs – net	(145)	(118)

24 Corporate income taxes

	2006	2005
Deferred corporate income taxes (Note 14)	-	353
Tax income	-	353

25 Earnings per share

Basic

Basic earnings per share is calculated by dividing the result attributable to equity holders of the Company by the weighted average number of shares outstanding during the year.

	2006	2005
Result attributable to equity holders of the Company	(8,665)	(4,209)
Weighted average number of ordinary shares	12,757,468	11,197,700
Basic earnings per share (€ per share)	(0.68)	(0.38)

For more details about conversion of all ordinary ('Class C') shares, all non-convertible AP shares ('Class AP preferred shares') and all BP shares ('Class BP preferred shares'), outstanding until the IPO, and conversion of these shares into the newly created ordinary shares, reference is made to Note 12.

Diluted

For both years included in these financial statements, the share options and warrants are not included in the diluted earnings per share calculation as the Group was loss-making. Consequently basic and diluted earning per share are the same.

26 Dividends per share

The Company did not declare dividends for any of the years presented in these consolidated financial statements.

27 Cash flow statement

In the consolidated cash flow statement, purchases of property, plant and equipment comprise:

	2006	2005
Additions according to Note 7	1,026	1,088
Non-cash transactions	(110)	(164)
Purchases of property, plant and equipment	916	924

In the cash flow statement, proceeds from issuance of shares comprise:

	2006	2005
Issue of share capital	17,966	13,199
Converted loan from Statutory Director (Note 31)	-	(161)
Proceeds from issuance of shares	17,966	13,038

28 Contingencies

Contingent liabilities

As a result of the acquisition of Chienna B.V. in 2003, the Group is obliged to make certain milestone payments up to 3 years after the acquisition date (1 March 2003) and has profit-sharing obligations during the patents terms. Up to 31 December 2006, milestone payments amounting to € 30 have been made, with a corresponding adjustment of goodwill. No profit-sharing payments have been made up to 31 December 2006. If and when profit-sharing payments have to be made during the remainder of the patents terms is uncertain and dependent on the commercial success of the Chienna technology.

Subsidies

For the development project, which started in 2001 (expected cost approximates € 7,432), repayment of the technical development subsidy from SenterNovem is dependent on the net turnover resulting from this development project. Further details on these conditions are provided in Note 18.

Royalties

The Group is obliged to pay royalties to Utrecht University for revenues received based on the OctoDEX technology platform. Such royalties shall not exceed 2% of such revenues. Furthermore, Leiden University Medical Centre is entitled to certain royalty revenues. Depending on the cumulative revenues, the royalties vary from 30% for cumulative revenues below € 15 million to 12.5% once cumulative revenues have exceeded € 30 million.

29 Commitments

Capital commitments

At 31 December 2006 there were no capital expenditures contracted for but not yet incurred.

Operating lease commitments

The Group leases various equipment under operating lease agreements. The lease expenditure charged to the income statement during the year is disclosed in Note 21.

The future aggregate minimum lease payments under non-cancellable operating leases are as follows:

	2006	2005
No later than 1 year	251	165
Later than 1 year and no later than 5 years	28	35
Later than 5 years	86	93
	365	293

Future finance lease commitments

The future finance lease commitments, as mentioned below, relate to a finance lease contract signed by the Company in 2006 for additional office, laboratory and production facilities. These facilities are currently being built on a location adjacent to the Company's headquarters and are expected to be ready at the end of 2007.

	2006	2005
No later than 1 year	63	-
Later than 1 year and no later than 5 years	3,007	-
Later than 5 years	11,966	-
	15,036	-

Other operating commitments

The Group has made other commitments related to the two ongoing clinical studies at 31 December 2006 amounting to € 1,011 (2005: € 0), of which € 477 relate to conditional commitments.

Bank guarantees

As of 31 December 2006, the Company has guarantees amounting to € 116 (2005: € 116).

