BIOHIT HealthCare

Innovating for Health

2020 ANNUAL REPORT

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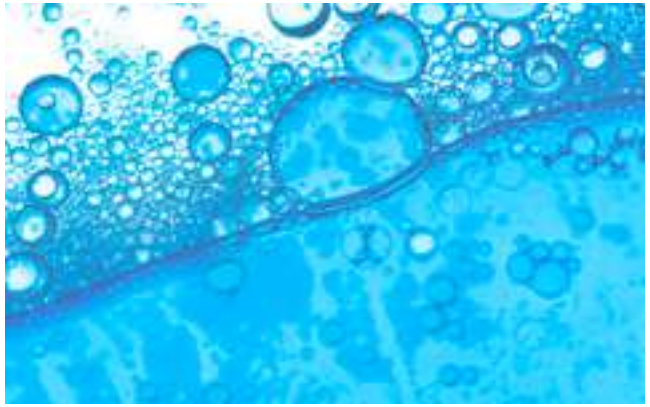
BIOHIT IN BRIEF

Biohit Oyj is a globally operating Finnish biotechnology company. Biohit's mission is **"Innovating for Health"**. Biohit is headquartered in Helsinki and has subsidiaries in Italy and the UK. Biohit's B series shares (BIOBV) are quoted on NASDAQ OMX Helsinki under Small cap/Healthcare.



BIOHIT HealthCare

Innovating for Health

HIGHLIGHTS OF THE YEAR 2020

GASTROPANEL®

NEW CLINICAL STUDIES WERE COMPLETED

In 2020, the results of a clinical study conducted with OYKS (Oulu university hospital) Abdominal Center and the Department of Internal Medicine during 2017-2020 were published in an international scientific journal in the field of gastroenterology. The results showed that atrophic gastritis is more common in patients with autoimmune thyroiditis and in type 1 diabetics compared to the general population. According to the study, GastroPanel® is an excellent test for early detection of gastric mucosal changes in these groups of patients and the associated risks of gastric cancer.

EXCEPTIONAL TRADE FAIR EVENTS

- At the beginning of 2020, before the start of the pandemic, we were able to physically participate in the Medical Doctor Days (Lääkäripäivät, Helsinki) and the pharmacists' event organized by Oriola in Helsinki, as well as in the Arab Health and MedLab exhibitions.
- In addition, we participated in a few virtual trade fairs. These included Vitafoods, CPhI - Festival of Pharma, Medica and AACC.

GASTROPANEL®

MORE DISTRIBUTION, PRODUCTION AND LICENSING AGREEMENTS

Despite difficult conditions during 2020, we received new distribution agreements for our diagnostic products in Germany, Algeria and Malaysia. Another important achievement was the signing of a production and licensing agreement with Biohit's long-term distributor Melon OOO for the local manufacture of the GastroPanel® test in Russia. This contributes to the recommendation of the Russian Ministry of Health to use the GastroPanel® test for early detection of gastrointestinal diseases.

We signed an agreement over the distribution of GastroPanel® quick test with Concile GmbH in Germany.

HIGHLIGHTS OF THE YEAR 2020

REVENUE

EUR **7.1** MILLION

EQUITY RATIO

80.8%

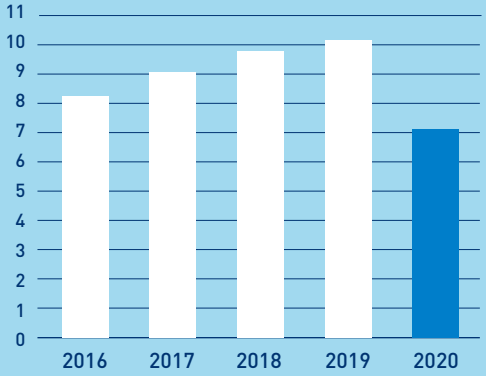
OPERATIVE EBITDA

EUR **-1.2** MEUR

REVENUE FROM INTERNATIONAL OPERATIONS

96.1%

REVENUE 2016–2020, MEUR



KEY FIGURES	2020	2019
Revenue (EUR million)	7.1	10.1
EBITDA (EUR million)	-1.2	0.6
Operative EBITDA (EUR million)	-1.2	0.6
Operating profit/loss (EUR million)	-3.2	-1.4
Profit/loss before taxes (EUR million)	-3.3	-1.2
Profit/loss for the period (EUR million)	-3.3	-1.4
Average number of personnel	45	46
Number of personnel at the end of the period	46	46
Equity ratio (%)	80.8	83.9
Undiluted earnings per share (EUR)	-0.22	-0.09
Diluted earnings per share (EUR)	-0.22	-0.09
Shareholders' equity per share (EUR)	0.58	0.97
Average number of shares during the period	15,045,593	15,005,253
Number of shares at the end of the period	15,045,593	15,045,593

