

Consolidated Income Statements

Year ended December 31, (Amounts in thousands of Euro, except per share data)	Notes	2007	2006	2005
Product sales		177,569	103,918	—
License revenues		12,211	16,955	20,848
Service fees		14,006	10,694	11,881
Total revenues	4	203,786	131,567	32,729
Cost of product sales		(124,557)	(83,518)	—
Cost of service fees		(10,327)	(6,971)	(7,156)
Total cost of goods sold	4/5.1	(134,884)	(90,489)	(7,156)
Gross margin		68,902	41,078	25,573
Government grants		7,086	6,901	4,137
Other income		2,244	2,455	703
Total other operating income	4	9,330	9,356	4,840
Research and development	5.1	(63,995)	(67,606)	(34,048)
Selling, general and administrative	5.1	(65,621)	(47,199)	(13,689)
Restructuring	5.18	—	(3,120)	—
Impairment	5.6/5.7	(171)	(30,416)	—
Total other operating expenses	4	(129,787)	(148,341)	(47,737)
Operating loss		(51,555)	(97,907)	(17,324)
Financial income	5.2	13,190	13,453	2,332
Financial expenses	5.3	(11,812)	(11,706)	(131)
Results investments associates and joint ventures	5.9	(996)	(1,956)	(455)
Gain on disposal of non-consolidated companies	5.9	2,186	—	—
Loss before tax		(48,987)	(98,116)	(15,578)
Income tax	5.4	3,040	10,551	—
Loss for the year		(45,947)	(87,565)	(15,578)
Attributable to:				
Equity holders of the parent		(45,947)	(87,313)	(15,578)
Minority interest		—	(252)	—
		(45,947)	(87,565)	(15,578)
Net loss per share – basic and diluted	5.5	(0.71)	(1.53)	(0.39)
Weighted average shares outstanding – basic and diluted (in thousands)		65,103	57,064	39,852

Consolidated Balance Sheets

Year ended December 31, (Amounts in thousands of Euro, except per share data)	Notes	2007	2006
Assets			
Non-current assets			
Property, plant and equipment	5.6	145,525	138,018
Intangible assets	5.7	94,045	113,077
Goodwill	5.8	44,377	47,419
Investments in associates and joint venture	5.9	9,070	5,998
Pension asset	5.10	2,479	2,555
Available-for-sale investments	3.5	10,009	12,339
Other financial assets	5.11	16,153	16,430
Deferred tax asset	5.4	—	308
		321,658	336,144
Current assets			
Cash and cash equivalents	5.12	163,248	157,837
Trade accounts receivable	5.13	47,563	58,563
Inventories	5.14	67,233	75,519
Other current assets	5.15	25,218	25,152
		303,262	317,071
Total assets		624,920	653,215
Liabilities and equity			
Equity attributable to equity holders of the parent	5.16	437,242	497,300
Non-current liabilities			
Long-term provisions	5.18	4,573	5,132
Long-term financial liabilities	5.19	28,030	26,945
Deferred tax liability	5.4	28,210	33,586
Other non-current liabilities and deferred income	5.20	12,123	—
		72,936	65,663
Current liabilities			
Trade accounts payable	5.21	50,970	38,512
Short-term financial liabilities	5.19	24,765	19,468
Other current liabilities and deferred income	5.20	37,897	29,132
Income tax payable		349	266
Short-term provisions	5.18	761	2,874
		114,742	90,252
Total liabilities		187,678	155,915
Total liabilities and equity		624,920	653,215

Consolidated Statements of Changes in Equity

Consolidated Statements of Changes in Equity

(Amounts in thousands of Euro)

	Attributable to equity holders of the parent					Total	Minority interests	Total equity
	Issued capital	Share premium	Net unrealized gains reserve	Translation reserve	Accumulated deficit			
At January 1, 2005	8,850	216,790	—	—	(144,981)	80,659	—	80,659
Unrealized gain on available for sale securities	—	—	9,630	—	—	9,630	—	9,630
Total income and expense for the year recognized directly in equity	—	—	9,630	—	—	9,630	—	9,630
Loss for the year	—	—	—	—	(15,578)	(15,578)	—	(15,578)
Total recognized income and expense for the year	—	—	9,630	—	(15,578)	(5,948)	—	(5,948)
Issue of shares	1,096	56,439	—	—	—	57,535	—	57,535
Costs share based payment transactions	—	2,349	—	—	—	2,349	—	2,349
Issue of warrants and non-employee stock options to acquire ordinary shares in exchange for services	—	2,992	—	—	—	2,992	—	2,992
Stock based incentive plan	—	22	—	—	—	22	—	22
At December 31, 2005	9,946	278,592	9,630	—	(160,559)	137,609	—	137,609
Foreign currency translation	—	—	—	(7,920)	—	(7,920)	(814)	(8,734)
Unrealized gain on available for sale securities	—	—	1,040	—	—	1,040	—	1,040
Total income and expense for the year recognized directly in equity	—	—	1,040	(7,920)	—	(6,880)	(814)	(7,694)
Loss for the year	—	—	—	—	(87,313)	(87,313)	(252)	(87,565)
Total recognized income and expense for the year	—	—	1,040	(7,920)	(87,313)	(94,193)	(1,066)	(95,259)
Issue of shares	5,458	433,104	—	—	—	438,562	12,093	450,655
Costs of share-based payment transactions	—	4,000	—	—	—	4,000	—	4,000
Acquisition of minority interest	149	10,878	—	—	—	11,027	(11,027)	—
Issue of warrants and non-employee stock options to acquire ordinary shares in exchange for services	—	295	—	—	—	295	—	295
At December 31, 2006	15,553	726,869	10,670	(7,920)	(247,872)	497,300	—	497,300
Foreign currency translation	—	—	—	(20,622)	—	(20,622)	—	(20,622)
Net unrealized gain on available for sale securities	—	—	(2,330)	—	—	(2,330)	—	(2,330)
Total income and expense for the year recognized directly in equity	—	—	(2,330)	(20,622)	—	(22,952)	—	(22,952)
Loss for the year	—	—	—	—	(45,947)	(45,947)	—	(45,947)
Total recognized income and expense for the year	—	—	(2,330)	(20,622)	(45,947)	(68,899)	—	(68,899)
Issue of shares	132	2,185	—	—	—	2,317	—	2,317
Costs of share-based payment transactions including non-employee stock options	—	6,524	—	—	—	6,524	—	6,524
At December 31, 2007	15,685	735,578	8,340	(28,542)	(293,819)	437,242	—	437,242

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

Consolidated Cash Flow Statements

Year ended December 31, (Amounts in thousands of Euro)	Notes	2007	2006	2005
Cash flows from (used in) operating activities				
Loss of the year		(45,947)	(87,565)	(15,578)
Adjustments for non-cash items				
Income tax	5.4	(3,040)	(10,551)	—
Results investments associates and joint ventures	5.9	996	1,956	455
Financial income	5.2	(13,190)	(13,453)	(2,332)
Financial expenses	5.3	11,812	11,706	131
Depreciation	5.6	14,453	14,275	2,973
Amortization	5.7	11,894	7,560	1,470
Impairment	5.6/5.7	171	30,416	—
Fair value adjustments on inventory	5.14	8,493	11,272	—
Change in long-term provisions	5.18	11,460	180	—
Gain on disposal of assets	5.9	(2,236)	(176)	—
Stock based compensation	5.17	6,817	5,687	6,919
Changes in net working capital				
Trade accounts receivable		8,583	(25,755)	196
Inventories		(6,128)	(15,674)	—
Other current assets		(615)	1,136	(11,557)
Trade accounts payable		16,274	18,509	6,662
Other current liabilities		8,247	(3,211)	(4,216)
Short-term provisions		(2,153)	1,821	—
Interest paid		(2,152)	(2,211)	(132)
Income taxes paid		(1,545)	124	—
Net cash flows from (used in) operating activities		22,194	(53,954)	(15,009)
Cash flows from (used in) investing activities				
Purchase of property, plant and equipment	5.6	(27,156)	(20,337)	(17,137)
Proceeds from sale of equipment	5.6	113	197	—
Acquisition of intangible assets	5.7	—	(12,371)	—
Proceeds from sale of intangible assets	5.7	—	225	—
Acquisition of Berna Biotech, Switzerland, net of cash acquired	5.8	—	67,784	—
Acquisition of SBL, Sweden, net of cash acquired	5.8	—	(33,386)	—
Investments/capital increase in joint ventures/ associates	5.9	(8,553)	(1,427)	—
Proceeds from disposal joint ventures/ associates	5.9	6,081	—	—
Assets classified as held for sale		—	11,772	—
Proceeds from financial assets		—	7,627	—
Interest received	5.2	5,274	3,075	1,864
Net cash flows from (used in) investing activities		(24,241)	23,159	(15,273)
Cash flows from financing activities				
Proceeds from issue of share capital	5.16	2,281	82,797	57,535
Proceeds from financial liabilities	5.19	10,309	14,703	8,982
Repayment of financial liabilities	5.19	(1,346)	(18,769)	(1,212)
Net cash flows from financing activities		11,244	78,731	65,305
Effects of exchange rate on cash and cash equivalents		(3,786)	(1,833)	—
Net increase (decrease) in cash and cash equivalents		5,411	46,103	35,023
Cash and cash equivalents at beginning of the year	5.12	157,837	111,734	76,711
Cash and cash equivalents at end of the year	5.12	163,248	157,837	111,734

Notes to the Consolidated Financial Statements

1 General information

1.1 Corporate information

General

Crucell N.V. ('Crucell' or the 'Company') is incorporated and domiciled in Leiden, the Netherlands. Its shares are publicly traded at NYSE Euronext Amsterdam (CRXL), and SWX Swiss Exchange Zurich (CRX).

Its American Depositary Shares (ADSs) are publicly traded at Nasdaq New York (CRXL). Crucell and its subsidiaries together constitute the Crucell Group, or the 'Group'. The Company has subsidiaries in the Netherlands, Switzerland, Spain, Italy, Sweden, Korea and the U.S. Crucell employed 1,126 people at December 31, 2007 (2006: 1,073).

Crucell is a fully integrated biopharmaceutical company, focused on developing, producing and marketing products to combat infectious diseases. Its core vaccine portfolio includes Inflexal V, a vaccine against influenza, Paediatric vaccines Hepavax-Gene and Quinvaxem and travel vaccines Vivotif, Dukoral, and Epaxal. In addition to these portfolio vaccines, the Company has a broad pipeline of new potential vaccines and proteins. The Company has developed various proprietary

technologies such as PER.C6, MAbstract, AdVac, STAR and virosome-adjuvanted technologies. Crucell licenses these proprietary technologies to others in the biopharmaceutical industry.

Changes in the scope of consolidation

The consolidated financial statements include the results of the acquired companies for the period from the date of acquisition unless mentioned otherwise. There have been no changes in the scope of consolidation in 2007. In 2006 the most significant changes in the scope of consolidation were due to:

- the acquisition of the shares of Berna Biotech AG (February 2006);
- the establishment of Crucell Vaccines Inc. followed by the acquisition of the assets and liabilities of Berna Products Corporation (October 2006) and
- the acquisition of the shares of SBL Vaccin Holding AB (November 2006).

Further details on these acquisitions are provided in note 5.8.1.

List of consolidated companies

The Company's most significant subsidiaries as of December 31, 2007 were:

Subsidiaries (fully consolidated)

Name	Legal Seat	Country	2007 Ownership	2006 Ownership	2005 Ownership
Crucell Holland B.V.	Leiden	the Netherlands	100%	100%	100%
U-BiSys B.V.	Utrecht	the Netherlands	100%	100%	100%
ChromaGenics B.V.	Amsterdam	the Netherlands	100%	100%	100%
Berna Biotech AG	Bern	Switzerland	100%	100%	0%
Berna Biotech España SA	Madrid	Spain	100%	100%	0%
Berna Biotech Italia Srl	Milano	Italy	100%	100%	0%
Etna Biotech Srl	Catania	Italy	100%	100%	0%
Berna Rhein B.V.	Leiden	the Netherlands	100%	100%	0%
Rhein Vaccines B.V. (*)	Maastricht	the Netherlands	—	100%	0%
Berna Biotech Korea corp.	Seoul	Korea	100%	100%	0%
Crucell Holding Inc.	Wilmington, DE	United States	100%	100%	0%
Crucell Vaccines Inc.	Wilmington, DE	United States	100%	100%	0%
Crucell Biologics Inc.	Wilmington, DE	United States	100%	100%	0%
SBL Vaccin Holding AB	Stockholm	Sweden	100%	100%	0%
SBL Vaccin AB	Stockholm	Sweden	100%	100%	0%
Vitec AB	Stockholm	Sweden	100%	100%	0%

* On November 30, 2007 Rhein Vaccines B.V. legally merged into Berna Rhein B.V. and ceased to exist per that date.

1.2 Basis of preparation

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) as endorsed by the EU and are prepared on a historical cost basis unless stated otherwise. There are no differences between IFRS applied by the Group and IFRS as issued by the International Accounting Standards Board.

As permitted by article 362 of Book 2 of the Netherlands Civil Code, the Company financial statements have been prepared applying the same IFRS accounting policies as used in the consolidated financial statements. In conformity with article 402, Book 2 of the Dutch Civil Code, the Company income statement is presented in abbreviated form.

The consolidated financial statements for the year ended December 31, 2007 were authorized for issue in accordance with a directors' resolution on April 29, 2008. Certain prior year figures were restated to confirm with the current year's classification.

Foreign currency translation

The functional and presentation currency of the Group is the Euro. All values are rounded to the nearest thousand (€ 000) unless indicated otherwise.

Each entity in the Group determines its own functional currency based on the primary economic environment in which it operates. Items included in the financial statements of each entity are measured using that functional currency. Transactions in foreign currencies are initially recorded at the functional currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the functional currency rate of exchange ruling at the balance sheet date. All differences are taken to the income statement. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

At the reporting date, the assets and liabilities of subsidiaries with different functional currencies are translated into Euro at the rate of exchange ruling at the balance sheet date and their income statements and cash flow statements are translated into Euro at the weighted average exchange rates for the year.

The exchange differences arising on the translation are taken directly to the translation reserve, a separate component of equity.