30 Business combinations

There were no business combinations effected during the years ended 31 December 2005 and 2006.

31 Related-party transactions

Some of our key management personnel are also a Shareholder. Related-party transactions with key management personnel are discussed in section b "key management personnel" of this footnote.

a Shareholders

Following the changes in Shareholders in January 2005, no individual party had a significant influence over the Company and there were no related-party transactions with Shareholders therefore.

b Key Management Personnel

For key management personnel, a distinction has been made between (1) Board of Supervisory Directors and (2) Executive Board and Other key management personnel; representing the other members of the Company's 'Corporate Management Team'.

(1) Board of Supervisory Directors

The remuneration of the Board of Supervisory Directors amounts to € 30 (2005: 15). The remuneration of the individual members of the Supervisory Board is set out in the table below:

	Base salary	Other	2006 Total	2005 Total
H. Stellingsma (Chairman)	18	-	18	15
R. Kuijten	4	-	4	-
P. Toon	4	-	4	-
Ph. Smith	4	-	4	-
	30	-	30	15

After the IPO of 4 October 2006, the remuneration of the chairman of the Board of Supervisory Directors was increased to reflect that the Company became publicly listed. The other Board of Supervisory Directors also received a remuneration from the date of the IPO onwards. Part of the remuneration of the Board of Supervisory Directors (€ 12, 2005: € 0) was not reimbursed per 31 December 2006 and is recorded under 'payable to related parties' in the balance sheet.

(2) *Executive Board and Other key management personnel*

The remuneration of Executive Board and Other key management personnel amounts to € 1,197 (2005: € 761); with the details set out in the table below:

	Base salary	Bonus	Pen-sions	Other	2006	2005
J.J.M. Holthuis, CEO	197	53	20	21	291	258
J.C.H.L. Pauli, CFO	169	29	10	2	210	146
Other key management	592	46	29	29	696	357
	958	128	59	52	1,197	761

Excluding social security charges and expenditures for share-base payments

Mr. Pauli was engaged on an 80% basis until 1 February 2006 and on a 100% basis afterwards. The group of key management personnel was increased by one person on 1 September 2005 onwards and by a second person on 2 January 2006 onwards and consisted of 6 employees as of 31 December 2006.

The remuneration of Executive Board and Other key management personnel results in the following costs in the income statement related to key management compensation:

	2006	2005
Salaries and other short-term employee benefits	1,176	781
Post-employment benefits	59	62
Share-based payments	67	95
	1,302	938

Loans from Executive Board members

A loan of € 161 provided by Mr. Holthuis was converted into 59,800 preference shares with a share price of € 2.69 as part of the private offering of the Company's securities in 2005 (see Note 12).

Executive Board and Other key management personnel's interests in the Company

The Executive Board and Other key management personnel own shares and have share options and warrant rights in the Company as follows:

	Shares	Options	Warrants
At 31 December 2005			
J.J.M. Holthuis, CEO	3,089,500	73,500	-
J.C.H.L. Pauli, CFO [1]	37,900	57,100	126,000
Other key management [2]	122,600	133,600	56,000
	3,250,000	264,200	182,000
At 31 December 2006			
J.J.M. Holthuis, CEO	3,091,900	150,370	-
J.C.H.L. Pauli, CFO [1]	46,500	102,514	126,000
Other key management [2]	71,500	253,231	-
	3,209,900	506,115	126,000

[1] In 2003 and 2004, J.C.H.L. Pauli received a total of 1,260 warrants, with each warrant giving the right to acquire 100 shares. For comparison purposes, the number of shares that can be acquired through exercising these warrants are shown in this table.

[2] In 2004, one of the Other key management members received 560 warrants, each giving the right to acquire 100 shares. For comparison purposes, the number of shares that can be acquired through exercising these warrants are shown in this table. This Other key management member left the Company in the first quarter of 2006. The warrants owned by this person are therefore not included in the outstanding warrants at 31 December 2006. The shares owned by this person are also not included in the shares owned by Other key management at 31 December 2006. This caused the shares owned by Other key management to decrease year-on-year but none of all key management has sold shares in the year 2005 or 2006.