Review by the President & CEO

BUSINESS RECOVERED BOTH IN EUROPE AND CHINA IN THE SECOND HALF OF 2020

The impact of the COVID-19 pandemic on Biohit's business in the second half of 2020 was more moderate than in the first half of 2020. Our business recovered both in Europe and in China. The Middle-East market was almost at a standstill during the second half of the year 2020.

Our revenue decreased by 29% compared to 2019. Our revenue in the second half of 2020 was EUR 4.1 million and it decreased by 19% compared to the second half of 2019. Operative EBITDA decreased to EUR -1.2 million (EUR +0.6 million) of which the second half of the year generated EUR -0.2 million (EUR +0.2 million). We reached EUR 0.7 million savings in fixed costs as a result of the cost savings actions taken by the company. We accounted EUR -0.2 million in provision of obsolete inventory relating to products which sales stopped at the beginning of the year due to pandemic. Our cash at the end of the period remained on a good level EUR 1.0 million (EUR 1.3 million) due to the company's effective working capital management. Cash flow from the operating activities was positive EUR +0.2 million during the second half of the year.

Comprehensive income for 2020 was very negatively impacted by the fair value change in the investment in unlisted Genetic Analysis AS shares, EUR -2.9 million. The fair value change had no impact on the cash flow. The COVID-19 pandemic created an extra challenge on the Genetic Analysis AS financing round.

The pandemic has resulted in a shortage of components in some areas and the company has

increased inventories for certain components in order to secure deliveries to distributors at the beginning of 2021.

MAIN AGREEMENTS AND GASTROPANEL® QUICK TEST

Despite the pandemic we made international distribution agreements for different product groups during the year 2020. We signed an agreement over the distribution of GastroPanel® quick test with Concile GmbH in Germany. In Algeria Hydra pharm s.a.r.l is our new quick test distributor. We also signed the exclusive distribution agreement with TPX Medik for distribution of Biohit GastroPanel® test in Malaysia. We also extended our agreement with SOK for the distribution of Acetium lozenge in their co-operative stores. In addition we signed an extension contract with GrandPharma for Acetium capsule production and distribution locally in China.

An important achievement during the review period was the new manufacture and licensing agreement with Biohit's long term distributor Melon OOO regarding local GastroPanel® production in Russia. The local production enables better utilization of Russia's Ministry of Health recommendation for early detection of gastrointestinal diseases. Business in Russia grew compared to the previous year despite the COVID-19 impact.

The development of the GastroPanel® quick test has been suspended since the beginning of the year 2020 due to the COVID-19 pandemic. The study will continue when the safety conditions for running the study can be secured. It is Biohit's priority to secure the safety of its own personnel and partners in all operations including clinical studies. We estimate that the study will restart in the first quarter of 2021. The product will be CE marked as soon as the clinical studies are completed.

PUBLIC FUNDING

At the beginning of 2021, European Union and Business Finland provided Biohit Oyj with a total of EUR 900,000 in financing for the development and launch of rapid tests over the next three years. The funding will significantly accelerate product development, and proves the fact that also according to external experts, we are a major innovator in the field of biotechnology, whose inventions have significant growth potential around the world.

OUTLOOK FOR 2021

Biohit expects its 2021 revenue to grow significantly compared to 2020 (previous year EUR 7.1 million).

The COVID-19 pandemic still creates uncertainty for the 2021 outlook. More information on the risks can be found in the section "short-term risks and uncertainty factors".

I want to thank all our stakeholders for good co-operation in 2020. Special thanks to the Biohit personnel for the excellent performance during this exceptional year.

