

Report of the Management Board

Summary of the full year financial results

Total revenue and other operating income for the year ended December 31, 2007 were € 213.1 million, which represents a more than 50% increase over the € 140.9 million in revenues and other operating income reported in 2006. The increase in total revenues is mainly attributable to sales of paediatric and travel vaccines. Total operating expenses amounted to € 129.8 million R&D expenses of € 64.0 million reflect continued focus on (pre-) clinical development. Reported loss over 2007 amounted to € 45.9 million.

Cash and cash equivalents at December 31, 2007 amounted € 163.2 million (2006: € 157.8 million).

Geared up for rapid expansion

The 2007 financial year was a pivotal year for our company in which we were cash flow positive for the first time in the history of Crucell. We completed the transformation of a start-up company, geared exclusively towards developing technologies and biotech products, into a fully integrated biopharmaceutical company. Our global organization now covers the entire range from laboratory to sales, from product and process development to production and distribution, and from vaccines to antibodies.

Crucell's strategic focus remains firmly on fighting infectious diseases through the development, manufacturing and sales of innovative vaccines and antibodies. Infectious diseases represent a major health burden and their impact will increase due to trends such as climate change, globalization, and ageing.

An integral part of Crucell's strategy to accelerate growth, is a clear focus on achieving operational excellence. A rigorous review of Crucell's business processes worldwide is being conducted and, excluding R&D, savings of approximately 15% on the 2007 cost base are being targeted.

Rationalization is one other aspect of Crucell's 'Healthy Ambition' program, which is implemented throughout the global organization in order to further strengthen the overall competitiveness of the company. Cash generated by streamlining business processes and making full use of synergies within the integrated organization will fuel further R&D in targeted areas, thereby enhancing Crucell's ability to significantly improve human health.

In 2007 strong revenue and margin growth was achieved in the company's existing vaccines business. Due to the successful roll-out of Quinvaxem in the fourth quarter of 2006, the Company's pentavalent paediatric vaccine, the sales of this product grew from 6.3 million units in 2006 to 21.3 million units in 2007. For 2008 the Quinvaxem sales are expected to be significantly higher than in 2007.

Significant growth in sales of Crucell's marketed products comes from substantial opportunities for launching its portfolio of current vaccines in new markets and growing sales in existing markets.

At the same time Crucell enjoys a pipeline of multiple products tailored to address major threats to health and well-being worldwide as well as strong partnerships in vaccine and antibody research. Crucell's portfolio of unique technologies generates licensing income and is used in Crucell's in-house R&D and manufacturing.

Crucell's growth strategy also includes continued investments in R&D to ensure solid progress in clinical development. Both vaccine and antibody research is being focused on combating infectious diseases, with an emphasis on the existing categories of paediatric, travel and respiratory illnesses. High-priority programs showing promising results in clinical trials include vaccines against malaria and tuberculosis, and a monoclonal antibody cocktail against rabies. Furthermore Crucell's scientists discovered a set of human monoclonal antibodies that provides immediate protection and neutralizes the broadest range of H5N1 strains of avian flu in pre-clinical models.

Paediatric vaccines

Cruell is uniquely positioned with its fully liquid 5 in 1 pentavalent vaccine Quinvaxem, which is the only pentavalent, fully liquid vaccine that is approved by the WHO. The advantages are ease of use in handling and administration.

Besides Quinvaxem, Cruell's sales growth will be driven by the further roll-out of Epaxal Junior. Epaxal Junior is the only aluminium-free Hepatitis A paediatric vaccine available in the market at this moment, showing superior immunogenicity and better local tolerability. Launch in South America will commence in 2008.

Hepavax-Gene is Cruell's recombinant Hepatitis B vaccine, which is one of the WHO's pre-qualified vaccines for active immunization against hepatitis B virus.

In the first half of 2007, Cruell's MoRu-Viraten vaccine for measles/rubella was successfully licensed and its registration was renewed.

Travelers' vaccines and other programs

Cruell began Phase II studies on our PER.C6 technology based rabies antibody cocktail in March 2008. The U.S. Food and Drug Administration (FDA) has granted this monoclonal antibody cocktail Fast Track status following successful completion of the Phase I clinical trials, which demonstrated that the antibody product is well tolerated, provides the expected immediate passive neutralizing activity and that it can be safely administered in combination with a rabies vaccine without interfering with the vaccine's ability to induce an active immunity.

The Cruell-Aeras TB vaccine program is focusing on improvement of the only currently available vaccine, Bacillus Calmette-Guérin (BCG), using our PER.C6 and AdVac technologies. We began Phase I clinical trials of the AdVac-based tuberculosis vaccine in the fourth quarter of 2006. The Phase I clinical trial, funded and managed by Aeras and conducted in the U.S., indicated that the vaccine candidate is safe in healthy adults. In December 2007 Aeras and Cruell announced the start of a tuberculosis vaccine clinical trial in the U.S. Another trial to examine the immunogenicity and safety will start in 2008.

The research program into the recombinant antibody Factor VL/C has proven to be more challenging than previously anticipated and pre-clinical research provided mixed results and insufficient evidence of the protective benefit of the product as a standalone therapy. Consequently, the research and development expenditure previously earmarked for this program will now be largely re-allocated.

The commercial and market opportunities for the West Nile Virus have proven to be less than originally anticipated. The Phase I trial for a vaccine was completed, demonstrating safety and tolerability. However, the commercial and market opportunities for the West Nile Virus have proven to be less than originally anticipated. Consequently, we have decided to discontinue the program.

Respiratory

Cruell scientists, using MAbstract phage display, discovered human monoclonal antibodies able to neutralize a broad range of H5N1 viruses of avian influenza. When the monoclonal antibody was given in a pre-clinical model, one day prior to infection with the H5N1 virus, it resulted in full protection against infection. Treatment with the antibody up to three days after infection resulted in 100% survival and cure of the disease. These antibodies may therefore provide a powerful tool in pandemic preparedness.

Collaborative research and production of novel vaccines continues to enhance our portfolio, demonstrated by our joint development of a cell culture-based seasonal influenza vaccine (Flucell) with sanofi pasteur, the vaccines division of sanofi-aventis. Our strategic cooperation in this area began in 2003, with sanofi pasteur subsequently receiving a \$97 million U.S. government contract for clinical development of a PER.C6 technology based vaccine in 2005. Phase II trials utilizing human subjects began in late 2007 concentrating on the safety and immunogenicity of this vaccine. The FLUPAN research project, funded by the European Commission and involving universities as well as sanofi pasteur, has begun a Phase I clinical trial. This will involve a split, inactivated pandemic H7N1 vaccine produced on our PER.C6 technology.

Unique technologies for licensing business

In 2007, Crucell secured licensing agreements with Biotecnol SA, Abbott Park, Pfizer Animal Health, ADImmune Corporation, Taiwanese Development Center for Biotechnology, MedImmune, Sartorius Biotech GmbH, Masterclone, LFB Biotechnologies, Invitrogen Corporation, Patrys, Recepta Biopharma S.A., Daiichi Sankyo Ltd., Acambis, Transgene SA, ProFibrix, ISU ABXIS, and Medarex Inc. The company entered into a co-exclusive PER.C6 and AdVac technology license agreement with Wyeth Pharmaceuticals, a division of Wyeth, in July 2007.

In September 2007, Merck & Co., Inc. exercised an option for the exclusive use of Crucell's PER.C6 technology and an option for access to Crucell's AdVac vaccine technology in two infectious disease areas. This represents a continuation of the close working relationship between Merck and Crucell, which has involved a number of agreements, including the maintenance of the PER.C6 technology Cell Substrate Biologics master file.

MedImmune and Crucell entered into an exclusive license and research collaboration in October, to further develop and commercialize bacterial antibodies discovered by Crucell primarily for the treatment and prevention of hospital-acquired bacterial infection.

In December 2007, an exclusive collaboration and commercialization agreement was signed with sanofi pasteur, for Crucell's rabies monoclonal antibodies to be used in association with rabies vaccine for post-exposure prophylaxis against this disease. Crucell received a payment of € 10 million following the execution of the agreement and will be eligible for milestone payments of up to € 66.5 million and additional royalties on products sold.

For further details on licenses and licensees please see 'Information on the Company – Overview of Licensees and Partners' in this Annual Report.

Outlook

With our current portfolio of existing products we are well positioned to benefit from the increasingly strong global demand for vaccines. As a consequence, we expect strong sales growth for our existing vaccine products.

We expect the deal flow from our PER.C6 licensing business to increase. We believe that the number of licenses and the revenue flow from the PERCIVIA joint venture will grow steadily in the future. The recent breakthrough that we achieved with our partner DSM Biologics, realizing fermentation yields of more than 15 grams per liter in a perfusion type bioreactor for monoclonal antibodies, gives a positive impulse to growth in our licensing activities.

Our development programs like malaria and tuberculosis will require continued investments in R&D. This investment will progress our development programs in the clinical trials. Furthermore we will continue to invest in discovery programs to progress these into the clinical trial phase.

We focus on overall effectiveness of our global sales network to increase our product sales and sell more third-party products through our sales channels to gain additional revenue.

In the course of 2008, we expect to make further decisions that may impact our income statement, such as setting priorities in our discovery and development programs, and seeking partnerships to accelerate the market introduction of pipeline products with solid market potential. We are not in a position to comment on expected 2008 results other than in global terms:

- We expect an increase in total revenue and other operating income by 20% in constant currencies⁽¹⁾;
- We also expect to achieve positive cash flow for the second year running;
- As we roll out our operational excellence program in 2008 we expect to further improve margins.

We expect revenues and operating income to be phased throughout 2008 like in 2007. Cash flow and working capital are expected to deteriorate in the first half of 2008 due to the seasonality of our business. We build inventory in the first half of the year to sell our products in the second half of the year. We expect the negative cash flow in the first half year to reverse in the final quarter of 2008, to end the year with an overall positive cash flow for the year.

⁽¹⁾Constant currencies = Weighted average EUR/USD rate of 1.38 in 2007.