The shares owned by Mr. Holthuis at 31 December 2006 represent 19.1% of the total of issued and outstanding share capital at 31 December 2006 (2005: 26.7%).

Share options

J.J.M. Holthuis holds share options in the Company as follows:

	2006		2005	
	Average exercise price in € per share	Number of options	Average exercise price in € per share	Number of options
At 1 January	3.43	73,500	3.43	73,500
Granted	2.70	76,870		-
Forfeited		-		-
Exercised		-		-
Lapsed		-		-
At 31 December	3.05	150,370	3.43	73,500

The outstanding share options held by Mr. Holthuis on 31 December 2006 expire as follows: 73,500 options on 29 December 2009, 7,100 options on 31 March 2011 and 69,770 options on 31 December 2011.

J.C.H.L. Pauli, CFO, holds share options in the Company as follows:

	2006		2005	
	Average exercise price in € per share	Number of options	Average exercise price in € per share	Number of options
At 1 January	3.48	57,100	3.48	57,100
Granted	2.70	55,414		-
Forfeited		-		-
Exercised	3.58	(7,500)		-
Lapsed	3.58	(2,500)		-
At 31 December	3.05	102,514	3.48	57,100

The outstanding share options held by Mr. Pauli on 31 December 2006 expire as follows: 13,500 options on 14 December 2009, 23,600 options on 29 December 2009, 7,200 options on 31 March 2011 and 48,214 options on 31 December 2011. The remaining 10,000 options have expired on 24 December 2006. Mr. Pauli has notified the Company that he will exercise these options but the issuance of new shares has not taken place until 2007. These share options have therefore been included as outstanding options at 31 December 2006 (see Note 32).

Other key management personnel hold share options in the Company as follows:

	2006		2005	
	Average exercise price in € per share	Number of options	Average exercise price in € per share	Number of options
At 1 January	3.47	133,600	3.47	133,600
Granted	2.70	152,131		-
Forfeited	3.43	(13,000)		-
Exercised	3.58	(15,000)		-
Lapsed		-		-
Changes in Other key management		(4,500)		-
At 31 December	3.01	253,231	3.47	133,600

The 4,500 options (negative) included under 'changes in Other key management' above, relate to the balance of options added for a person becoming an 'Other key management' member on 1 January 2006 and options deducted for an 'Other key management' member leaving the Company in the first quarter of 2006.
The outstanding share options held by Other key management personnel on 31 December 2006 expire as follows: 14,000 options on 31 May 2007, 74,000 options on 14 December 2009, 13,100 options on 29 December 2009, 10,000 options on 31 December 2010, 9,000 options on 31 January 2011, 15,100 options on 31 March 2011 and 118,031 options on 31 December 2011.

Warrants

In addition to share options, Mr. Pauli holds a total of 1,260 warrants (31 December 2005: 1,260) in the Company, with each warrant giving the right to acquire 100 shares at an exercise price of € 5.50 per share. Mr. Pauli guaranteed a loan made by a bank to the Group in a total amount of € 150 during the period 1 December 2003 to 31 May 2004. This loan was repaid on 31 May 2004. As compensation for this guarantee, Mr. Pauli received an interest rate of 0.5% per month and a total of 1,260 warrants in the Company (see Note 12).
One other former employee (and former Other key management member) also holds a total of 560 warrants (31 December 2005: 560) in the Company, with each warrant giving the right to acquire 100 shares at an exercise price of € 5.50 per share. This person guaranteed a loan made by a bank to the Group in a total amount of € 100 during the period 1 February 2004 to 31 May 2004. This loan was repaid on 31 May 2004. As compensation for this guarantee, this person received an interest rate of 0.5% per month and a total of 560 warrants in the Company (see Note 12).