Semi Korpela
CEO

DESPITE THE PANDEMIC WE MADE GLOBAL DISTRIBUTOR AGREEMENTS DURING THE REVIEW PERIOD FOR DIFFERENT PRODUCT CATEGORIES.

STRATEGY 2021–2022

OUR STRATEGIC DECISIONS

SIMPLIFICATION AND STREAMLINING OF OPERATIONS AND SERVICES

Supply chain as a competitive advantage: responsive, agile and cost efficient. Create a highly efficient process, together with continuous improvement and digitalisation, with high level of automation in operations.

CUSTOMER PERSPECTIVE

In every Biohit decision we have to consider this: "What's in it for the customer? How does it enable innovation on behalf of the customer?"

QUALITY FIRST

Continuous improvement: More preventive actions rather than corrective actions.

VISION:

OUR GOAL IS TO BE THE WORLD'S LEADING BIOTECHNOLOGY COMPANY IN OUR CHOSEN MARKETS OF THE DIGESTIVE TRACT. OUR CHOSEN SYNERGISTIC MARKETS FOR UNMET NEED ARE:

Advanced and innovative in vitro diagnostics and screening tests for the gastrointestinal tract

Products that bind acetaldehyde in the gastrointestinal tract

MISSION:

INNOVATING FOR HEALTH

INNOVATIVE PRODUCTS

GASTROPANEL®
– A HEALTH TEST FOR YOUR STOMACH

GastroPanel® is a unique four-test package developed by Biohit as a first line diagnostic tool for dyspeptic patients through a simple blood test. GastroPanel® helps reliably distinguish between healthy and non-healthy stomachs and helps prioritise patients who need further testing.

GastroPanel® is suitable for the diagnosis of atrophic gastritis and Helicobacter infections, and for the risk assessment of gastric and duodenal cancer and acid reflux disease.

The GastroPanel® test determines the levels of Pepsinogen I, II and Gastrin-17 and the level of antibodies for *Helicobacter pylori* in the blood. The tests are based on enzyme-linked immunosorbent assay (ELISA). GastroPanel® can reliably identify whether the gastric mucosa is healthy or not, in other words, whether the patient's upper stomach symptoms are caused by an organic or functional problem.

A GastroPanel® rapid test version will also be released to the market. It is a finger-prick blood test and it provides results in only 15 minutes.

ACETIUM® LOZENGE
– QUIT SMOKING WITHOUT NICOTINE

The Acetium® lozenge should be used regularly for an average of 3 to 6 months for optimal results. Acetium® reduces the pleasure received from smoking, making it easier to quit.

Carcinogenic acetaldehyde is one of the harmful substances in tobacco smoke. Acetium® lozenge binds up to 90 % of the acetaldehyde in saliva.

The effect of Acetium® lozenge on smoking cessation has been investigated in two clinical studies. Regular use of the lozenge during smoking increased the likelihood of quitting smoking by a factor of 1.5 compared to the placebo. Acetium® lozenge does not have the side effects associated with other methods of quitting smoking, such as nicotine addiction or possible side effects from medicines.

BIOHIT'S R&D COOPERATION ACROSS DIFFERENT SCIENTIFIC FIELDS, INNOVATIONS AND APPLICATIONS HAVE ESTABLISHED VALUABLE RESULTS FOR HEALTHCARE WORLDWIDE. GASTROPANEL® TESTS AND ACETIUM® LOZENGES ARE EXAMPLES OF OUR INNOVATIVE PRODUCTS FOR THE PROMOTION OF HEALTH AND PREVENTION OF DISEASES.

HISTORY

Biohit's success is primarily based on its aggressive innovation and patenting strategy developed by Professor Osmo Suovaniemi, MD, PhD. He can be considered a pioneer of this strategy, which has demonstrated and still demonstrates a successful model and path for small and large companies in Finland.

Biohit's roots extend back to the 1970s, to two companies Labsystems Oyj and Eflab Oy established by professor Osmo Suovaniemi, M.D., Ph.D. They developed the first single and multi-channel precision pipettes with adjustable volumes, and the first instruments based on vertical photometry.