1.3 Use of estimates and judgments

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognized in the period in which the estimate is revised and in any future periods affected. In particular, information about significant areas of estimation uncertainty and use of critical judgments in applying accounting policies that have the most significant effect on the amount recognized in the financial statements are described in the following notes:

- note 2.1 Revenue recognition
- note 5.8 Accounting for business combinations
- note 5.4 Utilization of tax carry forward losses
- note 5.6/ 5.7/ 5.8 Impairment reviews of property, plant and equipment, intangible assets and goodwill
- note 5.10 Valuation of defined benefit plans
- note 5.14 Valuation of inventories
- note 5.17 Valuation of share-based-payments
- note 5.18 Recognition of provisions for litigations and claims

1.4 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries at December 31, 2007 and for the period then ended. The financial statements of the subsidiaries are prepared for the same reporting year as the Company, using consistent accounting policies. All intra-group balances and transactions are eliminated in full.

Subsidiaries

Subsidiaries are entities controlled by the Company. Control is achieved where the Company has the power to govern the financial and operational policies of an enterprise so as to obtain benefits from its activities. Subsidiaries are fully consolidated

from the date of acquisition, which is the date on which the Company obtains control and continue to be consolidated until the date such control ceases.

Minority interests represent the portion of profit or loss for the year and net assets at the end of the year not held by the Company and are presented separately in the consolidated income statement and within equity in the consolidated balance sheet, separately from the equity attributable to equity holders of the parent.

Joint ventures

A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control. A jointly controlled entity is a joint venture that involves the establishment of a separate entity in which each venturer has an interest. The Company recognizes its interest in joint ventures using the equity method, under which the investment in the joint venture is carried in the balance sheet at cost plus post-acquisition changes in the Company's share of net assets of the joint venture. The income statement reflects the share of the results of operations of the joint venture. Periodically the Company determines whether it is necessary to recognize an impairment loss with respect to the Company's net investment in the joint venture.

The reporting dates of the joint ventures are the same as those of the Company and the accounting policies of the joint ventures conform to those used by the Company.

Associates

The Company's investments in associates are accounted for under the equity method of accounting. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture. The reporting dates of the associates are the same as those of the Company. If an associate uses accounting policies other than those of the Company for like transactions and events in

similar circumstances, adjustments are made to conform the associate's accounting policies to the Company's accounting policies.

1.5 Changes in accounting policies

1.5.1 Newly adopted accounting policies in 2007

The Group has adopted the following new and amended IFRS and IFRIC interpretations during the year. Adoption of these revised standards and interpretations did not have any significant effect on the Group's consolidated financial statements or on the Company's financial statements. They did however give rise to additional disclosures.

The following standard and interpretations are effective as of 2007 and have been adopted:

- IFRS 7 'Financial instruments: Disclosures', and the complementary amendment to IAS 1, 'Presentation of financial statements – Capital disclosures', introduces new disclosures relating to financial instruments and does not have any impact on the classification and valuation of the Company's financial instruments, or the disclosures relating to taxation and trade and other payables.
- IFRIC 8, 'Scope of IFRS 2', requires consideration of transactions involving the issuance of equity instruments, where the identifiable consideration received is less than the fair value of the equity instruments issued in order to establish whether or not they fall within the scope of IFRS 2. This interpretation does not have any impact on the financial statements.
- IFRIC 10, 'Interim financial reporting and impairment', prohibits the impairment losses recognized in an interim period on goodwill and investments in equity instruments and in financial assets carried at cost to be reversed at a subsequent balance sheet date. This interpretation does not have any impact on the financial statements.

Joint Venture and Associated companies (not consolidated)

Name	Joint venture/ associate	Legal Seat	Country	2007 Ownership	2006 Ownership
Percivia LLC	Joint venture	Cambridge, MA	United States	50%	50%
Kenta Biotech AG	Associated company	Bern	Switzerland	22%	37%
ADImmune corp.	Associated company	Taipei	Republic of China	20%	0%
Pevion Biotech AG	Sold on November 5, 2007	Bern	Switzerland	0%	50%

- IFRIC 11, 'IFRS 2 – Group and treasury share transactions'. IFRIC 11 provides guidance on whether share-based transactions involving treasury shares or involving group entities (for example, options over a parent's shares) should be accounted for as equity settled or cash-settled share-based payment transactions in the stand-alone accounts of the parent and group companies. This interpretation does not have an impact on the financial statements.

The following standard was not yet effective as December 31, 2007, but has been early adopted:

- IFRS 8, 'Operating segments' (effective from 1 January 2009). IFRS 8 replaces IAS 14 and aligns segment reporting with the requirements of the U.S. standard SFAS 131, 'Disclosures about segments of an enterprise and related information'. The new standard requires a 'management approach', under which segment information is presented on the same basis as that used for internal reporting purposes. The Group applied IFRS 8 starting January 1, 2007. The impact of the early adoption is described in note 4 'Segment information'.

The following amendment and interpretation were not yet effective as per balance sheet date and were not early adopted by the Company:

- IAS 23 (Amendment), 'Borrowing costs' (effective from 1 January 2009). The amendment to the standard is still subject to endorsement by the European Union. It requires an entity to capitalize borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (one that takes a substantial period of time to get ready for use or sale) as part of the cost of that asset. The option of immediately expensing those borrowing costs will be removed. The Company will apply IAS 23 (Amended) from 1 January 2009, but adoption will have no impact on the Company's financial statements as borrowing costs directly attributable to qualifying assets are already capitalized in line with the allowed alternative treatment of IAS 23.
- IFRIC 14, 'IAS 19 – The limit on a defined benefit asset, minimum funding requirements and their interaction' (effective from 1 January 2008). IFRIC 14 provides guidance on assessing the limit in IAS 19 on the amount of the surplus that can

be recognized as an asset. It also explains how the pension asset or liability may be affected by a statutory or contractual minimum-funding requirement. The Company will apply IFRIC 14 from 1 January 2008 and currently assesses the impact of the interpretation. This interpretation is still subject to endorsement by the European Union.

The following interpretations to existing standards have been published and are mandatory for the Company's accounting periods beginning on or after 1 January 2008 or later periods but are not relevant for the Company's operations:

- IFRIC 12, 'Service concession arrangements' (effective from 1 January 2008). IFRIC 12 applies to contractual arrangements whereby a private sector operator participates in the development, financing, operation and maintenance of infrastructure for public sector services. IFRIC 12 is not relevant to the Company's operations because none of the Company's companies provides for public sector services. This interpretation is still subject to endorsement by the European Union.
- IFRIC 13, 'Customer loyalty programmes' (effective from 1 July 2008). IFRIC 13 clarifies that where goods or services are sold together with a customer loyalty incentive (for example, loyalty points or free products), the arrangement is a multiple-element arrangement and the consideration receivable from the customer is allocated between the components of the arrangement in using fair values. IFRIC 13 is not relevant to the Company's operations because none of the Company's companies operate any loyalty programmes. This interpretation is still subject to endorsement by the European Union.

2 Summary of significant accounting policies

2.1 Revenue recognition

General

In general, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the amount of revenue and the cost (to be) incurred in the transaction can be measured reliably. Revenue is measured at the fair value of the consideration received excluding discounts, rebates, value added taxes and duties.

Revenues are recognized on a gross basis when the Group acts as the principal in an arrangement, and recognized on a net basis when the Group acts as agent.

Goods or services traded for items of a similar nature are not regarded as transactions that generate revenue. Goods or services traded for dissimilar items are regarded as transactions that generate revenue.

Product sales

Revenue from product sales is recognized when:

- the significant risk and rewards of ownership of the products have passed to the buyer,
- the Group does not retain either managerial involvement to the degree usually associated with ownership or effective control over the goods sold,
- the amount of revenue and the cost (to be) incurred in the transaction can be measured reliably and
- it is probable that the economic benefits associated with the transaction will flow to the entity.

License revenues

The Group recognizes initial fees to the licensing of the technology as revenues over the period of the significant continuing performance obligations, if any, and upon transfer of the significant risks and rewards to the buyer.

Under certain arrangements, the Group has no continuing performance obligations after delivery of the associated technology under the license agreement or any other arrangement with the licensee. In such arrangements, initial license fees are recognized as revenue when significant risks and rewards pass to the buyer, which is the moment the transfer of developed technology is completed.

The Group's arrangements provide for continuing support of its technology at standard consulting rates. Revenues derived from consulting services that are not essential to licensee's ability to use the Group's technology, are recognized as earned during the period that the consulting services are performed.

In certain arrangements, the Group collaborates with third parties to develop novel products or processes using its proprietary technology. These arrangements generally include an initial license fee upon the delivery of the proprietary technology and additional fees for providing ongoing research and development activities. The research and development activities performed are substantive and critical to the licensees' exploitation of the delivered technology. When significant risks and rewards pass to the buyer, initial fees from these arrangements are recognized as revenues over the period of continuing performance obligations. Additional fees from research and development activities are recognized as revenues earned over the period of the development collaboration or the manufacturing obligation. All fees received under collaboration agreements are non-refundable.

Certain of the Group's license agreements provide for additional non-refundable fees to be paid to the Group upon the achievement of milestones by the licensee. These milestone payments may be included in license agreements regardless of whether the Group has continuing performance obligations under a particular agreement.

For license agreements where there are no continuing performance obligations, milestone revenue is recognized when those amounts become due and payable upon achievement of the milestone. The licensee has to confirm the achievement of a milestone in writing before the revenue is recognized.

The Group also has license agreements with continuing performance obligations. License revenues from the achievement of these research and development milestones, if deemed substantive (as described below), are recognized as revenue when the milestones are achieved, and the milestone payments are due and collectible under the terms of the agreement.

Milestones are considered 'substantive' if all of the following conditions are met:

- The milestone payments are non-refundable under the terms of the agreement;
- Achievement of the milestone involved a degree of risk and was not reasonably assured at the inception of the arrangement;
- Substantial effort involved in achieving the milestone;
- The amount of the milestone payment is reasonable in relation to the effort expended or the risk associated with achievement of the milestone; and
- A reasonable amount of time passed between the upfront license payment and the first milestone payment as well as between each subsequent milestone payment.

If any of these conditions are not met, the Group would recognize the proportionate amount of the milestone payment upon receipt as revenue that corresponds with the percentage of work already completed. The remaining portion of the milestone payment would be deferred and recognized as revenue as performance obligations are completed.

In addition to the initial fee, the Group's arrangements generally provide that the licensee makes semi-annual or annual payments (called 'license maintenance fees') to maintain the license for a subsequent term. Generally, licensees may terminate the license and related maintenance fees upon 30 days' to 90 days' notice. License maintenance fees are recognized as revenues when the amounts become fixed and payable. The aggregate of license maintenance fees paid are generally deductible from any earned royalty payments which may be due on future product sales of the licensee, if any, under the license agreement. Royalties are recognized as revenue when they become fixed and payable.

Service fees

As part of various collaboration agreements, the Group receives service fees for work performed under such agreements. Revenues and related costs associated with completing performance services are recognized when the service is completed and the collectibility of the receivable is deemed probable. Revenues associated with time and material performance contracts are recognized when the costs incurred and the costs to complete the transaction can be measured reliably.

2.2 Cost of product sales and cost of service fees

Cost of product sales and cost of service fees both comprise direct labour, materials, and overhead costs, incurred in performing work under various collaboration agreements that directly relate to revenues earned.

2.3 Other operating income

Government grants

The Group receives certain government grants that support research efforts in defined projects. These grants generally provide for reimbursement of approved costs incurred as defined in various grants. Income associated with these grants is recognized when costs under each grant are incurred in accordance with the terms and conditions of the grant and the collectibility of the receivable is deemed probable and all attaching conditions will be achieved. Where the grant relates to an expense item, it is recognized as income over the period necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

Other income

Other income results from non-core business transactions and mainly consists of the sale of tangible and intangible assets incidental to the business, reimbursement of development costs and sublet of premises.

2.4 Research and Development expenses

Expenditure on research activities is recognized as an expense in the period in which it is incurred. Internally generated intangible assets arising from the Group's development activities are recognized if all of the recognition criteria for internally generated intangible assets are met, meaning:

- an asset is created that can be identified;
- it is probable that the asset created will generate future economic benefits; and
- the development cost of the asset can be measured reliably.

Product registration fees will, in principle, meet these recognition requirements. Where no internally generated intangible asset can be recognized, development expenditure is recognized as an expense in the period in which it is incurred. Research and development expenses are comprised of the

following types of costs when incurred in performing research and development activities:

- Salaries and benefits paid to research and development employees,
- Allocated overhead and facility costs,
- Pre-clinical study costs,
- Clinical trial costs,
- Amortization of intangible assets,
- Contract services and
- Other outside costs.

2.5 Taxes

Current tax

Current tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the tax authorities. The tax rates and tax laws used to compute the amount are those that are enacted at the balance sheet date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Current tax assets and current tax liabilities are offset, if a legally enforceable right exists to offset the recognized amounts and the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

Deferred tax

Deferred income tax is calculated using the asset and liability method on temporary differences at the balance sheet date between the tax bases of assets and liabilities and their carrying amounts under IFRS. Deferred tax liabilities are recognized for all taxable temporary differences, except:

- where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred income tax assets are recognized for all deductible temporary differences and carry-forwards of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be

available against which the deductible temporary differences, and the carry-forwards of unused tax credits and unused tax losses can be utilized.

The unrecognized deferred income tax assets are reassessed at each balance sheet date and are recognized to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred income tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates (and tax laws) that have been enacted at the balance sheet date.

Income tax relating to items recognized directly in equity is recognized in equity and not in the income statement. Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

2.6 Net loss per share

Basic net loss per share is computed based on the weighted average number of ordinary shares outstanding during the period. Diluted net loss per share is computed based on the weighted average number of ordinary shares outstanding, including the dilutive effect of stock options, if any.

2.7 Cash and cash equivalents

The Company considers all highly liquid investments with maturities of three months or less, which are convertible to a known amount of cash and bear an insignificant risk of change in value, to be cash equivalent.

2.8 Financial assets

Trade accounts receivable

Trade receivables do not carry any interest and are recognized and carried at original nominal invoice amount less an allowance for any uncollectible amounts. Allowance is made when there is objective evidence that the Company will not be able to collect the debts. Bad debts are written off when identified.

Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale. After initial measurement, available-for-sale financial assets are measured

at fair value with unrealized gains or losses being recognized directly in equity in the net unrealized gains reserve. When the investment is disposed of, the cumulative gain or loss previously recorded in equity is recognized in the income statement.

Other financial assets

Other financial assets are valued at their nominal value less an allowance for any uncollectible amounts.

Derecognition of financial assets

A financial asset is derecognized when:

- The rights to receive cash flows from the asset have expired;
- The Group retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The Group has transferred its rights to receive cash flows from the asset and either has transferred substantially all the risks and rewards of the asset, or has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

2.9 Inventories

Inventories are stated at the lower of cost or net realizable value. The cost of inventories includes expenditures for materials acquired, directly attributable costs and related production overhead expenses. Net realizable value is determined using the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale. Allowances are made for obsolete inventory.