32 Events after the balance sheet date

Equity transactions

In 2006, 10,000 share options with an exercise price of € 3.58 per share were exercised. However, the formal registration of the share issuance did not take place until 2007. The related 10,000 share options have therefore been included as outstanding options at 31 December 2006 (Note 12).

OctoPlus is a young and innovative company, led by experienced industry professionals. The average age of the employees is 34 and more than 37% has an academic or Ph.D. title. Management consists of professionals with extensive life sciences industry experience

Pharmaceutical innovators: experience and expertise

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Company-only Financial Statements

Balance sheet of OctoPlus N.V.

after proposed appropriation of net result (In € x 1,000)

	Note	At 31 December 2006	At 31 December 2005
ASSETS			
Non-current assets			
Goodwill	B	243	-
Land and buildings	C	3,128	3,246
Long-term deposits	D	1,000	-
Investments in Group companies	E	16,210	-
Long-term receivables from Group companies	F	908	1,062
		21,489	4,308
Current assets			
Short-term deposits	D	9,000	-
Short-term receivables from Group companies	G	4,503	12,163
Social securities and other taxes	H	6	308
Other receivables, prepayments and accrued income		406	187
Cash and cash equivalents	D	6,618	8,618
		20,533	21,276
Total assets		42,022	25,584
EQUITY			
Issued share capital	I	1,940	116
Share premium reserve	I	38,003	17,876
Convertible subordinated loan	I	-	3,985
Other reserves	I	203	160
Accumulated deficit	I	(19,004)	(10,386)
Total Group equity		21,142	11,751
LIABILITIES			
Non-current liabilities			
Provisions for Group companies	J	7,041	9,985
Finance lease liabilities		3,494	3,557
		10,535	13,542
Current liabilities			
Current portion of non-current liabilities		64	58
Trade payables	K	1,010	80
Payable to Group companies		9,003	-
Social securities and other taxes		26	89
Other current liabilities		242	64
		10,345	291
Total liabilities		20,880	13,833
Total equity and liabilities		42,022	25,584

The notes on pages 58 to 60 are an integral part of these consolidated financial statements.

Income statement of OctoPlus N.V.

(In € x 1,000)

	Year ended 31 December	
	2006	2005
Result from subsidiaries after taxes	(8,279)	(4,963)
Other results of OctoPlus N.V. after taxes	(386)	754
Net result	(8,665)	(4,209)

Notes to the company-only financial statements

A General

The company-only financial statements are part of the 2006 financial statements of OctoPlus N.V.

With reference to the company-only income statement of OctoPlus N.V., use has been made of the exemption pursuant to Section 402 of Book 2 of the Netherlands Civil Code.

Principles for valuation and determination of the result

For setting the principles for the recognition and measurement of assets and liabilities and determination of the result for its company-only financial statements, OctoPlus N.V. makes use of the option provided in Section 2:362 (8) of the Netherlands Civil Code. This means that the principles for the recognition and measurement of assets and liabilities and determination of the result (hereinafter referred to as "accounting policies") of the company-only financial statements of OctoPlus N.V. are the same as those applied for the consolidated EU-IFRS financial statements. These consolidated EU-IFRS financial statements are prepared according to the standards laid down by the International Accounting Standards Board and adopted by the European Union. Please see the notes to the consolidated financial statements for a description of these principles.

Investments in subsidiaries are in the company-only financial statements stated at net asset value if the Company effectively exercises influence of significance over the operational and financial activities of these investments. The net asset value is determined on the basis of the accounting principles applied by the Company. In case the net asset value of an investment in subsidiaries is negative, a provision for group companies has been set up. By setting up a provision in these cases, reconciliation is maintained between the Group's and the Company's equity.

Legal merger OctoShare B.V. and OctoPlus N.V.