The development was based on Suovaniemi's aggressive innovation and patenting strategy, which created new products, increased the size of the company and started exporting. Next step was to develop diagnostic tests for the diagnosis of cancers and HIV among other things. From the beginning the companies were based on high technology, top knowhow of biotechnology and global thinking (www.biohithealthcare.com/history).

Analysis and liquid handling devices based on innovations created by Labsystems, Eflab and Biohit have been taken into use worldwide, enabling the massive development of immunoassays using non-radioactive markers based on Suovaniemi's vertical measurement invention. These immunoassays have been used for research and diagnostics of infections and cancer. Immunoassays and vertical measurements have developed into global industrial norms, revolutionising laboratory practices worldwide in the 1970s and 1980s.

They have also enabled the development of the GastroPanel test and Biohit's other immunoassays (www.biohithealthcare.com/additional-information).

1988–1999

- Osmo Suovaniemi establishes Biohit Oy in 1988.
- Work begins on the development, production and international marketing of a new generation of liquid handling devices based on Biohit's innovations.
- Biohit works with Professors Stina Syrjänen and Kari Syrjänen to develop commercial HPV tests to screen for and classify variants of the human papillomavirus, which is linked to cervical cancer. The tests are based on HPV hybridisation probes developed by a researcher who subsequently won the Nobel prize. However, at the beginning of the 1990s, the time was not right for HPV testing to be taken into wider use.
- Work begins on the GastroPanel programme, which is based on research data obtained over a period of two decades. The GastroPanel programme exploits and produces innovations
- GastroPanel's development work is based on follow-up studies conducted by work groups operating under Professors Max Siurala and Pentti Sipponen to study patients suffering from gastritis. A further basis for the development of GastroPanel is collaboration with Professors Matti Härkönen and Seppo Sarna, and the immunoassay analysis devices based on vertical measurements invented by Biohit's founder.
- Development of the GastroPanel immunoassays was also influenced by observations of the role played by Helicobacter (Helicobacter pylori) in contributing to the onset of gastritis and peptic ulcer disease, which led to its discoverers receiving the Nobel prize in 2005.
- As the only study in the world to use blood samples, GastroPanel diagnoses Helicobacter gastritis and atrophic gastritis, which is caused by Helicobacter gastritis and increases the risk of stomach cancer and other diseases, while providing information about the risks of peptic ulcer disease. (www.biohithealthcare.com/additional-information)
- The company is listed on the Helsinki Stock Exchange on 18 June 1999. At that point, Biohit had 16 patents in Finland, while 20 other newly listed companies had 11 patents between them.

2000–2009

- Biohit Oyj commences service laboratory operations.

- GastroPanel is launched to diagnose and prevent diseases of the stomach and related risks.
- The Healthy Stomach Initiative (HSI) organisation is established in 2006 (www.gastropanel.com/news, www.hsinitiative.org).
- There is a large and growing need for GastroPanel and Acetium products as a means to more safely diagnose and prevent diseases in a cost- effective manner (www.biohithealthcare.com/additional-information).
- Biohit UK is established in 2008 to market Biohit HealthCare's products.

2010

- Biohit launches the Acetium capsule, which binds acetaldehyde, a carcinogen that forms in anacidic stomachs. Anacidity can be caused by atrophic gastritis, which can be identified by GastroPanel, or be due to the use of proton-pump inhibitors (PPIs).
- Basic research carried out since the 1980s by internationally renowned and acclaimed alcohol and acetaldehyde researcher Professor Mikko Salaspuro and his working group, and collaboration with Professor Martti Marvola combine with the work of the company to form the foundation of Biohit Oyj's Acetium innovation, which binds acetaldehyde.

2011–2012

- Biohit Oyj sells its liquid handling business to Sartorius Lab Holding GmbH for EUR 68 million.
- The company decides to focus on and invest in diagnostics in larger, rapidly growing markets and in products that bind carcinogenic acetaldehyde into harmless compounds, thereby promoting the prevention of diseases, improving people's quality of life and saving on health care costs.

2013

- An Italian company focusing on gastrointestinal diagnostics becomes a subsidiary of Biohit Group.
- Biohit establishes Biohit HealthCare (Hefei) Co. Ltd, a joint venture in China.
- The quick test for lactose intolerance is joined by the UFT-300 quick test for Helicobacter and a quick test for celiac disease. The Acetium lozenge is launched.