2.10 Other current assets

Other current assets are stated at amortized cost, which generally corresponds with face value, less an adjustment for bad debts.

2.11 Property, plant and equipment

Property, plant and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation and accumulated impairment in value. The cost of replacing a part of a plant or equipment is capitalized if the recognition criteria are met. Where an item of property, plant and equipment comprises major components having different useful lives, they are accounted for

as separate items of property, plant and equipment. Depreciation is charged to the income statement on a straight-line basis over the estimated useful life of the assets:

- Freehold land is not depreciated;
- Buildings: 20 to 50 years;
- Computer equipment: three years;
- Furniture and laboratory equipment: five years;
- Leasehold improvements: the shorter of the lease term and ten years.

An item of property, plant and equipment is derecognized upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset is included in the income statement. The asset's residual values, useful lives and methods are reviewed, and adjusted if appropriate, at each financial year-end.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets are added to the cost of these assets until they are substantially ready for their intended use. Qualifying assets are those assets that necessarily take a substantial period of time to be completed for their intended use. All other borrowing costs are recognized as an expense in the income statement when incurred.

2.12 Intangible assets

Intangible assets acquired are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less any accumulated amortization and accumulated impairment losses. Internally generated intangible assets are not capitalized if the recognition requirements are not met; in which case the expenses associated with generating the intangible asset are recognized in the income statement. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are amortized over the useful life. The amortization period and the amortization method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing the amortization period or method, and treated as changes in accounting estimates.

The amortization expense on intangible assets with finite lives is recognized in the income statement consistent with the function of the intangible asset.

The estimated useful life of the assets is as follows:

- Patents and licenses: one year to 20 years;
- Customer lists: three years;
- Developed technology: five years to 20 years;
- In-process R&D is not depreciated until completion of the asset.

2.13 Goodwill and business combinations

Business combinations are accounted for using the purchase method. This involves recognizing identifiable assets (including previously unrecognized intangible assets) and liabilities (including contingent liabilities, but excluding future restructuring) of the acquired business at fair value. Goodwill acquired in a business combination is initially measured at cost, which is the excess of the cost of the business combination over the Group's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less accumulated impairment losses.

Goodwill includes intangible assets that were identified in a business combination, but not valued separately because the assets were either not separable or could not be measured reliably. Assets identified and included as part of goodwill can be specific customer relationships or supply contracts not meeting the requirements for separate recognition and the workforce acquired.

Assigning fair values to the assets and liabilities acquired in a business combination inherently requires the use of estimates. Under IFRS 3 Business Combinations, these fair values can be adjusted up to one year after the acquisition date, which can affect the amount recognized as goodwill.

Goodwill acquired in a business combination is allocated from the acquisition date to each of the Group's cash-generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as

assets and liabilities of the foreign operation and, if necessary, translated into Euro at the rate of exchange ruling at the balance sheet date.

2.14 Impairment of non-financial assets

The Group assesses non-financial assets at each reporting date to determine whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. An asset's recoverable amount is the higher of the asset's fair value less costs to sell and its value in use. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit, to which the goodwill has been allocated. Where the recoverable amount of the cash-generating unit is less than the carrying amount of the cash-generating unit to which goodwill has been allocated, an impairment loss is recognized. Impairment losses relating to goodwill cannot be reversed in future periods.

2.15 Employee benefits

Pensions

The Group operates both defined benefit plans and defined contribution plans. For defined contribution plans, obligations for contributions are recognized as an expense when they are due. The Group has no obligation to pay further contributions into a defined contribution plan if the fund does not hold sufficient assets to pay all plan benefits.

Under defined benefit plans, the pension entitlements are calculated using the projected unit credit actuarial method. The pension liability recognized in the balance sheet is the present value of the defined benefit obligation at the balance sheet date, less the fair value of the plan assets after adding or subtracting unrecognized actuarial gains or losses and past-service costs.

The defined benefit obligation is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value and any unrecognized past-service costs and the fair value of any plan assets are deducted. For each plan the recognized assets are limited to the net total of any cumulative unrecognized net actuarial losses and past-service costs and the present value of any future refunds from the plan or reductions in future contributions to the plan (the 'asset ceiling'). Actuarial gains and losses in excess of a threshold of the higher of 10% of the pension liabilities and 10% of the fair value of the plan assets are charged or credited to the income statement over the employees' expected average remaining working lives.

Share-based payment transactions

Stock option plans

Certain employees receive a portion of their remuneration in the form of stock options, which are treated as share-based payment transactions, whereby employees render services as consideration for equity instruments ('equity-settled transactions').

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date on which the options are granted, determined using the Black-Scholes stock option pricing model, as described in note 5.17.

The cost of equity-settled transactions is recognized, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled, ending on the date on which the relevant employees become fully entitled to the award ('the vesting date'). The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The income statement charge or credit for a period represents the movement in cumulative expense recognized as at the beginning and end of that period with the offsetting entry recorded in share premium in equity.

Short-term incentive plans

The fair value of share grants under these plans is estimated on the date of grant by multiplying the number of shares available to be granted by

the fair value of the Company's shares on the grant date. Management assumes any performance goals required by the short-term incentive plan will be achieved and the award will vest in full.

Long-term incentive plans

The fair value of share grants under these plans is estimated on the date of grant using a lattice-based option valuation model. The model calculates the likelihood of achievement of the market-based measures at various levels and, once a value is determined for the shares, compensation cost is recognized over the measurement period of three years regardless of whether those market-based targets are achieved. Key assumptions for the lattice-based option valuation model include expected volatilities, expected term, dividend yield and risk-free interest rates. Expected volatilities are based on historical volatilities of the Company's stock measured over a period commensurate with the expected term of the grants. The expected term used is the three-year measurement period. Dividend yields used were based on historical information as to dividends declared by the Company. Risk-free interest rates used were equal to the implied yield available on zero-coupon Dutch government bonds with a remaining term equal to the expected term of the share-based instrument.

Options granted to non-employees

The cost of options granted to non-employees is recognized at the fair value of the goods or services received, together with a corresponding increase in equity, unless that fair value of the goods or services received cannot be estimated reliably, in which case, the fair value is measured by reference to the fair value of the equity instruments granted.

2.16 Interest-bearing loans and borrowings

Short-term financial liabilities consist of all liabilities with maturities up to one year. Long-term financial liabilities are liabilities with maturities over one year. All loans and borrowings are initially recognized at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortized cost using the effective interest method. Gains and losses are recognized in the income statement when the liabilities are derecognized as well as through the amortization process. A financial liability is derecognized when the obligation underlying the liability is discharged, cancelled or expired.

2.17 Derivative financial instruments and hedging

Derivative financial instruments are initially recognized at fair value on the date a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The Company does not apply formal hedge accounting and consequently any gains or losses arising from changes in fair value on derivatives are taken directly to net profit or loss for the year.

2.18 Provisions

Provisions are recognized when there is a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate of the obligation can be made. The expense relating to any provision is presented in the income statement net of any reimbursement. If the effect of the time value of money is significant, provisions are discounted. Where discounting is used, the increase in the provision due to the passage of time is recognized as a financial expense.

2.19 Leases

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership of the leased asset are classified as finance leases. Finance leases are capitalized at the inception of the lease at the fair value of the leased property or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly against income. Capitalized leased assets are depreciated over the shorter of the estimated useful life of the asset or, over the lease term, if there is no reasonable certainty that the Group will own the leased property by the end of the lease term.

Leases where the Group does not assume substantially all the risks and rewards of ownership are classified as operating leases, and are recognized as an expense in the income statement on a straight-line basis over the lease term.

The determination of whether an arrangement is, or contains, a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

3 Financial risk management

3.1 Risk management policies

Capital risk management

The Group manages its capital to ensure that it will be able to continue as a going concern. The Group does not have a target debt-to-equity ratio, but is committed to funding of the majority of the operations with equity. The Group may choose to renew any loan that becomes payable.

As part of its overall working capital management efforts, the Group agreed with Novartis to extend payment terms on the supply of Quinvaxem antigens. These transactions were secured by a bank guarantee issued by a third party bank.

The capital structure of the Company consists of financial liabilities, cash and cash equivalents and equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings.

Compared to last year there have been no significant changes in our risk management policies.

Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognized, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2.

Financial risk management objectives

The objective of the Group's Corporate Treasury function is to provide financing services to the business, reduce the currency exposures in the Income Statement, optimize return on investments in cash deposits and monitor the financial risks relating to the Group's operations. Risks include market risk (including currency risk, interest rate risk and security price risk), credit risk and liquidity risk. The Group does not apply formal hedge accounting.

3.2 Foreign currency risk

Cruell is exposed to transaction currency risk as well as translation currency risk.

The Company has significant transactional currency exposures because the majority of the Group's sales are denominated in currencies other than the

Group's functional currency the Euro. Specifically, movements in the U.S. Dollar/Euro exchange rate affect the results of operations because a significant portion of sales are denominated in U.S. Dollars.

As a result of significant operations in Switzerland and Korea, movements in the Swiss Franc and the Korean Won compared to the Euro can also significantly affect results of operations because the balance sheet and the income statement of the Swiss and Korean subsidiaries are translated into Euro, the Group's functional currency.

The Group only engages on a limited basis in derivative transactions to hedge its currency exposure. The Group did not apply formal hedge accounting in 2007 but tries to realize economic hedging in its currency exposures.

Foreign currency risk sensitivity analysis

The Group is mainly exposed to U.S. Dollar, Swiss Franc, Korean Won, Swedish Crown and Australian dollar. The following table details the Group's sensitivity to a 10% strengthening of these currencies. The sensitivity analysis includes outstanding foreign currency denominated monetary items and adjusts their translation as at December 31, 2007 for a 10% change in foreign currency rates. A positive amount indicates an increase in income before income tax and equity.

In thousands of Euro

	2007		2006	
	Impact on Loss before tax	Impact on equity	Loss before tax	Equity
U.S. Dollar	1,876	517	321	538
Swiss Franc	(4,950)	19,706	(1,180)	20,595
Korean Won	860	8,055	1,113	8,320
Swedish Crown	(486)	3,825	(33)	4,029
Australian Dollar	882	—	—	—

For a 10% weakening of the foreign currencies against the Euro, there would be approximately an equal and opposite effect on the income before income tax and equity.

The revaluation effects of investments in foreign entities are recognized in equity. As we have significant operations denominated in other currencies than the Euro, the movements of currency exchange rates show a significant effect on equity. It is the Group's policy to limit the currency effects through the income statement. The effect on income before income tax as

presented in 2007 and 2006 is mainly attributable to timing differences between the arising of exposures and the settlement thereof.

3.3 Interest rate risk

The Company is exposed to interest rate risks as a result of changes in the market interest rates compared to loans with fixed rates. The Group has several loans with fixed interest rates, which total € 45,795 (2006: € 46,413). Details on the interest rates and maturity of these loans are provided in note 5.19. Except for cash and cash equivalents, the Group does not have any interest bearing financial instruments that have a floating rate.

The Group had cash balances of € 177,644 of which € 14,396 is restricted. (2006: € 172,233 of which € 14,396 is restricted.) There are no other receivables that generate interest.

Interest rate risk sensitivity analysis

The sensitivity analysis has been determined based on the exposure to interest rates at the balance sheet date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. The effect of a 1% increase in interest rates on the Group's loss before tax would be a positive result of € 1,100 (2006: € 1,152). For a 1% decrease in interest rates there would approximately be an equal and opposite effect on the loss before tax. A change in the interest rate does not have an impact on the equity of the Company.

The positive effect of a 1% increase of interest on loss before tax is mainly attributable to the Company's interest income generating assets, which are higher than its interest bearing liabilities.

3.4 Credit risk

Credit risk represents the risk of financial loss caused by default of the counter party. The Group's principal financial assets are cash and cash equivalents, short-term deposits and trade and other receivables and they represent the Group's maximum exposure to credit risk in relation to financial assets.

The Group's credit risk is primarily attributable to its trade accounts receivable and other receivables. The Group normally trades only with recognized, creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. Where considered appropriate, the Group requires issuance of letters of credit to mitigate credit risk.

Receivable balances are monitored on an ongoing basis and the Group tracks the payment history of its customers to identify any payment issues that have to be resolved before entering into any new transactions. Allowances are recognized for receivable balances deemed uncollectible upon identification. In determining the recoverability of a trade accounts receivable, the Group considers changes in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. The customer base consists mainly of well-respected companies in the field of medicine and non-governmental organizations. While the Group does have concentrations of trade accounts receivable outstanding to supranational organizations, Management has determined the risk of default by these organizations is limited and therefore considers the credit risk to be within acceptable boundaries. Management believes that there is no further credit provision required in excess of the allowance for doubtful debts.

The credit risk on cash and cash equivalents, and short-term deposits is limited because the counter parties are financial institutions with high credit ratings assigned by international credit-rating agencies. Furthermore the Group currently invests in liquid securities and money market transactions. Management does not expect any counter party to fail to meet its obligations.

The carrying value of these financial assets represents the Group's maximum exposure to credit risk. The maximum exposure at reporting date amounts to € 248,850 (2006: € 256,921).

3.5 Security price risk

The Group's security price risk is limited to its investment in Galapagos valued at € 10,009 (2006: € 12,339), which is classified as an available-for-sale investment. The fair value is based on the market quotation of Galapagos. The Group does not actively trade in available-for-sale investments.

Security price risk sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to the security price risks at the reporting date. If the Galapagos share price had been 10% higher/lower:

- Loss for the year ended 31 December 2007 would have been unaffected as the investments are classified as available-for-sale and no investments were disposed of or impaired; and
- Net unrealized gains reserve would increase/decrease by € 1,001 (2006: increase/decrease by € 1,234) for the Company as a result of the changes in the fair value of the available-for-sale investment.

The Group's sensitivity to security prices did not change significantly from the prior year.

Liquidity risk

Liquidity risk represents the risk that an entity will encounter difficulty in meeting obligations associated with its financial liabilities. Prudent liquidity risk management implies ensuring sufficient availability of cash resources for funding of the operations. The Group aims to maintain a solid cash base.

The current liquidity risk is considered to be limited because the Group has sufficient funding to meet its obligations in the foreseeable future. Reference is made to note 5.19 'Short and long-term financial liabilities' for an analysis of the most significant financial liabilities. The Group has a total cash balance of € 163,248 as per December 31, 2007 (2006: € 157,837).