Until 31 December 2005, OctoPlus N.V. was the direct parent of OctoShare B.V. and OctoShare B.V. was the direct parent of all other group companies, with both parents effectively exercising influence of significance over the operational and financial activities of its subsidiaries. With an effective date of 1 January 2006, OctoShare B.V., a directly held 100% subsidiary of OctoPlus N.V. merged into the Company (the legal merger). Subsequently, OctoShed B.V., another 100% subsidiary of OctoPlus N.V. changed its name into OctoShare B.V. pursuant to a deed of amendment of its articles of association. All assets and liabilities from operational activities from the merged company formerly known as OctoShare B.V. were transferred to the company OctoShare B.V. formerly known as OctoShed B.V. at the date of the legal merger. As a result of this legal merger, OctoPlus N.V. becomes the direct parent of all Group companies and also effectively exercises influence of significance over the operational and financial activities of all group companies. The (possible) impact of the legal merger on the stand-alone accounts is presented in the different notes to these company-only financial statements. As a result of this legal merger, certain balance sheet movements have only been presented for the year 2006 in the notes to the Company-only financial statements. Such movements can be identified by the inclusion of the line "impact legal merger".

B Goodwill

	2006
Balance at 1 January	-
Impact legal merger	243
Balance at 31 December	243

Goodwill is the only item of intangible assets owned by OctoPlus N.V. The goodwill relates to the acquisition of Chienna B.V. on 1 March 2003 and was recorded in Chienna's former direct parent, OctoShare B.V. before the legal merger and is now recorded in its current direct parent OctoPlus N.V. after the legal merger. For further details on the goodwill, reference is made to Note 6 of the consolidated financial statements.

C Land and buildings

Land and buildings are the only items of property, plant and equipment owned by OctoPlus N.V. For further details, reference is made to Note 7 of the consolidated financial statements.

D Cash, cash equivalents and deposits

	2006	2005
Cash and cash equivalents	3,618	8,618
Bank deposit (< 3 months)	3,000	-
Short-term deposits (between 3 months and 12 months)	9,000	-
Long-term deposits (> 12 months)	1,000	-
	16,618	8,618

Cash, cash equivalents and short-term deposits increased with € 8.0 million to € 16,618 (2005: € 8,618); mainly as a result of the Company's IPO dated 4 October 2006. For further details, reference is made to the consolidated financial statements.

E Investments in Group companies

	2006
Balance at 1 January	-
Impact legal merger	13,805
Result current year	1,191
Share capital contribution	1,214
Balance at 31 December	16,210

Before the legal merger, OctoShare B.V. was the only directly held subsidiary of OctoPlus N.V. As OctoShare B.V. had a negative net asset value, OctoPlus N.V. recorded a provision for Group companies for the negative net asset value of its only directly held subsidiary (and did not record any investment in Group companies). After the legal merger, all subsidiaries are directly held by OctoPlus N.V. and investments in, or provisions for each of these Group companies are therefore recorded in OctoPlus N.V.

The share capital contribution relates to a share capital contribution of € 8,090 of OctoPlus N.V. in Chienna B.V., a 100% directly held subsidiary of OctoPlus N.V., in December 2006 (see also Note J).

F Long-term receivables from Group companies

	2006	2005
OctoShare B.V. (formerly known as OctoShed B.V.)	908	908
OctoPlus Sciences B.V.	154	154
	1,062	1,062
Balanced with provisions for Group companies	(154)	-
	908	1,062

The loan to OctoShare B.V. (formerly known as OctoShed B.V.) was issued in 1999, and the loan to OctoPlus Sciences B.V. was issued in 2003. These loans are subject to 6% interest per year and have to be fully redeemed at 1 June 2008.
In accordance with IAS 28.29, the long-term receivable from OctoPlus Sciences B.V. is netted with the provision for this Group company as recorded under 'provisions for Group companies' (see also Note J).