2014

- Biohit launches a calprotectin test, which is used for diagnosing and monitoring inflammatory diseases of the bowel (IBS and IBD), as well as the Biohit Active B12 test, based on vertical measurement, for identifying vitamin deficiency.
- Biohit launches the ColonView FIT test, which identifies faecal occult blood and can be used to screen for and diagnose colorectal cancer. Several countries are using the test around the world. (www.biohithealthcare.com/additional-information)

2015

- Biohit completes its first studies related to quit smoking (www.biohithealthcare.com/en/scientific/study-protocols/).
- The first population-based GastroPanel screen begins in China.
- A vitamin D test based on vertical measurement joins the product range.
- Standardised GastroPanel immunoassays based on the vertical measurement invention are also launched.

2016–2018

- Biohit Oyj acquires a stake in Genetic Analysis AS, a Norwegian company.
- Biohit's joint venture in China begins manufacturing the GastroPanel product.
- A wide-ranging comparative study found Biohit's Acetium® lozenge to be effective in helping smokers to quit smoking (www.acetium.com). Sales of the product began and comprehensive distribution channels were established in Finland via pharmacies, as well at R-kioski shops and at grocery stores. The first few distribution agreements were also made for the product in other EU countries.

2019–2020

- Biohit Oyj's Acetium® capsule was granted an important patent in Japan (Patent No: 6178657).
- Biohit distributor Biohit HealthCare (Hefei) Co. Ltd announced that it would increase its production capacity to 75 million tests annually. In addition, Biohit Healthcare (Hefei) Co. Ltd acquired Osmo Suovaniemi from the company's main owner in 2018
- Suovaniemi and his family hold 33.2% of all Biohit Oyj shares and 29.5% of the voting rights based on the shares. Osmo Suovaniemi still has more than 50% of the company's votes.
- An important achievement in 2020 was the signing of a production and licensing agreement with Melon OOO for the local production of the GastroPanel® test in Russia.
- The clinical trial of the GastroPanel® rapid test product development project was suspended in early 2020 due to the COVID-19 pandemic and has been suspended since then until the end of the year. The study will only be resumed when it can be ensured that the conditions for continuing the study are safe.

CORPORATE GOVERNANCE STATEMENT 2020

INTRODUCTION

Biohit Oyj has prepared this Corporate Governance Statement on the basis of Section 54 of the Finnish Corporate Governance Code for listed companies issued by the Securities Market Association. The company will publish a separate renumeration report for the financial year 2020 for governing bodies according new shareholders right directive. The existing renumeration policy and information on the renumeration to the rest of the management team the company publishes on its website www.biohit.fi/investors.

The Board of Directors reviewed the renumeration report at its meeting at the beginning of 2021.

The Report of the Board of Directors, the Auditor's Report and the full Corporate Governance Statement, the renumeration policy, and the rest of the management team renumerations are available at www.biohit.fi/investors.

RULES OBSERVED BY BIOHIT

Biohit Oyj is a Finnish public limited company whose series B shares are listed on Nasdaq Helsinki in the Small cap/Healthcare group. Biohit Group (hereinafter referred to as "Biohit") comprises the parent company, Biohit Oyj, and its foreign subsidiaries, which primarily focus on sales and marketing for Biohit Oyj's products. Biohit is headquartered in Helsinki.

Biohit's governance complies with applicable legislation, standards and recommendations concerning public listed companies, the regulations of Nasdaq Helsinki Ltd, and Biohit Oyj's Articles of Association. Biohit Oyj has administered its affairs in compliance with the corporate governance code for Finnish listed companies 2020, and this Statement has been prepared in accordance with the code. The Corporate Governance Code is available at www.cgfinland.fi.

One of the members of the seven-person Board of Directors is independent of the company, so the company does not fulfil recommendation number 10 stating that the majority of the members of the Board of Directors must be independent of the company. The company deviates from the recommendation because the current Board composition has the best available competence to lead the company on its existing strategy. Biohit's Board of Directors is one of the best in its size according to the Nordic Business Diversity Index, which measures Board diversity in Finland, Sweden and Denmark through four different variables: age, gender, education background and nationality.

The company strives to comply with high international standards of corporate governance and the key principles of corporate governance among Finnish listed companies.