3.6 Financial instruments by category

Financial assets

In thousands of Euro

December 31	2007	2006
Financial assets carried at fair value through profit or loss		
Derivative financial instruments	29	68
Available-for-sale investments carried at fair value		
Investment Galapagos	10,009	12,339
Loans and receivables		
Other financial assets	16,153	16,430
Cash and cash equivalents	163,248	157,837
Trade accounts receivable	47,563	58,563
Other current assets	11,848	11,684
	238,812	244,514
	248,850	256,921

The carrying value of the financial assets approximates the fair value.

Financial liabilities

In thousands of Euro

December 31	2007	2006
Financial assets carried at fair value through profit or loss		
Derivative financial instruments	16	11
Financial liabilities at amortized cost		
Financial liabilities	52,795	46,413
Other non-current liabilities	529	—
Accounts payable	50,970	38,512
Other current liabilities	29,960	25,858
	134,254	110,783
	134,270	110,794

The fair values of the financial liabilities of the Company approximate the carrying amount of the Company's financial instruments, except for the following:

- A loan entered into by Berna Biotech Korea Corp. for € 4,563. The fair value of this loan is estimated to be € 4,353 at December 31, 2007. The fair value of the loan is lower than the carrying value due to an increase in the interest rate since inception of the loan.
- A mortgage loan related to the new production facility in Leiden, the Netherlands with a carrying value of € 16,811. The fair value of the mortgage loan is estimated to be € 16,710. The fair value of the loan is lower than the carrying value due to an increase in the interest rate since inception of the mortgage loan.

The fair values of the loans have been calculated by discounting the face values with the interest rate of financial instruments with a similar risk profile and term. The fair values of the forward exchange contracts were calculated making use of the spot rate of the underlying exchange rates as per December 31, 2007.

3.7 Derivative financial instruments

The Company only engaged in forward foreign exchange contracts. The Company did not have any additional derivative financial instruments that required recognition on the balance sheet. The terms of the forward foreign exchange contracts are as follows:

In thousands of Euro

	Expiry date	Exchange rate	Assets	Liabilities
Forward foreign exchange contracts – purchase				
AUD 1,300	February 26, 2008	CHF/ AUD 1.00		12
AUD 4,500	June 16, 2008	CHF/ AUD 0.99		4
AUD 4,500	July 15, 2008	CHF/ AUD 0.99	4	
AUD 4,500	August 15, 2008	CHF/ AUD 0.98	14	
Forward foreign exchange contracts – sale				
USD 5,500	January 31, 2008	CHF/USD 1.13	11	

The Company chose not to apply formal hedge accounting. The total positive fair value of the financial instruments amounts to € 13 (2006: € 57). The derivative financial instruments assets of € 29 (2006: € 68) are included in the other current assets. The derivative financial instruments liabilities of € 16 (2006: € 11) are included in the other current liabilities. The notional principal amounts of the outstanding forward foreign exchange contracts amount to the purchase of AUD 14,800 and the sale of \$ 5,500.

4 Segment information

4.1 General

From January 1, 2007 Crucell early adopted IFRS 8 'Operating Segments', which replaces IAS 14, 'Segment reporting'. The new standard requires segment reporting to be based on the internal management reporting provided to the Management Board. The Company's segmentation is based on our internal management reporting, which was changed in 2007 to distinguish the following two segments:

- Vaccines: developing, producing and marketing vaccines worldwide to combat infectious diseases;
- Proteins: leverage Crucell's novel, proprietary technologies to develop monoclonal antibodies to combat infectious diseases.

In thousands of Euro

	Vaccines	Proteins	Total
Product sales	173,544	4,025	177,569
License revenues	8,680	3,531	12,211
Service fees	12,916	1,090	14,006
Total revenue	195,140	8,646	203,786
Cost of product sales	(121,779)	(2,778)	(124,557)
Cost of service fees	(7,488)	(2,839)	(10,327)
Total cost of goods sold	(129,267)	(5,617)	(134,884)
Gross margin	65,873	3,029	68,902
Government grants	5,934	1,152	7,086
Other income	2,243	1	2,244
Total other operating income	8,177	1,153	9,330
Research and development	(48,019)	(15,976)	(63,995)
Selling, general and administrative	(54,574)	(11,047)	(65,621)
Impairment	(171)	—	(171)
Total other operating expenses	(102,764)	(27,023)	(129,787)
Operating loss	(28,714)	(22,841)	(51,555)
Total assets	549,784	75,136	624,920

Revenue reported is revenue generated from external customers. There were no inter-segment sales in 2007 (2006: Nil).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in note 2. Segment operating loss represents the loss earned by the segments without allocation of financial income and expenses, results of investments associates and joint ventures, gain on the sale of investments and income tax. This is the measure reported to the Management Board for the assessment of the segment's performance.

This segmentation was not applicable throughout 2006 and comparative data cannot be produced without significant arbitrary allocations.

4.2 Information about major products

The breakdown of the Company's revenues from its product sales was as follows:

In thousands of Euro

Year ended December 31,	2007	2006	2005
Paediatric vaccines	77,371	35,933	—
Respiratory vaccines	33,188	40,386	—
Travel vaccines	47,282	23,072	—
Other vaccines	15,703	3,933	—
Vaccines	173,544	103,324	—
Proteins	4,025	594	—
	177,569	103,918	—

4.3 Information about major customers

In 2007, sales to our two largest customers, which are in the paediatric vaccines area, amounted to € 45.5 million or 25.6% and € 23.4 million or 13.2% of net product sales. In 2006, sales to these customers accounted for € 14.3 million or 13.7% and € 10.4 million or 10.0% of net product sales, respectively.

4.4 Geographical segments

The Company operates principally in three geographical areas: Europe, North America and Asia. Segment revenue is based on the geographical location of the customers, which is the billing location of the customers. Segmentation of the assets is based on the geographical location of the assets.

In thousands of Euro

Year ended December 31,	2007	2006	2005
Revenue			
Europe	144,969	94,663	9,382
North America	33,346	13,868	22,871
Asia	18,589	16,506	476
Other	6,882	6,530	—
Total	203,786	131,567	32,729

Assets (excluding investment in associates and joint ventures)

Europe	467,323	502,054	169,737
North America	6,872	7,235	—
Asia	141,655	137,928	—
Total	615,850	647,217	169,737

Investment in associates and joint ventures

Europe	—	5,741	—
North America	549	257	—
Asia	8,521	—	—
Total	9,070	5,998	—

Total assets

Europe	467,323	507,795	169,737
North America	7,421	7,492	—
Asia	150,176	137,928	—
Total	624,920	653,215	169,737

In thousands of Euro

Year ended December 31,	2007	2006	2005
Capital expenditure property, plant and equipment			
Europe	26,472	120,652	17,137
North America	—	101	—
Asia	684	28,237	—
Total	27,156	148,990	17,137

Capital expenditure intangible assets (including goodwill)

Europe	—	110,761	—
North America	—	4,165	—
Asia	—	63,097	—
Total	—	178,023	—

5 Notes to the specific items of the consolidated financial statements**5.1 Personnel expenses**

In thousands of Euro

Year ended December 31,	2007	2006	2005
Wages and salaries	58,493	48,841	18,666
Social security costs	6,734	4,469	1,124
Pension defined benefit plans	3,162	2,179	—
Pension defined contribution plans	1,708	1,770	867
Expenses for employee shares and option plans	7,349	4,296	3,927
Other personnel expenses	9,653	6,464	3,180
Total	87,099	68,019	27,764

As of December 31, 2007, we had 1,126 employees. The average number of employees in 2007 was 1,115. They were employed in the following categories:

	2007	2006	2005
Research and Development	368	381	240
General and administrative Operations	134	125	42*
Marketing and sales	466	452	—
Marketing and sales	158	115	—
Total	1,126	1,073	282

* The 2005 figures for general and administrative also include business development positions.

The Company's personnel is located primarily in the Netherlands, Switzerland, Spain, Italy, South Korea, Sweden, the U.S. and China.

The split per geographical area is as follows:

	2007	2006	2005
Europe	916	902	282
North America	19	17	—
Asia	191	154	—
Total	1,126	1,073	282

5.2 Financial income

In thousands of Euro

Year ended December 31,	2007	2006	2005
Currency gains	7,479	9,461	295
Interest income, third parties	5,711	3,718	1,965
Other financial income	—	274	72
	13,190	13,453	2,332

5.3 Financial expenses

In thousands of Euro

Year ended December 31,	2007	2006	2005
Interest expense	(3,053)	(2,481)	—
Less: amounts included in the cost of qualifying assets	772	744	—
	(2,281)	(1,737)	—
Currency losses	(8,785)	(9,625)	(61)
Other financial expenses	(746)	(344)	(70)
	(11,812)	(11,706)	(131)

5.4 Income tax

In thousands of Euro

Year ended December 31,	2007	2006	2005
Current income tax	(811)	(258)	—
Adjustments current income tax of previous years	(5)	(213)	—
Deferred taxation	3,856	11,022	—
Income tax	3,040	10,551	—

The reconciliation between the loss for the year multiplied by the applicable tax rate and the actual taxation is as follows:

In thousands of Euro

Year ended December 31,	2007	2006	2005
Loss for the year before income tax	(48,987)	(98,116)	(15,578)
At gross weighted average income tax rate	13,029	21,437	4,908
Adjustments in respect of current income tax of previous years	(5)	(213)	—
Stock option compensation expense	(1,278)	(220)	(1,409)
Permanent differences	(2,141)	1,096	—
Effect of tax rate changes	(197)	3,894	—
Usage of carry forward losses previously not recognized	4,072	—	—
Other effects	(449)	395	1,110
Effect of current tax losses not recognized as deferred tax assets	(9,991)	(15,838)	(4,609)
Effective income tax rate 6.6%, (2006: 10.8% 2005: nil)	3,040	10,551	—

A deferred tax asset of € 580 was recognized against goodwill as an adjustment to the provisional purchase price allocation on the acquisition of SBL. A deferred tax liability of € 1,277 was recognized against goodwill as an adjustment to the provisional purchase price allocation on the acquisition of Berna Products Corp. In 2007 and 2006, the changes in deferred income tax assets and liabilities on a net basis were as follows:

In thousands of Euro

	2007	2006
January 1,	(33,278)	—
Acquisition of subsidiaries	—	(44,300)
Deferred tax through income statement	3,856	11,022
Deferred tax through goodwill	(697)	—
Effect of movements in exchange rates	1,909	—
December 31,	(28,210)	(33,278)

The composition of the temporary differences and tax loss carry forwards in the balance sheet is as follows:

In thousands of Euro

Year ended December 31,	2007	2006
Deferred income tax liability		
Valuation differences attributable to:		
Inventories	(1,641)	(4,269)
Other assets	(1,054)	(1,417)
Property, plant and equipment	(9,782)	(9,560)
Intangible assets	(21,269)	(21,656)
Liabilities	(105)	(231)
	(33,851)	(37,133)
Deferred income tax assets		
Losses available for offset against future taxable income	678	749
Valuation differences attributable to:		
Inventories	2,119	950
Other assets	595	543
Property, plant and equipment	1,910	1,299
Intangible assets	—	—
Liabilities	339	314
	5,641	3,855
Offset of deferred tax balances	5,641	3,547
Reflected in the balance sheet as follows:		
Deferred tax assets	—	308
Deferred tax liability	(28,210)	(33,586)
Deferred tax liabilities, net	(28,210)	(33,278)

The Group has tax carry forward losses of € 254,511 (2006: € 222,238, 2005: € 103,714) that are available, with certain restrictions in time, for offset against future taxable profits of the companies in which the losses arose. In the Netherlands, anti-abuse laws are applicable that may limit the ability to offset tax losses against future profits when the beneficial ownership of a company changes. This law could limit our ability to realize the benefits of our tax loss by an amount of € 26,170.

The unrecognized carry forward losses expire as follows:

2009	€ 3,062
2010	€ 4,086
2011	€ 81,744
After 2011	€ 163,198
Unlimited	€ 2,421
Total	€ 254,511

The Company has evaluated evidence impacting the recoverability of its deferred tax assets, which consist principally of tax loss carry forwards. We recognized a deferred tax asset of € 678 for the carry forward losses of SBL.

Tax rate changes

The Netherlands' maximum domestic statutory corporate income tax rate is 25.5% for 2007 (a 20% tax rate applies to the first € 25 of profit, and a 23% tax rate applies to profits from € 25 up to € 60), which is reduced from 29.6% for 2006 and 31.5% for 2005. As of January 1, 2008, the Netherlands' maximum statutory corporate income tax rate will remain 25.5%, although a 20% tax rate will apply to the first € 40 of profit, and a 23% tax rate will apply to profits from € 40 up to € 200.

In Korea, the tax holiday granted by the government is decreasing over time. From financial year 2007 to financial year 2009 the applicable tax rate will be 16.5%. As of 2010 the tax rate will be the regular statutory income tax rate of 27.5%.

The Spanish domestic statutory corporate income tax rate amounts to 32.5% in 2007 and will be decreased to 30% in 2008.

The Italian domestic statutory corporate income tax rate amounts to 33% in 2007 and will be decreased to 27.5% in 2008.

5.5 Net loss per share

In thousands of Euro

Year ended December 31,	2007	2006	2005
Net loss attributable to ordinary shareholders	(45,947)	(87,565)	(15,578)
Weighted average number of ordinary shares			
Weighted average number of ordinary shares for the year	65,102,801	57,064,034	39,852,064
Net loss per share – basic	(0.71)	(1.53)	(0.39)
Net loss per share – diluted	(0.71)	(1.53)	(0.39)

Because the effect of issuing potential ordinary shares under stock options plans, stock plans and warrants is anti-dilutive, these shares do not have an impact on the calculation of diluted net loss per share.

5.6 Property, plant and equipment

Amounts in thousands of Euro

Cost	Freehold Land and buildings	Plant and equipment	Assets under construction	Total
At January 1, 2006	5,704	16,118	14,478	36,300
Additions	1,902	6,318	12,117	20,337
Acquisition of subsidiaries	63,753	55,639	9,261	128,653
Disposals	(149)	(2,188)	—	(2,337)
Reclassifications	417	939	(1,356)	—
Effect of movements in exchange rates	(1,880)	(1,736)	(202)	(3,818)
At December 31, 2006	69,747	75,090	34,298	179,135
Additions	245	5,913	20,998	27,156
Disposals	(147)	(995)	—	(1,142)
Effect of movements in exchange rates	(4,238)	(5,299)	(412)	(9,949)
At December 31, 2007	65,607	74,709	54,884	195,200
Depreciation and impairment				
At January 1, 2006	(1,773)	(9,898)	—	(11,671)
Depreciation charge for the year	(3,836)	(10,439)	—	(14,275)
Impairment	(7,746)	(11,822)	—	(19,568)
Disposals	33	2,060	—	2,093
Effect of movements in exchange rates	956	1,348	—	2,304
At December 31, 2006	(12,366)	(28,751)	—	(41,117)
Depreciation charge for the year	(4,490)	(9,963)	—	(14,453)
Impairment	(171)	—	—	(171)
Disposals	144	935	—	1,079
Effect of movements in exchange rates	2,105	2,882	—	4,987
At December 31, 2007	(14,778)	(34,897)	—	(49,675)
Net book value				
At December 31, 2007	50,829	39,812	54,884	145,525
At December 31, 2006	57,381	46,339	34,298	138,018

Depreciation is included in the cost of goods sold for € 11,176 (2006: € 8,995), research and development costs for € 2,353 (2006: € 4,448) and selling, general and administrative costs for € 924 (2006: € 832).

Impairment

In the year ended December 31, 2006, an impairment loss of € 19,568 was recognized for two buildings, including installed equipment that were acquired in the business combination with Berna Biotech. Both buildings are located in Switzerland. Berna performed contract manufacturing and conducted a candidate vaccine development program in those buildings. The development of the candidate vaccine and the contract manufacturing were phased out during 2006. The buildings are specially configured for biotechnology purposes and it is impracticable to separate the equipment from the buildings. Since there

was no direct use for these buildings for any of the Company's other activities, no market for the sale of the buildings to third parties and no expectation that these buildings could be utilized in the foreseeable future, an impairment was recorded for the total carrying amount of € 19,568 as at December 31, 2006.

On March 3, 2008 the Group entered into an exclusive agreement with Wyeth Pharmaceuticals, pursuant to which the Group will manufacture certain vaccine components for use by Wyeth in clinical studies. The contract manufacturing will take place in one of the two buildings that was impaired in 2006. This is an indication that the impairment loss recognized in 2006 no longer exists or may have decreased. The Group will estimate the recoverable amount, if any, of that asset as of the first subsequent reporting date after entry into the contract and will reverse the previous impairment loss, to the extent of any such recoverable amount. This is because the agreement with Wyeth is a subsequent event that arose after the December 31, 2007 balance sheet date.

Lease and borrowing costs

At December 31, 2007 and 2006, the Company held laboratory equipment under finance leases with a cost of € 11,137 and € 10,912, respectively and a net book value of € 11,137 and € 7,291. The laboratory equipment is used in the new production facility in Leiden, the Netherlands, and is not yet depreciated as the asset is still under construction. These leases are secured by the value of the underlying assets and a compensating cash balance.

At December 31, 2007 an amount of € 1,516 of borrowing costs related to the construction of a new production facility in Leiden, the Netherlands, has been capitalized (2006: € 744). The borrowing costs are capitalized at a capitalization rate of 4.55%.

Commitments

The remaining contractual commitments amount to € 4,696 (2006: € 11,693, 2005: € 10,500) for purchases of property, plant and equipment, mainly related to the new GMP production facility in Leiden, the Netherlands.

5.7 Intangible assets

In thousands of Euro

Cost	Customer lists	Patents and licenses	Developed technologies	In-process R&D	Total
At January 1, 2006	—	—	10,669	—	10,669
Additions	8,316	—	—	—	8,316
Disposals	—	(19)	—	—	(19)
Acquisition of subsidiaries	—	26,771	34,729	60,788	122,288
Transfer in process R&D	—	—	42,838	(42,838)	—
Effect of movements in exchange rates	(104)	(613)	(1,022)	(257)	(1,996)
At December 31, 2006	8,212	26,139	87,214	17,693	139,258
Effect of movements in exchange rates	(302)	(865)	(6,378)	(1,500)	(9,045)
At December 31, 2007	7,910	25,274	80,836	16,193	130,213
Amortization and impairment					
At January 1, 2006	—	—	(8,092)	—	(8,092)
Amortization	(693)	(3,704)	(3,163)	—	(7,560)
Impairment	—	—	—	(10,848)	(10,848)
Disposals	—	19	—	—	19
Effect of movements in exchange rates	6	139	38	117	300
At December 31, 2006	(687)	(3,546)	(11,217)	(10,731)	(26,181)
Amortization	(2,657)	(4,030)	(5,207)	—	(11,894)
Effect of movements in exchange rates	48	232	332	1,295	1,907
At December 31, 2007	(3,296)	(7,344)	(16,092)	(9,436)	(36,168)
Net book value					
At December 31, 2007	4,614	17,930	64,744	6,757	94,045
At December 31, 2006	7,525	22,593	75,997	6,962	113,077

Amortization of intangible assets is included in the cost of goods sold for € 131 (2006: € nil, 2005: nil), research and development costs for € 8,939 (2006: € 6,858, 2005: € 1,470) and selling, general and administrative costs for € 2,824 (2006: € 702, 2005: nil).

Impairment

The impairment loss of € 10,848 in 2006 relates to the in process research and development of the Tetra vaccine which was acquired in February 2006 when Crucell acquired Berna Biotech. Management decided to stop the development of Tetra after Quinvaxem received approval by the WHO. Consequently the carrying value of Tetra was impaired for the total amount of € 10,848.

The following individual intangible assets are considered material to Crucell's financial statements:

In thousands of Euro

	Remaining amortization period at December 31, 2007 (in years)	Carrying value December 31, 2007	Carrying value December 31, 2006
Developed technology Quinvaxem	18.7	34,778	41,671
Developed technology Epaxal	18.2	10,410	11,318
Manufacturing contract	3.2	10,391	14,090
Developed technology Inflexal	10.2	7,052	7,982
In-process R&D Flavimun		6,756	6,962
Developed Technology Vivotif	18.2	5,315	5,778
Brand name Berna Biotech	18.2	3,945	4,289

5.8 Business combinations and goodwill

5.8.1 Business combinations

Acquisition of Berna Biotech AG

On February 22, 2006, Crucell acquired approximately 97% of the outstanding common shares of Berna Biotech AG ("Berna Biotech"). The Company issued 16,691,492 ordinary shares with a fair value of € 20.90 each, which was the published price of the shares of Crucell at the date of exchange to acquire Berna. On March 31, 2006 the Company purchased an additional 1.4% of the issued shares of Berna Biotech, for which the Company issued 239,270 ordinary shares with a fair value of € 23.25. The consolidated financial statements include the results of Berna Biotech since March 1, 2006. There were no significant transactions between February 22, 2006 and March 1, 2006. In September 2006 the Company was able to squeeze out the remaining 1.6% minority interest of Berna Biotech. With the squeeze-out, the delisting of Berna Biotech shares was approved and effected by the SWX Swiss Exchange on September 18, 2006.

Acquisition of the assets and liabilities of Berna Products Corp.

In October 2006, the Company purchased, via its subsidiary Crucell Vaccines Inc. the assets and liabilities of the Florida-based Berna Products Corp. ("BPC") from Acambis plc for € 13,806, excluding acquisition costs. BPC was originally established

in 1990 by Berna Biotech to market Vivotif, Berna's oral typhoid fever vaccine, in the U.S. and Canada and was acquired by Acambis plc in 2003.

The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired was recorded as goodwill. Assigning fair values to the net assets acquired requires the use of estimates. In accordance with IFRS 3, upon completing the valuation of the net assets acquired, the Company adjusted the provisional values for certain deferred tax liabilities that related to the customer lists acquired resulting in a € 1,277 increase of goodwill compared to the amount previously reported at 31 December 2006.

Acquisition of SBL Vaccin Holding AB

On November 23, 2006 the Group acquired the shares of Stockholm-based SBL Vaccin Holding AB (SBL) from 3i and SEB for a total consideration of € 39,341 in cash, excluding acquisition costs. SBL is a fully integrated independent Swedish biotechnology company employing 120 people. SBL's main product is Dukoral, an oral vaccine that protects against cholera and is registered in more than 50 countries excluding the U.S. In addition SBL has a sales and distribution organization for vaccines in Scandinavia. SBL markets a broad range of vaccines sourced from global vaccine companies.

The excess of the cost of acquisition over the fair value of the Group's share of identifiable net assets acquired was recorded as goodwill. Assigning fair values to the net assets acquired requires the use of estimates. In accordance with IFRS 3, upon completing the valuation of the net assets acquired, the Company adjusted the provisional values for certain deferred tax assets that related to property, plant and equipment resulting in a € 580 decrease of goodwill compared to the amount previously reported at 31 December 2006.

5.8.2 Goodwill

In thousands of Euro

	Goodwill
Cost	
At January 1, 2006	—
Acquisition of subsidiaries	47,419
December 31, 2006	47,419
Additions	
Adjustments to provisional values	697
Effect of movements in exchange rates	(3,739)
At December 31, 2007	44,377
Net book value	
At December 31, 2007	44,377
At December 31, 2006	47,419

No impairment losses were recognized on the acquired goodwill. Goodwill acquired through business combinations has been allocated as follows:

In thousands of Euro

December 31,	2007	2006
Berna Biotech AG		29,970
Berna Biotech Korea Corp.		6,702
Crucell Vaccines Inc.		4,165
SBL Vaccin AB		6,582
Vaccines segment	44,377	
Proteins segment	—	
Total goodwill	44,377	47,419

Allocation of goodwill to the vaccines and proteins segments

In 2007 Crucell established two segments, a vaccines segment and a proteins segment, and therefore changed its reporting structure. This change also affected the composition of units to which goodwill had previously been allocated. Management exercised significant judgment in determining the segments and the subsequent reallocation of the goodwill. Normally a reallocation is performed

using a relative value approach, unless some other method better reflects the goodwill associated with the reporting units. Management demonstrated that an alternative allocation better reflected the goodwill and accordingly, the Group allocated all goodwill to the vaccines segment and no goodwill to the proteins segment based on the following considerations.

- The vast majority of the acquired entities is part of the vaccines segment;
- During the purchase price allocation process in 2006, goodwill recognized was mostly attributed to the acquired workforce, the vast majority of which still operates in the vaccines segment.

Vaccines segment

The recoverable amount of the vaccines segment was determined based on a value in use calculation using the traditional discounted cash flow model with a terminal value after the last planning year in 2017. The Group uses a planning period longer than five years, which is a commonly used approach for biotechnology companies as the development and life cycle of a single product can be substantially longer than the five years. Using a period of only five years would not lead to a fair valuation of the vaccines segment.

Sensitivities to changes in assumptions

Management believes that any reasonable possible change in the key assumptions would not decrease the value in use to the extent that the related goodwill would exceed the recoverable amount. Reference is made to the key assumptions below as these have a significant impact on the calculated recoverable amount. The recoverable amount for the goodwill of the vaccines segment exceeds its carrying amount by € 177.0 million. The implications of the key assumptions are discussed below:

- The recoverable goodwill amount of the vaccines segment was determined on the basis of a pre-tax weighted average cost of capital ("WACC") of 13.8%. A higher WACC percentage would reduce the recoverable amount of the vaccines segment;
- Expected cash flows for clinical programs that were included in the discounted cash flow analysis were risk adjusted. A higher risk adjustment would reduce the recoverable amount of goodwill;
- The discounted cash flow model used did not assign any value to our pre-clinical programs.

5.9 Investments in associates and joint ventures

5.9.1 Associated companies

Kenta Biotech AG, Switzerland

In February, 2006, Kenta Biotech AG was founded with a capital of € 9,061 (CHF 14,290). Berna Biotech contributed investments in kind of € 3,329 (CHF 5,250) in exchange for 37% of Kenta Biotech's share capital. In 2007, our ownership of Kenta Biotech was reduced to 22% of its share capital. Kenta Biotech AG is focusing on the discovery and development of innovative, fully human monoclonal antibodies for the life-saving treatment of patients with serious infectious diseases.

Summary financial information from Kenta Biotech AG for the years ended December 31, 2007 and 2006, not adjusted for the percentage ownership held by the Company:

In thousands of Euro

	2007	2006
Associate's balance sheet:		
Current assets	3,845	3,386
Non-current assets	3,213	3,293
Current liabilities	(360)	(349)
Non-current liabilities	—	—
Net assets	6,698	6,330
Associate revenues and expenses:		
Revenues	—	59
Expenses	(2,420)	(2,664)
Loss for the period	(2,420)	(2,605)

ADImmune Corp., Taiwan

In March 2007, the Company acquired a 20% stake in Taiwanese-based ADImmune Corp. a company that develops, manufactures and distributes vaccines and other biological products. ADImmune will use Crucell's virosome technology to produce a virosomal adjuvanted influenza vaccine for specified markets: Taiwan, Japan and Macau. Additionally, ADImmune will in the future produce influenza antigen, which we may purchase to produce our influenza vaccine product, Inflexal V.

Summary financial information from ADImmune for the years ended December 31, 2007 and 2006, not adjusted for the percentage ownership held by the Company:

In thousands of Euro

	2007	2006*
Associate's balance sheet:		
Current assets	6,621	10,132
Non-current assets	38,447	27,225
Current liabilities	(4,918)	(741)
Non-current liabilities	(209)	(269)
Net assets	39,941	36,347
Associate's revenues and expenses:		
Revenues	5,056	5,482
Expenses	(6,108)	(5,401)
Loss for the period	(1,052)	81

*The Company did not own any shares of ADImmune Corp. in 2006.

Pevion Biotech AG, Switzerland

Pevion Biotech AG develops vaccines based on its proprietary technology platforms. In November 2007, the Group sold all 2.9 million shares it owned in Pevion Biotech AG for € 6,081 to the other Pevion Biotech shareholders. The Group realized a gain of € 2,186 on the sale.

5.9.2 Joint ventures

Percivia LLC, United States

In August 2006 DSM Pharmaceutical Products Inc. and the Group established a joint venture, Percivia LLC (Percivia) to operate the PERCIVIA PER.C6 Development Center in Cambridge, Mass, USA. Both companies hold 50% of the shares. The initial contribution amounts to € 158 (USD 200). The joint venture further develops the PER.C6 cell line and provides a unique solution for the production of pharmaceutical proteins to licensees utilizing the PER.C6 human cell line in the biotech industry. Percivia recharges the costs incurred to the venturers. No additional fundings are planned.

Summary financial information for this joint venture, not adjusted for the percentage ownership held by the Company:

In thousands of Euro

	2007	2006
Joint venture balance sheet:		
Current assets	1,131	3,206
Non-current assets	981	—
Current liabilities	(965)	(2,887)
Non-current liabilities	—	—
Net assets	1,147	319

Joint venture revenues and expenses:

Revenues	8,081	2,454
Expenses	(7,348)	(2,231)
Profit/(loss) for the period before taxes	733	223

The tax charge for PERCIVIA PER.C6 Development Center is accounted for in the financial statements of the venturers. The tax charge recognized in the financial statements relating to the percentage owned by the Company amounts to € 146 in 2007.

5.10 Retirement benefit obligations

The Group provides employee benefit plans to most of its employees by means of various pension plans. These plans comply with local regulations and practices in the countries in which they operate and differ based on legal requirements, tax legislation, local customs and economic conditions in the countries. While the nature of the plans varies by country, in general, the benefits provided depend on remuneration and years of service. Most of these benefits are administrated by insurance companies or pension funds.

Recognition of pension expenses in the income statement and balance sheet:

In thousands of Euro

Year ended December 31	2007	2006	2005
Income statement			
Defined benefit plans	3,162	2,179	—
Defined contribution plans	1,708	1,770	867
Total	4,870	3,949	867

Year ended December 31

Balance sheet

	2007	2006
Defined benefit plans		
Pension assets	2,479	2,555
Pension liability	(3,466)	(3,919)
Net pension liability	(987)	(1,364)

Prior to the acquisition of Berna Biotech and SBL, the Company did not operate any defined benefit plans. As a result of the acquisitions, the Company now operates defined benefit plans in Switzerland, Korea and Sweden. The pension asset of € 2,479 (2006: € 2,555) relates to the Swiss pension fund while the pension liability of € 3,466 (2007: € 3,919)

relates to the Swedish and the Korean pension funds. In total, 96% (2006: 97%) of the plan assets and 90% (2006: 89%) of the defined benefit obligation relates to the Swiss pension fund.

The weighted average of the principal assumptions used in determining the employee benefit obligations for the defined benefit plans of the Company are shown below:

In percent

	2007	2006
Discount rate	3.40	3.32
Expected return on plan assets	4.53	4.55
Future salary increases	1.22	1.19
Future pension increases	0.78	0.66

Changes in these key assumptions can have a significant impact on the defined benefit obligations, funding requirements and periodic costs incurred. The Group consults at least annually with external actuaries regarding these assumptions.

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

In thousands of Euro

	2007	2006
Opening defined benefit obligation, January 1		
Acquisition of subsidiaries	—	(72,703)
Interest cost	(2,363)	(2,012)
Current service cost	(3,369)	(3,105)
Benefits paid	2,450	2,535
Actuarial (gains)/losses	(934)	834
Exchange differences	2,389	1,772
Closing defined benefit obligation, December 31	(74,506)	(72,679)

Changes in the fair value of plan assets are as follows:

In thousands of Euro

	2007	2006
Opening fair value of plan assets, January 1		
Acquisition of subsidiaries	—	100,677
Expected return on plan assets	4,528	3,758
Contributions by employer	2,338	2,137
Contributions by participants	984	981
Benefits paid	(2,208)	(2,355)
Actuarial gains/(losses)	(5,727)	(211)
Exchange differences	(3,189)	(2,681)
Closing fair value of plan assets, December 31	99,032	102,306

In 2008, the Company expects to contribute an amount similar to the amount contributed in 2007 to its defined benefit pension plans. The actual return on plan assets for the year ended December 31, 2007 amounts to a loss of € 1,199 (2006: gain of € 3,547).

The costs for defined benefit plans are as follows:

In thousands of Euro

Year ended December 31,	2007	2006
Current service cost	3,369	3,105
Interest cost	2,363	2,012
Expected return on plan assets	(4,528)	(3,758)
Additional pension expense due to asset ceiling	2,057	1,865
Employee contributions	(984)	(981)
Other	0	(64)
	2,277	2,179

In thousands of Euro

Year ended December 31,	2007	2006
Defined benefit obligation	(74,506)	(72,679)
Fair value of plan assets	99,032	102,306
Funded status	24,526	29,627
Unrecognized net actuarial losses	233	237
Amount not recognized as asset due to asset ceiling	(25,746)	(31,228)
Net pension liability	(987)	(1,364)

In thousands of Euro

Year ended December 31,	2007	2006
Defined benefit obligation	(74,506)	(72,679)
Plan assets	99,032	102,306
Surplus	24,526	29,627
Experience adjustments on plan liabilities – gain	(934)	834
Experience adjustments on plan assets – loss	(5,727)	(211)

The major categories of plan assets as a percentage of the fair value of total plan assets are as follows:

In percent

Year ended December 31,	2007	2006
Bonds	41.7	36.5
Equity	26.1	26.9
Property	28.6	31.8
Other	3.6	4.8
	100.0	100.0

The overall expected rate of return on assets is determined based on the market prices expected to be applicable to the period over which the obligation is to be settled and the relative weight of the separate categories of plan assets.

5.11 Other financial assets (non-current)

In thousands of Euro

Year ended December 31,	2007	2006
Long-term restricted cash	14,396	14,396
Long-term deposits and guarantees	1,388	2,034
Other long-term receivables	369	—
	16,153	16,430

The Company has € 14,396 restricted cash, € 10,000 of which is related to the mortgage loan described in note 5.19. The remainder relates to a deposit for the Percivia Development Center and guarantees issued relating to finance leases.

5.12 Cash and cash equivalents

In thousands of Euro

Year ended December 31,	2007	2006
Cash at banks and in hand	108,273	87,761
Call deposits	54,975	70,076
	163,248	157,837

Cash and cash equivalents are denominated in the following currencies (translated into Euros):

In thousands of Euro

Year ended December 31,	2007	2006
Euro (€)	81,085	109,465
Swiss Francs (CHF)	50,176	26,364
U.S. Dollar (\$)	484	7,363
Korean Won (KRW)	18,033	7,268
Swedish Crowns (SEK)	13,470	7,113
Other currencies	—	264
	163,248	157,837

5.13 Trade accounts receivable

In thousands of Euro

Year ended December 31,	2007	2006
Trade receivables from third-party customers	47,553	58,550
Trade receivables from associates and joint ventures	10	13
	47,563	58,563

At December 31, 2007 trade receivables are shown net of an allowance for doubtful debts for an amount of € 2,763 (2006: € 4,069). The Company's normal credit period is 30 days, although in some jurisdictions, including Italy, Korea and Spain, a credit period of 60 days is maintained in line with local customs. Receivables are denominated in several currencies and can be specified as follows:

In thousands of Euro

Year ended December 31,	2007	2006
Euro (€)	28,343	31,153
U.S. Dollar (\$)	6,056	19,644
Swiss Francs (CHF)	4,077	1,411
Swedish Crowns (SEK)	7,264	4,595
Korean Won (KRW)	985	1,021
Other currencies	838	739
	47,563	58,563

Ageing of past due but not impaired

Included in the Company's trade receivable balance are debtors with a carrying amount of € 9.1 million (2006: € 6.9 million) which are past due at the reporting date for which the Company has not provided because there has not been a significant change in credit quality and the amounts are still considered recoverable. The Company does not hold any collateral over these balances.

In thousands of Euro

Year ended December 31,	2007	2006
1-60 days	5,083	2,931
61-120 days	479	663
121-180 days	1,411	303
Over 180 days	2,078	3,024
	9,051	6,921

Movement in the allowance for doubtful debts

In thousands of Euro

Year ended December 31,	2007	2006
Balance at beginning of the year	4,069	176
Acquisition of subsidiaries	–	3,412
Additions to provision	535	1,104
Amounts written off as uncollectible	(968)	–
Unused amounts reversed	(601)	(611)
Effect of movements in exchange rates	(272)	(12)
	2,763	4,069

The amount written of as uncollectible relates to customers of our Swedish subsidiary and was already provided for in the purchase price allocation of SBL Vaccin Holding AB.

5.14 Inventories

In thousands of Euro

Year ended December 31,	2007	2006
Raw materials and consumables	15,162	18,418
Work in progress	46,157	45,623
Finished products	5,914	11,478
	67,233	75,519

In order to be able to meet the demand from the market (e.g. in case of outbreak of a disease) the Company stocks certain inventories to a level that they may not be realized in one year. This is in line with policies of the Group. Provisions are recognized for obsolete inventory. The amount of write-down of inventories recognized as an expense is € 6,428 (2006: € 4,722).

The amount of inventories recognized as an expense of cost of product sales is € 113,250 (2006: € 74,523).

5.15 Other current assets

In thousands of Euro

Year ended December 31,	2007	2006
Accrued income	10,164	11,129
Prepaid expenses	3,177	2,271
Other short-term receivables	10,826	11,273
Director's loan	134	168
Income tax receivables	888	243
Derivative financial instruments	29	68
	25,218	25,152

5.16 Issued share capital and reserves

Crucell's authorized share capital amounts to 85,000,000 ordinary shares and 85,000,000 preference shares, each with a par value of € 0.24. As of December 31, 2007, there were 65,348,796 ordinary shares issued and outstanding (2006: 64,802,325). No preference shares are issued and outstanding as of December 31, 2007.

On October 25, 2000, the Company established a foundation called Stichting Preferente Aandelen Crucell, also referred to as the Preferred Foundation. The Preferred Foundation's object is to safeguard the interests of Crucell, its business and parties connected therewith by blocking any influences that may threaten these interests, which interests may include the continuity, independence or identity of Crucell, its business and parties connected therewith. The Preferred Foundation can safeguard the interests through acquiring and managing the preference shares and by exercising the rights attaching to these shares, in particular, the voting rights.

The agreement between the Company and the Preferred Foundation grants an option to the Preferred Foundation to acquire preference shares up to 100% of the number of our outstanding shares, necessary to match the total number of statutory votes on all of the ordinary shares outstanding at the time of an acquisition. The Preferred Foundation must pay at least 25% of the nominal value of the preference shares it acquires from the Company. If the Company acquires any preference shares, they may be cancelled.

A board of governors of up to five persons directs the Preferred Foundation. Mr J.P. Oosterveld, in his capacity as chairman of our Supervisory Board, and Mr P. Bouw, Mr M.W. den Boogert, Mr S. van Wijnbergen and Mr G.P. Krans, have been appointed to the board of governors. A majority of these members may not be members or former members of the Management or Supervisory Board of the Company, or an employee of any of our advisers, any of our banks or us. The board of governors appoints these independent members. The Supervisory

Board appoints the non-independent members after consultation with the Management Board.

Ordinary shares Issued and fully paid	Shares 000	Issued capital € 000
At January 1, 2005	36,874	8,850
Effect of shares issued in May 2005 for cash	3,600	864
Shares issued relating to share-based payments	967	232
At January 1, 2006	41,441	9,946
Issued in February 2006 in exchange for issued share capital of Berna Biotech	16,931	4,064
Shares issued in relating to private placement and acquisition of minority interests	5,022	1,205
Shares issued relating to share-based payments	1,408	338
At January 1, 2007	64,802	15,553
Shares issued relating to share-based payments	547	132
At December 31 2007	65,349	15,685

Net unrealized gains reserve

The net unrealized gains reserve at December 31, 2007 is € 8,340 (2006: € 10,670, 2005: € 9,630) records the fair value changes on available-for-sale investments.

Translation reserve

The translation reserve is used to record exchange differences arising from the translation of the financial statements of foreign subsidiaries and the translation of goodwill on foreign operations.

5.17 Share-based payment plans

Stock-based compensation

Stock option plans

The Group maintains stock option plans whereby the Remuneration committee of the Supervisory Board may grant options to employees, directors and members of the Supervisory Board. The compensation cost included in operating expenses for those plans was € 5,048, € 4,000 and € 2,349 in 2007, 2006 and 2005 respectively.

In December 2004, the Supervisory Board approved a new option plan (the '2005 Plan') providing for the grant of stock options to non-Management Committee members of up to 1% of issued ordinary shares. Options granted under this stock option plan are exercisable once vested. Granted options vest straight line over a period of four years. Compensation costs are recognized in accordance with the accelerated method. The options expire five years after date of grant. Upon termination of employment with Crucell, options must be exercised within 90 days. Options granted under the stock option plan are granted at exercise prices, which equal the fair value of the ordinary shares of the Company at the date of grant.

All options granted under previous stock option plans (the 'Prior Plans') are exercisable immediately upon grant. Upon exercise of the options, employees are subject to profit re-distribution provisions. Such provisions entitle the Company to receive a portion of the profits upon the sale of the shares, calculated as the difference between the total proceeds from the sale of shares and the aggregate exercise price. The portion of the profits payable to the Company decreases ratably over one to three years. The relevant portion of any profits derived by the employee from the sale of shares received on exercise of options must be remitted to the Company if the employee terminates employment prior to the end of the relevant period. The options expire four to eight years from the date of grant, or earlier upon termination of employment with the Company. Except as set out below, upon termination of employment, options must be exercised within 90 days. Compensation costs for Prior Plans are recognized in accordance with the accelerated method. Generally, options granted under the Prior Plans are granted at exercise prices, which exceed the fair value of the Company's ordinary shares at the date of grant. No further grants are to be made under the Prior Plans.

The Company accounts for its employee stock options under the fair value method. The fair value of options is estimated at the date of grant using the Black-Scholes option-pricing model, with the following weighted average assumptions:

In percent

Year ended December 31,	2007	2006	2005
Risk-free interest rate	4.1	3.6	4.1
Expected dividend yield	—	—	—
Expected volatility	33.3	41.8	52.8
Expected life (years)	4.25	4.25	4.31

The risk-free interest rate is based on Dutch treasury securities in effect at the time of grant. In determining the expected volatility, we take into account the historical volatility of the Company's stock over a period commensurate with the expected term of the employee stock options. When establishing the expected life, we take into account the contractual term of the options and historical employee exercise behaviour. The weighted average fair value of options granted during the years ended December 31, 2007, 2006 and 2005 was € 16.97, € 6.96 and € 9.03, respectively.

A summary of the stock option activity for the outstanding plans is as follows:

	Number of options	Weighted average exercise price
Balance at January 1, 2005	4,819,011	6.42
Granted	123,000	19.45
Exercised	(887,182)	8.09
Forfeited	(25,325)	9.07
Balance at December 31, 2005	4,029,504	6.43
Granted	953,466	18.76
Exercised	(1,284,655)	4.16
Forfeited	(12,875)	19.40
Balance at December 31, 2006	3,685,440	10.36
Granted	1,514,165	16.97
Exercised	(301,475)	6.45
Forfeited	(237,447)	19.15
Balance at December 31, 2007	4,660,683	12.31

Included in the options outstanding as of December 31, 2007 are options to acquire ordinary shares held by former employees and consultants. These individuals have been permitted to continue vesting in these options for services rendered.

The following table summarizes information about the Company's stock options outstanding at December 31, 2007:

Exercise price	Outstanding Options at December 31, 2007	Weighted average exercise price	Weighted average remaining contractual life (years)	Exercisable options	Weighted average exercise price-exercisable options
€ 2.35 – € 4.99	604,995	3.29	3.14	604,995	3.29
€ 5 – € 9.99	1,545,104	7.96	2.34	1,545,104	7.96
€ 10.00 – € 14.99	795,500	13.64	4.06	185,000	11.54
€ 15.00 – € 19.99	1,355,526	18.33	3.94	168,467	17.19
€ 20.00 – € 22.22	359,558	20.59	3.16	108,162	20.81
Total	4,660,683	12.31	3.02	2,611,728	8.26

As of December 31, 2007, a total of 9,720,349 ordinary shares, representing 15% (2006: 15%) of the issued share capital, have been reserved for issuance under the option plan, of which 4,660,683 (2006: 3,785,440) are subject to outstanding options.

Warrants

In 2003, Crucell granted warrants to acquire 250,000 ordinary shares at an exercise price of € 3.00 per share to a consultant in exchange for services. The consultant earned the warrants over the service period that ended in 2004. As at the end of 2006, 100,000 warrants were outstanding and exercisable; these were all exercised during 2007.

Share-based incentive plans

Under its Short-term Incentive Plan (the 'STI Plan'), Crucell granted executives share awards with vesting contingent upon meeting various Company-wide, departmental and individual performance goals in fiscal 2007. The employees granted shares under the STI Plan were allowed to elect to receive either cash (at a 25% discount from the total award) or shares if the performance criteria were met. As such, grants under the STI Plan are accounted for as liabilities and included in accrued compensation and related benefits in the accompanying balance sheets. In 2007, executives were entitled to a total of 15,544 STI Plan shares, after deduction of income tax. Shares granted under the STI Plan were issued to the executives in the first quarter of 2008.

Crucell also has a 2005 Long-term Incentive Plan (the 'LTI Plan'), which allowed for the issuance for up to 36,842 shares of common stock to be granted to executives with vesting contingent upon meeting various market-based goals. Depending on the level of achievement of these market measures, at the end of three years, the number of shares vesting could be 0%-200% of the number of shares originally allowed for issuance. Shares granted in 2005 under the LTI Plan were granted at the share

price at the beginning of the year of € 10.10, which was lower than the fair value of the shares on the date of grant which was € 21.10. The date of grant is the measurement date for the awards. In December 2005, all 36,842 LTI Plan shares were conditionally granted to executives. There were no forfeitures of the LTI Plan grants through December 31, 2007. The conditionally granted shares vested on December 31, 2007 and were issued to the executives in the first quarter of 2008. Executives were entitled to a total of 22,257 LTI Plan shares after deduction of income tax.

As of December 31, 2007, there was no unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the LTI Plan, which will be recognized in 2007. Compensation cost recognized during the year ended December 31, 2007 related to the LTI Plan amounted to € 532 (2006: € 531, 2005: € 44).

Stock option grants to non-employees

Crucell has issued stock options to various non-employees in connection with consulting agreements over the years. These non-employee stock options included exercise prices greater than or equal to the fair value of the underlying common stock on the date of grant. The exercise prices range from € 3.49 to € 21.38 per share and the stock options expire on dates ranging from May 2010 through December 2011. During 2007, the Company issued stock options to purchase 10,000 shares of common stock to a consultant with an exercise price of € 14.58 and expiration date in August 2012.

Crucell can terminate the consulting agreements at any time and only those stock options vested as of the date of termination are exercisable. As of December 31, 2007, total options to purchase 67,604 shares of common stock (2006: 57,604) related to consulting agreements were outstanding with an average exercise price of € 13.76 and expiration dates ranging from May 2010 through August 2012.

The Company recorded compensation expense associated with these stock options of € 11, € 295 and € 2,800 for the years ended December 31, 2007, 2006 and 2005, respectively.

Stock option grants to non-employees are made pursuant to approved stock option plans and activity related thereto is included in the tables above with the employee grants of the approved plans.

5.18 Provisions, commitments and contingencies

In thousands of Euro

	Restructuring	Litigation	Employee benefits	Other	Total
At January 1, 2006	—	—	—	—	—
Acquisition of subsidiaries	71	1,180	3,918	999	6,168
Arising during the year	3,120	259	71	1,145	4,595
Utilized	(1,147)	(212)	(10)	(6)	(1,375)
Unused amounts reversed	(393)	(215)	(66)	(678)	(1,352)
Exchange adjustment	(5)	(12)	6	(19)	(30)
At December 31, 2006	1,646	1,000	3,919	1,441	8,006
Current 2006	1,646	52	—	1,176	2,874
Non-current 2006	—	948	3,919	265	5,132
At January 1, 2007	1,646	1,000	3,919	1,441	8,006
Arising during the year	—	—	—	657	657
Utilized	(1,364)	(77)	—	(752)	(2,193)
Unused amounts reversed	(276)	(50)	—	(290)	(616)
Movement defined benefit liability	—	—	(267)	—	(267)
Exchange adjustment	(6)	(18)	(186)	(43)	(253)
At December 31, 2007	—	855	3,466	1,013	5,334
Current 2007	—	—	—	761	761
Non-current 2007	—	855	3,466	252	4,573

Restructuring

In 2006, a restructuring charge was recognized in relation to centralization of R&D functions in Leiden and phasing out R&D projects in Switzerland. The decision to concentrate R&D in Leiden was made to increase efficiency in R&D spending and will result in a reduction in the number of staff employed, which was effectuated in the first quarter of 2007.

Legal proceedings

The Group is subject to certain lawsuits and other legal proceedings. The current status of any pending proceedings has been reviewed with a legal counsel. Upon consideration of known relevant facts and circumstances, provisions are recognized for losses that are considered to be probable and that can be reasonably estimated at balance sheet date.

Complaint filed by Korean landlord

The Group leases the property on which the Korean factory is built from Green Cross Holdings Corp under a lease that expires in 2010, and which can be extended for an additional five years. The Group is the only party entitled to terminate the lease.

Over a somewhat longer term the Group intends to relocate its operations to another site in Korea.

The landlord plans to surrender a portion of the land on which the Korean facility sits, to the local and regional authorities due to construction of a light railway and a subway line extension along with the potential urban development associated therewith. In 2007, the Group demolished a warehouse that was directly in the path of the construction of the subway line. Currently, none of the Group's property is in the way of the construction projects. The landlord has advised the Group it will stop providing utilities in early 2009. Furthermore, the landlord filed a complaint against the Group in November 2007, seeking the demolition of two more buildings at the Korean facility and delivery to them of the land on which those buildings are located. The suit alleges that there is an implied lease agreement for those buildings and the land on which they sit, which automatically terminated upon commencement of the subway line extension project. In January 2008, the Group submitted its answer to the Court, denying the landlord's

allegations on the grounds that there was no new (whether implied or express) agreement to demolish the buildings and deliver the relevant land. Such an agreement would be inconsistent with the long-term lease agreement which the Group and the landlord executed in April 2000. The Group expects this court case to last several years.

An unfavourable outcome of the court case may have a material adverse effect on the Group's business, financial condition and results of operations. No provision was recognized for the Korean factory, because the Group considers it more likely than not that the court case will be won and the Group will be able to continue to produce in the Korean factory until the moment of the planned relocation.

Deductibility of research and development costs

In Italy, Berna Biotech Italia Srl. was subject to a tax audit for fiscal years 2001 and 2002. For the year 2001, a settlement was reached with the Italian tax authorities in 2007. For the year 2002, no settlement is reached. The tax authorities issued an assessment that deviates from the assessment in the tax return filed. The Group is challenging this assessment in court. The Group made a provision for the costs of additional taxes, penalties and interest, as well as lawyers' fees, which the Group expects it will have to pay as a result. One of the items in dispute is the deductibility of the research and development costs the Group makes in Italy. In the event that the Group loses the court case on this subject, the Italian tax authorities may challenge the deductibility of research and development costs for the years 2003 up until 2007. Because the Group considers it more likely than not that the research and development cost will be tax deductible, no additional provision was recognized.

Employee benefits

Further reference is made to retirement benefit obligations. See note 5.10.

Other

Other provisions mainly relate to asset retirement obligations and warranties.

Contingent liability STAR technology

The Company acquired STAR technology in 2004 through the purchase of ChromaGenics B.V., a privately held biotechnology company based in Amsterdam. In connection with the purchase, we also entered in a contingent payment agreement that could result in additional payments of up to € 7.0 million to former ChromaGenics shareholders upon receipt of revenues and royalties generated from the STAR technology. In connection with this agreement, we paid € 2.0 million in 2007. The expense was recognized in the cost of goods sold.

Guarantees

Total guarantees issued by the Company amount to € 2.5 million, which included a letter of credit issued by the Company for an amount of \$ 1.6 million which will expire on April 14, 2013 for the benefit of the Percivia Development Center.

The Company has a guarantee facility for an amount of € 10.0 million with a third-party bank.

As part of the overall working capital management efforts, the Group agreed with Novartis to extend payment terms on the supply of Quinvaxem antigens. These transactions were secured by a third-party bank guarantee in favour of Novartis.

5.19 Short and long-term financial liabilities

This note provides information about the contractual terms of the Group's loans and borrowings as at December 31, 2007 and 2006. For more information about the Company's exposure to financial market risks, see note 3.

Debt repayment schedule at December 31, 2007:

In thousands of Euro

	Total	2008	2009	2010	2011	2012	More than 5 years
Mortgage loan*	16,811	350	367	384	401	420	14,889
Loan Berna Biotech							
Korea Corp.	4,364	1,455	1,455	1,454	—	—	—
Equipment lease	10,080	1,420	1,503	1,605	1,701	3,851	—
Privately placed bond							
Berna Biotech Korea Corp.	14,540	14,540	—	—	—	—	—
Factoring liabilities	5,653	5,653	—	—	—	—	—
Other short-term bank loans	1,347	1,347	—	—	—	—	—
	52,795	24,765	3,325	3,443	2,102	4,271	14,889

* Calculated at the interest rate applicable until December 31, 2010.

Mortgage loan

In December 2005, the Company entered into a Euro mortgage loan of up to € 17,091 and as of December 31, 2006 the Group has drawn the maximum amount. In 2006, interest was accrued to the loan and no payments of principal or interest were required. Beginning January 1, 2007, the loan is being repaid through monthly payments over 15 years. A balloon repayment of € 10,000 will be made at the end of the 15 years. The loan matures on December 31, 2021. The loan bears interest at 4.55% for the first five years. After this period the rates will be renegotiated. The land, building, part of the equipment and a compensating cash balance arrangement with a bank in the amount of € 10,000 secure the loan. The carrying amount of the underlying secured assets is € 26,946.

Loan Berna Biotech Korea Corp.

Berna Biotech Korea Corp. has entered into an unsecured Euro loan that bears interest at 2.48% and matures on August 1, 2010.

Finance lease liabilities

Finance leases mainly relate to equipment for the new production facility in Leiden. The vast majority of the finance lease liabilities are denominated in

Euro. All leases are on a fixed repayment basis and interest rates are fixed at the contract date. For further information see note 5.22.

Privately placed bond Berna Biotech Korea Corp.

Berna Biotech Korea Corp ('Berna Biotech Korea') issued a Korean Won denominated bond with an interest rate of 6.73%. The bond matures June 13, 2008, and contains covenants that require Berna Biotech Korea to maintain certain profit and liquidity ratios as of January 1, 2006. In 2006, these covenants were not met, meaning bondholders could have accelerated maturity; consequently the bond is presented as a short-term bond.

At December 31, 2007 the Company does not have any indications that the bond has to be repaid before the end of its term.

Factoring liabilities

In December 2007 the Company factored trade accounts receivable for a total amount of € 5.7 million with an external party in Italy. The Company did not transfer substantially all the risks and rewards associated with ownership of the transferred trade accounts receivable, specifically the credit risk, and consequently the cash payments received are accounted for as a financial liability. No interest is charged on the factoring liabilities.

5.20 Other liabilities and deferred income – current and non-current

In thousands of Euro

	Current	Non-Current	2007 Total	Current	Non-Current	2006 Total
Deferred income	7,921	11,594	19,515	3,221	—	3,221
Accrued salary expenses and payroll taxes	10,318	—	10,318	8,200	—	8,200
Accrued expenses	14,684	—	14,684	14,567	—	14,567
Derivative financial instruments	16	—	16	11	—	11
Other liabilities	4,958	529	5,487	3,133	—	3,133
	37,897	12,123	50,020	29,132	—	29,132

5.21 Trade accounts payables

In thousands of Euro

Year ended December 31,	2007	2006
Trade accounts payables to third parties	50,970	38,360
Trade accounts payables to joint ventures	—	152
	50,970	38,512

Trade accounts payables are generally paid under the payment terms, which vary by company and region. The Group's general payment terms are typically 30 days.

5.22 Operating and finance leases

Operating lease commitments

The Group leases certain research and corporate facilities, motor vehicles and items of machinery and equipment. No restrictions are placed upon the lessee by entering into these leases. Future minimum lease payments leases as at December 31, 2007 and 2006 are as follows:

In thousands of Euro

Year ended December 31,	2007	2006
Within one year	4,798	5,794
After one year but not more than five years	15,308	14,680
More than five years	14,155	16,658
	34,261	37,132

Most operating leases are increased by a general price index on an annual basis.

Finance lease commitments

Certain of the Group's fixtures and equipment are subject to finance leases. These leases mainly relate to equipment for the new production facility in Leiden. Interest rates are fixed at the contract date. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. The fair value of the Company's lease obligations approximates their carrying amount. The Company's obligations under finance leases are secured by the value of the underlying assets. The average term of finance leases entered into is 5.5 years.

Future minimum lease payments under finance leases as at December 31, 2007 and 2006 are as follows:

In thousands of Euro

	Minimum payments	2007 Present value of payments	Minimum payments	2006 Present value of payments
Within one year	2,038	1,420	1,637	1,139
After one year but not more than five years	10,937	8,660	5,073	3,691
More than five years	—	—	2,319	2,137
	12,975	10,080	9,029	6,967

5.23 Related parties

Related party transactions within the group

The Company has related party transactions and balances with its subsidiaries, joint venture partners, associates and directors and executive officers. All transactions with related parties were carried out under normal market conditions (arm's length principle). There are no related party transactions outside the normal course of business.