G Short-term receivables from Group companies

Short-term receivables from Group companies have changed significantly, mainly as a result of the legal merger, as the investments in Group companies, which were previously recorded in OctoShare B.V., are now recorded in OctoPlus N.V.
In accordance with IAS 28.29, provisions for Group companies are netted with possible short-term and long-term receivables for each respective Group company. This resulted in a decrease of short-term receivables from Group companies with € 4,850 per 31 December 2006 (2005: € 0).

H Social securities and other taxes

Social securities and other taxes have decreased significantly to € 6 (2005: € 308) as a result of lower value-added taxes balances at year-end 2006.

I Shareholders' equity

The Company has applied Section 2:362 (8) of the Netherlands Civil Code, and therefore the reconciliation is maintained between the Group's equity and the Company's equity. For details of the movements in and components of equity, reference is made to the "Statement of changes in equity" and Note 12 and 13 of the consolidated financial statements.

The convertible subordinated loan of € 3,985, as shown in the 31 December 2005 balance sheet, was provided to OctoPlus Technologies B.V. under terms and conditions allowing this convertible subordinated loan to be accounted for in the Company's equity. With the Company's IPO on 4 October 2006, the convertible subordinate loan was converted into ordinary shares. Further details are provided in Note 13 of the consolidated financial statements. No part of the Company's equity is classified as legal reserves. For details of the movements in share options, reference is made to Note 12 of the consolidated financial statements.

J Provisions for Group companies

	2006
Balance at 1 January	9,985
Impact legal merger	(534)
Result current year	9,470
Share capital contribution	(6,876)
Balanced with long-term receivables from Group companies (see Note F)	(154)
Balanced with short-term receivables from Group companies (see Note G)	(4,850)
Balance at 31 December	7,041

Provisions for Group companies relate to provisions for all directly held subsidiaries. Before the legal merger, OctoShare B.V. was the only directly held subsidiary of OctoPlus N.V. with all other subsidiaries directly held by OctoShare B.V. After the legal merger, all subsidiaries are directly held by OctoPlus N.V. and investments in, or provisions for each of these Group companies are therefore recorded in OctoPlus N.V.

In accordance with IAS 28.29, provisions for Group companies are netted with possible short-term and long-term receivables for each respective Group company. This resulted in a decrease of the provision for Group companies with € 154 per 31 December 2006 related to long-term receivables from Group companies (2005: € 0) and a decrease of the provision for Group companies with € 4,850 per 31 December 2006 related to short-term receivables from Group companies (2005: € 0).

The share capital contribution relates to a share capital contribution of € 8,090 of OctoPlus N.V. in Chienna B.V., a 100% directly held subsidiary of OctoPlus N.V., in December 2006 (see also Note E).

K Trade payables

Trade payables have increased significantly to € 1,010 (2005: € 80) as a result of some large vendor invoices related to the Company's IPO of 4 October 2006 outstanding at year-end 2006. These invoices have been reimbursed early 2007.

L Remuneration of Directors and Board of Supervisory Directors

The remuneration of the Board of Supervisory Directors amounts to € 30 (2005: € 15). For further details, reference is made to Note 31 of the consolidated financial statements; section "Board of Supervisory Directors".

The remuneration of the Executive Board amounts to € 501 (2005: € 404). For further details, reference is made to Note 31 of the consolidated financial statements; sections with regard to the "Executive Board".

M Contingencies and commitments

Contingent liabilities

The Company is the parent company of fiscal unity OctoPlus N.V. and as such jointly and severally liable for tax liabilities of all entities of this fiscal unity.

Future finance lease commitments

The future finance lease commitments, as mentioned below, relate to a finance lease contract signed by the Company in 2006 for additional office, laboratory and production facilities. These facilities are currently being built on a location adjacent to the Company's headquarters and are expected to be ready at the end of 2007.

	2006	2005
No later than 1 year	63	-
Later than 1 year and no later than 5 years	3,007	-
Later than 5 years	11,966	-
	15,036	-

N Signing of the financial statements

Executive Board

J.J.M. Holthuis, Chief Executive Officer
J.C.H.L. Pauli, Chief Financial Officer

Board of Supervisory Directors

H. Stellingsma, Chairman
R. Kuijten
P. Toon
Ph. Smith

Leiden, the Netherlands, 15 March 2007

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Other Information

Auditors' report

To the Shareholders and the Board of
Supervisory Directors of
OctoPlus N.V.
P.O. Box 722
2300 AS Leiden
The Netherlands

Auditors' report

Report on the financial statements

We have audited the accompanying financial statements 2006 of OctoPlus N.V., Leiden, which comprise the consolidated and company balance sheet as at 31 December 2006, the profit and loss account, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes.

Management's responsibility

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' responsibility

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.
An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of OctoPlus N.V. as at 31 December 2006, and of its result and its cash flow for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under 2:393 sub 5 part e of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Leiden, the Netherlands, 15 March 2007

Deloitte Accountants B.V.

J. Verloop

Statutory arrangement concerning the appropriation of the result

In article 34 of the articles of association, the following has been stated concerning profits and distributions:

34.1 From the profits – the positive balance of the profit and loss accounts – made in the most recently elapsed financial year shall first, if possible, on the preferred Shares a dividend shall be made of which the percentage is equal to the average twelve-month EURIBOR (€ Interbank Offered Rate) – weighted for the number of days to which the distribution pertains – increased with one percent (1%), calculated over the paid up part of the nominal value of those Shares. The dividend on the preferred Shares shall be calculated pro rata if the respective Shares have been issued in the course of the financial year. It the twelve-month EURIBOR shall no longer be determined at any time, the dividend percentage of the preference Shares shall be equal to the mathematical average of the average effective return on the five (5) Dutch government bonds with the longest maturity, as drawn up by the Central Bureau of Statistics and published in the Official Price List, over the twenty (20) trading days preceding the issue, increased with a surcharge to be determined by the Executive Board, subject to approval of the Supervisory Board, of at least zero point twenty-five percent (0.25%) and a maximum of one percent (1%), calculated over the paid up part of the nominal value of those shares.

34.2 It may be determined in the resolution to issue the preference Shares that, in the event that the profits of any financial year do not permit the distribution as referred to in Article 34.1 on the Shares to be issued in full or in part, the deficit shall be distributed from the Distributable Equity, and, if this is also insufficient, from the profits of subsequent years. If preference Shares shall be cumulative as described above, the letter C shall be added to that respective series of Shares. If the Shares are not cumulative preferred, they shall be referred to with the letters N.C.

34.3 Each year, after application of Articles 34.1 and 34.2, and insofar as cumulative preferred Shares are in issue and a distribution must still be made on those Shares, after such distribution, the Executive Board may, subject to the approval of the Supervisory Board, determine which part of the profits shall be reserved.

34.4 The part of the profit remaining after the reservation in accordance with Article 34.3 shall be distributed as dividend on the ordinary Shares.

34.5 Distributions may be made only up to an amount which does not exceed the amount of Distributable Equity.

34.6 Distribution of profits shall be made after adoption of the annual accounts if permissible under the law given the contents of the annual accounts.

34.7 The Executive Board may resolve to distribute interim dividend on the ordinary Shares. Such a resolution shall be subject to approval of the Supervisory Board.

34.8 In calculating the amount of any distribution on Shares, Shares held by the Company shall be disregarded.

34.9 The Sections 2:103, 2:104 and 2:105 of the Dutch Civil Code shall apply to distribution to holders of Shares.

Proposed result appropriation for the financial year 2006

The General Meeting of Shareholders will be proposed to add the loss for 2006 of € 8,665 to the accumulated deficit. The financial statements reflect this proposal.

Events after balance sheet date

Equity transactions

In 2006, 10,000 share options with an exercise price of € 3.58 per share were exercised. However, the formal registration of the share issuance did not take place until 2007.
The related 10,000 share options have therefore been included as outstanding options at 31 December 2006 (Note 12).

Colophon

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