BIOHIT'S ADMINISTRATIVE BODIES IN 2020

The highest decision-making power at Biohit Oyj is exercised by the company's shareholders at the Annual General Meeting. The company's Board of Directors supervises the administration and organisation of the company and the Group's earnings trends. The President & CEO is responsible for operative management and he is assisted by the Management Team.

Annual General Meeting

In 2020, Biohit Oyj held its Annual General Meeting on 16 September 2020 in Helsinki. 2,640,629 shares and 42,075,319 votes were represented at the meeting, corresponding to 17.55% of all of the shares in the company and 58.78% of the votes. The meeting was attended by one of the six members of the Board of Directors, the President & CEO and the principal auditor.

Board of Directors

The Board of Directors, which comprises 5–7 members elected by the Annual General Meeting, is responsible for the administration and appropriate organisation of Biohit's business operations. Proposals concerning membership of the Board of Directors are prepared by the Board of Directors. Biohit has defined the principles applying to diversity within the Board of Directors in accordance with recommendation 9 of the corporate governance code. Biohit's objective is for both sexes to be represented on the company's Board of Directors. In line with this objective, the Board of Directors had members of both sexes.

The Board of Directors elects a chairman from amongst its members.

Board members' terms of office run from the date of their election by the AGM until the end of the next AGM.

The Board's areas of responsibility are stated in the written rules of procedure approved by the Board. They are as follows:

- Increasing shareholder value
- Ensuring the appropriate organisation of accounting and financial management
- Approving Biohit Oyj's financial statements, consolidated financial statements and the Report of the Board of Directors for the most recent financial period
- Approving the half year financial report annually for the period ending at the end of June

- Deciding on Biohit's business plan, budget and investment plan
- Deciding on Biohit's financing and risk management policies
- Approving the remuneration and incentive schemes for senior managers
- Appointing the President & CEO
- Deciding on Biohit's strategy, organisational structure, investments and other wide-reaching and significant issues

The Board's decision-making is based on reports prepared by the company's operative management on the operational development of the Group and its business units.

The Chairman is responsible for convening Board meetings and arranging the work of the Board. The Board convenes 5–12 times per year, usually meeting once every month or once every two months, and the meeting schedule for the entire term is confirmed in advance. When necessary, Board meetings are held more frequently or by teleconference.

Board of Directors in 2020

Until the Annual General Meeting held on 16 September 2020, the following six people were on the Board of Directors: Osmo Suovaniemi (chairman), Eero Lehti, Liu Feng, Franco Aiolfi, Lea Paloheimo and Matti Härkönen. At the Annual General Meeting on 16 September 2020, Osmo Suovaniemi (chairman), Eero Lehti, Liu Feng, Franco Aiolfi, Lea Paloheimo and Matti Härkönen were re-elected to the Board of Directors and Timo Joensuu was elected as a new member to serve until the end of the Annual General Meeting in 2021. The Board of Directors elected Osmo Suovaniemi as its chairman.

Biohit Oyj's Board of Directors convened 7 times in 2020 (8 times in 2019). The average attendance was 93 per cent (91 per cent).

Biohit Oyj's Board of Directors on 31 December 2020

Osmo Suovaniemi, b. 1943, LKT, MD, PhD

- Member of the Board since 1988 and Chairman since 2011
- Non-independent of major shareholders and of the company
- Founder of Biohit and its former President & CEO
- Attended 7 Board meetings in 2020
- Direct shareholding: series A shares: 2,018,310; series B shares: 0

Franco Aiolfi, b.1947, Degree in Pharmacy awarded by the University of Urbino

- Member of the Board since 2013
- Independent of the major shareholders but non-independent of the company
- Attended 7 Board meetings in 2020
- Direct shareholding: no Biohit shares
- Indirect shareholding: Managing Director of BioAir S.p.A. in 31.12.2020 and majority owner through Arsfin Consult S.r.l. Also majority owner of Biobrick. BioAir S.p.A. owned 92,807 series B shares in 31.12.2020.

Matti Härkönen, b. 1933, MD, PhD, Emeritus Professor

- Member of the Board since 2017
- Non-independent of major shareholders and of the company
- Doctor of Medicine and Surgery (MD, PhD) and Emeritus Professor of Clinical Chemistry at the University of Helsinki
- Serves as scientific advisor to Biohit Oyj.
- Attended 7 Board meetings in 2020
- Direct shareholding: series A shares: 57,200; series B shares: 267,965
- Indirect shareholding via Oy Tech Know Ltd, a company under his control: series A shares: 24,990; series B shares: 43,600

Eero Lehti, b. 1944, MSc (Soc. Sci.), holder of the Finnish honorary title of "kauppaneuvos", Honorary Doctor of Economics

- Member of the Board since 2009
- Non-Independent of the major shareholders and of the company
- Member of Parliament between 2007-2019
- Founder of Taloustutkimus Oy and the Chairman of its Board
- Attended 4 Board meetings in 2020
- Direct shareholding: series B shares: 2,000

Liu Feng b. 1972, General Manager of Hefei Medicine Co., Ltd, Owner of Biohit Healthcare Hefei

- Member of the Board since 2018
- Non-independent of the major shareholders and of the company
- Special researcher at the Counselor's Office of Anhui Provincial People's Government
- The vice chairman of the Chinese National Early Gastrointestinal-Cancer Prevention & Treatment Center
- Alliance member of the council of the China Health Promotion Foundation
- Attended 7 Board meetings in 2020
- Indirect shareholding via Biohit Healthcare (Hefei) Co., Ltd.: series A shares: 850,000, B shares: 4,095,415

Lea Paloheimo, b. 1951, PhD (clinical biochemistry), hospital chemist

- Member of the Board since 2019
- Independent of the major shareholders but non-independent of the company
- Employed by Biohit Oyj during 2001-2019, recently working as a Production and Product Development Director and Business Development Director.
- Attended 7 Board meetings in 2020
- Direct shareholding: series B shares: 7,000

Timo Joensuu b. 1959, Professor, Chief Physician, MD, PhD

- Member of the Board since 2020
- Independent of the major shareholders and the company
- Co-founder of Docrates Cancer Center in Helsinki. Clinical director at Docrates Cancer Center in Helsinki until 2014
- MD, PhD and Docent of Clinical Oncology, University of Helsinki, Specialist in Medical Oncology and Radiation Therapy
- Attended 3 Board meetings in 2020
- Direct shareholding: series B shares: 0

Board committees

The Board of Directors have assessed that the scope of the Biohit Oyj's business does not require the appointment of a separate Audit Committee, and consequently no separate committees have been appointed to increase the efficiency of the Board.

President & CEO

The President & CEO is responsible for the day-to-day management of the company in accordance with the instructions and regulations issued by the Board of Directors. The President & CEO of the parent company is elected by the Board and also acts as Group President. He also ensures the appropriate organisation and legality of the company's accounting and asset management. The terms of employment of the President & CEO are based on a written contract that is approved by the Board of Directors. The President & CEO cannot be elected Chairman of the Board. Semi Korpela, MSc (Econ.) was the President & CEO of Biohit during the financial period.

Semi Korpela, b. 1970

- MSc (Econ.)
- With Biohit Oyj since 2011

- Previously held the position of CFO at Biohit Oyj from 2003 to 2006. After that, Korpela was CFO of CPS Color Group.
- Direct shareholding: series B shares: 14,764 at 31.12.2020

Group Management Team

The composition and areas of responsibility of the Group's Management Team were as follows: Semi Korpela (President & CEO), Jukka Kainulainen (finance, ICT, HR), Minna Mäki (R&D and production), Ilari Patrakka (sales and marketing) and Daniela Söderström (quality and regulatory affairs).

Jukka Kainulainen, b. 1982

- MSc (Econ.)
- Finance, HR, ICT
- With Biohit Oyj since 2018
- Previously: Business Controller at Capgemini and Tieto, Head of Group FP&A at Affecto and Controller team lead at CGI.
- No direct shareholding

Ilari Patrakka, b.1980

- MSc (Econ.)
- Sales and Marketing Director
- With Biohit Oyj since 2012
- Previously: retail sales channel manager at Marioff Corporation Oy, marketing and export manager at Gasmet Technologies Oy, sales manager at Gasmet Technologies (Asia) Ltd.
- