

Overview by the Chairman of the Group

Reaching EUR 421 million in sales, together with a positive cash flow of EUR 80 million, was a milestone achievement for 2005 which allowed the Group to invest heavily in both Research & Development and our manufacturing plants as well as enhancing our solid financial standing. At the close of 2005, Octapharma had, on a balance sheet of EUR 419 million, an equity ratio exceeding 66%. Octapharma is now in an excellent position to further invest in the future.

In respect of marketing activities, 2005 was a successful year for the company thanks to the launch of two new state-of-the-art products: Wilate and Octaplex (detailed on page 15 of this report). On the sales side, we saw a significant growth in the USA, chiefly through sales of our star product, Octagam (a liquid ready-to-use gammaglobulin for the treatment of disorders of the immune system).

Improved access to our products in the global marketplace is the result of combined efforts of every facet and level of the Octapharma organisation. Our Research & Development department delivered the technical results, and our Regulatory department effectively computed the documentation and achieved wider access through working with European authorities and overseas bodies such as the FDA. The consequent increase in demand for products in 2005 was handled smoothly by the Production department.

In 2005, one of the most significant changes in the plasma derivatives market came when the EMEA (the European Medicines Agency) finally issued its official statement expressing concern about the side effects associated with recombinant Factor VIII in the treatment of patients with Hemophilia A. Furthermore, a clear statement was issued by the WFH (World Federation of Hemophilia) cementing the fact that "the WFH views both recombinant and plasma-derived products as equally important to the global bleeding disorders community. Today, both plasma-derived and recombinant products enjoy a robust record of safety and the supply of either alone would not meet current and future needs." The statements are reassuring in an environment where some companies are trying to undermine the safety record of plasma-derived Factor VIII through arguable information campaigns. Such campaigns suppress the fact that the theoretical risks associated with plasma-derived products are completely overshadowed by concern of an increased inhibitor rate associated with the use of recombinant Factor VIII products. For any patient receiving Factor VIII substitution therapy due to his own inability to produce the protein, it is catastrophic to develop an inhibitor against the very protein he needs. The occurrence of an inhibitor may put the patient's health at significant risk.



Since Octapharma is one of the few companies in the plasma industry not owning its own plasma centres, it was with great pleasure that we entered into a renewed five-year collaboration with the German Red Cross for the supply of significant amounts of plasma. The collaboration also covers a long-term lease of the NSTOB fractionation plant in Springe. As a company that initiated sales in Germany more than 20 years ago, it is very satisfying to finally operate a fractionation plant on German soil. This, combined with an upgrading of our plants in Stockholm and Lingolsheim and the commissioning of a new high-tech filling line in Vienna, will significantly increase Octapharma's production throughout 2006.

Also, our long-term collaboration with ABC (American Blood Centers) was further strengthened, and ABC remains an important and highly valued partner in the area of plasma supply.

In 1995, 95% of Octapharma's sales were made within Europe. Now, the European market accounts for only 63% of sales. Taking into consideration our continuous clinical and regulatory strategy for the US and other non-European markets, it is expected that European sales will represent less than 50% of total sales within the next three years, evidence of the company's expanding reach.

As always, I extend a warm thanks to the Octapharma staff for their contribution to the excellent 2005 results.

A handwritten signature in blue ink, appearing to read 'W. Marguerre'. The signature is fluid and cursive.

Wolfgang Marguerre
Chairman of the Octapharma Group