The following table provides the total value of transactions which have been entered into with related parties, excluding directors and executive officers, for the relevant financial year.

In thousands of Euro

	Income and expenses for the year ended December 31,		Balance outstanding as at December 31,	
	2007	2006	2007	2006
Related party				
Sales of goods and services				
Pevion Biotech AG	364	251	—	47
Kenta Biotech AG	223	168	—	33
ADImmune Corp.	2,271	—	6,724	—
Expenses				
Percivia	(4,247)	(1,227)	(332)	(1,227)
Avv Falaguerra	(17)	(12)	(6)	(12)
Kellerhals & Partner AG	(76)	(134)	—	(155)
Kenta Biotech AG	—	(60)	—	—

Mr Falaguerra, the chairman of the Board of Directors of the Italian subsidiary, is related to Avv. Falaguerra, an Italian firm that provides taxation services to the Italian subsidiaries.

Kellerhals & Partner AG is a Swiss firm that provides legal advice to Berna Biotech. This company is related to the one of the Supervisory Board members of Crucell.

Terms and conditions of transactions with related parties

The sales to and purchases from related parties are made at normal market prices. Outstanding balances at the year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided by the Company or received in respect of any related party receivables or payables. For the year ended December 31, 2007, the Company has not made any provision for doubtful debts relating to amounts owed by related parties (2006: nil). This assessment is undertaken each financial year through examining the financial position of the related party and the market in which the related party operates.

Transactions between the Company and its subsidiaries, which are related parties, have been eliminated on consolidation and are not disclosed in this note.

Management Board

The total remuneration and related costs (excluding share-based payments – see information below on stock options and performance stock) of the members of the Management Board over the past three years, is as follows:

In thousands of Euro

Year ended December 31,	2007	2006	2005
Salaries	1,035	1,005	874
Bonuses	647	893	1,058
Pension costs	136	205	189
Other	37	37	58
	1,855	2,140	2,179

The remuneration of the individual members of our Management Board during 2007, excluding stock options, was as follows:

Name	Salaries	Bonuses ⁽¹⁾	Pension Costs ⁽²⁾	Other Costs ⁽³⁾	Total
R.H.P Brus	412	314	33	0	759
J. Goudsmit	340	189	71	21	621
L. Kruimer	283	144	32	16	475
Total	1,035	647	136	37	1,855

⁽¹⁾ Bonus expense includes the short-term incentive plan and long-term incentive plan, including compensation for wage taxes to which the Management Board is entitled as at December 31, 2007.

⁽²⁾ 'Pension Costs' include pensions, social security costs and disability insurance.

⁽³⁾ 'Other costs' include company cars.

Pension, retirement and similar arrangements for our Management Board members consist of the defined contribution plan, and we do not have further pension obligations beyond the annual premium contribution.

The Company's Management Board members held the following options for the period ended December 31, 2007:

Name of Holder	Options held at December 31, 2006	Year of expiration	Exercise Price	Granted 2007	Exercised 2007	Forfeited 2007	Options held at December 31, 2007
R.H.P Brus	250,000	2009	9.40	—	—	—	250,000
	200,000	2011	3.49	—	—	—	200,000
	90,000	2011	2.64	—	—	—	90,000
	125,000	2011	5.94	—	—	—	125,000
J. Goudsmit	85,000	2009	9.40	—	—	—	85,000
	60,000	2011	2.64	—	—	—	60,000
	125,000	2011	5.94	—	—	—	125,000
L. Kruimer	85,000	2009	9.40	—	—	—	85,000
	65,000	2011	3.49	—	35,000	—	30,000
	125,000	2011	5.94	—	—	—	125,000
Totals	1,210,000			—	35,000	—	1,175,000

The Company's Management Board members held the following shares in the Company at December 31, 2007:

Name of holder	Ordinary shares held at December 31, 2007	% of total ordinary shares
R.H.P Brus	142,699	0.22%
J. Goudsmit	151,240	0.23%
L. Kruimer	22,084	0.03%
	316,023	0.48%

The following table describes loans granted to the members of Crucell's Management Board and senior management since January 1, 2001. Crucell has not granted any loans to any Supervisory Board members. The Company sets these interest rates in relation to Dutch income tax law, which changes on an annual basis. Crucell granted loans to the persons listed below in connection with options granted to them on Crucell's ordinary shares. These loans become payable at the time shares received on exercise of the related options are sold or, in case the employee ceases to work for Crucell before this time, immediately. Crucell funds payments due under the loans prior to July 30, 2002, the date legislation was passed in The U.S. prohibiting the granting of additional loans to company officers.

Name	Largest amount of loan outstanding since January 1, 2001	Amount of loan outstanding at December 31, 2007	2007 interest rate in %
R.H.P Brus	132	87	3.5
J. Goudsmit	25	—	3.5
Other personnel	61	47	3.5
		134	

The Company is no party to any material transactions, or proposed transactions, in which any director, any executive officer, any spouse or relative of any of the foregoing, or any relative of any such spouse had or was to have a direct or indirect material interest other than those transactions disclosed in these financial statements.

Supervisory Board

Due to the fact that Crucell operates on a global scale with many of its directors used to the international arena, Crucell offers compensation to its supervisory directors in accordance with customary practice in the biotechnology sector. For 2005 and onwards, compensation of all Supervisory Board members consists of a fixed fee in cash and an annual share grant. The fixed fee in cash amounts to € 25 per Supervisory Board member. The Chairman will receive a fixed fee of € 40. The annual share grant awarded to each member of the Supervisory Board shall equal 2,500 ordinary shares. This amount will be revised on a triennial basis. The shares should be held for as long as an individual is a member of the Supervisory Board. Instead of the share grant, a Supervisory Board member may also choose to receive a cash amount equalling the value of 2,500 shares at the

date of grant minus 25%. The shares (or cash equivalent minus 25%) were awarded in 2006 for the first time. In 2005 stock options were awarded to the Supervisory Board. A net allowance of € 10 that is grossed up for taxation purposes is awarded annually to the Chairman of the Supervisory Board.

During 2007, 2006 and 2005, the individual members of the Supervisory Board were entitled to receive the following remuneration (excluding share-based payments – see information below on stock options and performance stock):

Year ended December 31,	2007	2006	2005
P. Strijkert ⁽¹⁾	—	16.7	44.9
J.P. Oosterveld ⁽²⁾	60.8	38.7	25.0
A. Hoevenaars	25.0	25.0	25.0
S.P. Lance	25.0	25.0	25.0
P.M. Satow	25.0	25.0	25.0
C.E. Wilhelmsson	25.0	25.0	25.0
D.S. Koechlin ⁽³⁾	25.0	25.0	—
J. Witmer ⁽⁴⁾	10.4	25.0	—
C.E. Thomann ⁽⁴⁾	10.4	25.0	—
Totals	206.6	230.4	169.9

⁽¹⁾ Mr P. Strijkert resigned from the Supervisory Board in June 2006.

⁽²⁾ Mr J.P. Oosterveld was appointed Chairman on June 2, 2006.

⁽³⁾ Mr D.S. Koechlin was appointed member of the Supervisory Board on June 2, 2006, but has attended meetings since January 2006.

⁽⁴⁾ Mr J. Witmer and Mr C.E. Thomann were appointed member of the Supervisory Board on June 2, 2006, but have attended meetings since January 2006. Mr J. Witmer and Mr C.E. Thomann resigned from the Supervisory Board in June 2007.

The Company's Supervisory Board members held the following options for the period ended December 31, 2007:

Name of Holder	Options held per December 31, 2006	Year of expiration	Exercise Price	Granted 2007	Exercised 2007	Forfeited 2007	Options held per December 31, 2007
J.P. Oosterveld	10,000	2009	8.81	—	—	—	10,000
	10,000	2009	11.55	—	—	—	10,000
S.P. Lance	10,000	2011	7.86	—	—	—	10,000
	10,000	2009	11.55	—	—	—	10,000
P.M. Satow	10,000	2009	11.55	—	—	—	10,000
	22,000	2011	3.49	—	—	—	22,000
	10,000	2011	6.48	—	—	—	10,000
C.E. Wilhelmsson	10,000	2009	11.55	—	—	—	10,000
	10,000	2011	6.48	—	—	—	10,000
A.Hoevenaars	5,000	2009	8.81	—	—	—	5,000
	10,000	2009	11.55	—	—	—	10,000
Totals	117,000			—	—	—	117,000

Crucell's Supervisory Board members held the following shares in the Company per December 31, 2007:

Name of holder	Ordinary shares held per December 31, 2007	% of total ordinary shares
J.P. Oosterveld	7,000	0.01
A. Hoevenaars	5,000	0.01
S.P. Lance	—	—
P.M. Satow	61,300	0.09
C.E. Wilhelmsson	5,000	0.01
D.S. Koechlin	6,341	0.01
	84,641	0.13

Pursuant to Dutch law, each member of Crucell's Supervisory Board and Management Board is responsible to the Company for the proper performance of his or her assigned duties. They are also responsible for taking measures to prevent the consequences of any improper performance of duties by another member of Crucell's Supervisory Board or Crucell's Management Board. The Company's Articles of Association provide that Crucell's Management Board members and Crucell's Supervisory Board members are discharged from liability for their actions as board members, if Crucell's general meeting of shareholders adopts a resolution to that effect.

This discharge extends only to actions or omissions disclosed in or apparent from the adopted annual accounts or otherwise communicated to the Company's general meeting of shareholders.

Mandatory provisions of Dutch law may limit this discharge of liability, for example in the case of bankruptcy. Under Dutch law, the Company's Supervisory Board members and members of the Company's Management Board generally cannot be held personally liable for decisions made exercising their reasonable business judgment.

The Company's articles of association provide that the Company shall generally indemnify any person who is or was a member of the Company's Supervisory Board or of the Company's Management Board or one of the Company's employees, officers or agents, and suffers any loss as a result of any action in connection with their service to the Company, provided they acted in good faith in carrying out their duties.

This indemnification generally will not be available if the person seeking indemnification acted with gross negligence or wilful misconduct in the performance of his or her duties to the Company. A court in which an action is brought, may however determine that indemnification is appropriate nonetheless.

Company Financial Statements

6 Balance sheet (After appropriation of result)

(Amounts in thousands of Euro, except per share data)

	Notes	2007	2006
Assets			
Non-current assets			
Investments in subsidiaries	9.1	303,494	318,393
Other long-term receivables	9.2	87,680	141,089
		391,174	459,482
Current assets			
Short-term receivables		2,175	1,218
Cash and cash equivalents		54,997	38,094
		57,172	39,312
Total assets		448,346	498,794
Liabilities and shareholders' equity			
Shareholders' equity			
Issued capital		15,685	15,553
Share premium		735,578	726,869
Translation reserve (legal reserve)		(28,542)	(7,920)
Available-for-sale reserve		8,340	10,670
Accumulated deficit		(293,819)	(247,872)
	9.3	437,242	497,300
Non-current liabilities			
Provision for financial fixed assets	9.4	—	1,341
Liabilities to related parties		142	132
		142	1,473
Current liabilities			
Accrued compensation and related benefits		927	21
Liability to related parties		10,035	—
		10,962	21
Total equity and liabilities		448,346	498,794

7 Income statement

In thousands of Euro

For the year ended December 31,	2007	2006	2005
Result from subsidiaries	(49,981)	(89,965)	(21,787)
Other income	4,034	2,652	6,209
Net loss for the year	(45,947)	(87,313)	(15,578)

Notes to the Company Financial Statements

8 General

The description of the Group's activities and the Group structure as included in the notes to the consolidated financial statements also apply to the Company financial statements (see note 1.1).

In accordance with article 2:362 section 8 of Book 2 Title 9 of the Dutch Civil Code, the accounting policies used in the preparation of the Company financial statements are the same as those used in the preparation of the consolidated financial statements. Investments in subsidiaries are stated at net asset value as 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 IFRS accounting principles applied by the Company in its consolidated financial statements.

In accordance with article 402, Book 2 Title 9 of the Dutch Civil Code, the Company income statement is presented in abbreviated form.

9 Notes to the Company financial statements

9.1 Investments in subsidiaries

Investments in subsidiary companies are stated at net asset value as the Company effectively exercises influence of significance over the operational and financial activities of these investments.

In thousands of Euro	Total
Book value as of January 1, 2007	318,393
Share in result of subsidiaries	(49,981)
Net unrealized gain on available-for-sale reserve	(2,330)
Effect of movements in exchange rates	(20,622)
Dividends received from Berna Biotech AG	(80,907)
Acquisition shares Berna Rhein BV	80,907
Provisions reversed during the year	(1,341)
Offset of receivables	59,375
Net book value at December 31, 2007	303,494

January 1, 2007 Crucell owned 7.3% of the shares of Berna Rhein B.V., the remaining 92.7% of the shares were owned by Crucell's subsidiary Berna Biotech. On November 3, 2007 Crucell acquired the remaining 92.7% shares for € 80,907. Berna Biotech subsequently paid a dividend of € 80,907 to Crucell.

9.2 Other long-term receivables

In thousands of Euro	2007	2006
Long-term receivables on related parties	73,285	126,694
Other long-term receivables	14,395	14,395
	87,680	141,089

9.3 Shareholders' equity

Reference is made to the Consolidated Statement of Changes in Equity and to note 5.16 'Issued capital and reserves' of the notes to the consolidated financial statements as of, and for the year ended December 31, 2007.

9.4 Provision for financial fixed assets

The provision for financial fixed assets in 2006 represents the negative net asset value of the Company's 100% subsidiary Berna Rhein B.V.

9.5 Taxes

The Company constitutes a fiscal unity with the Dutch wholly owned subsidiaries Crucell Holland B.V., U-BiSys B.V. and ChromaGenics B.V. and is for that reason jointly and severally liable for the tax liabilities of the whole fiscal unity. As of financial year 2008, Berna Rhein B.V. will be included in the fiscal unity.

9.6 Employee information

The Company had no employees in 2007 and 2006.

9.7 Joint and several liability

In accordance with Section 403 of Book 2 Title 9 or the Netherlands Civil Code, the Company has assumed joint and several liability for all legal transactions carried out by the following Group companies:

- Crucell Holland B.V., Leiden
- U-BiSys B.V., Utrecht
- ChromaGenics B.V., Amsterdam

Signing of the financial statements

The financial statements were approved by the Management Board and Supervisory Board and authorized for issue on April 29, 2008.

Management Board

R.H.P. Brus
L. Kruimer
J. Goudsmit

Supervisory Board

J.P. Oosterveld
A. Hoevenaars
S.P. Lance
P.M. Satow
C.E. Wilhelmsson
D.S. Koehlin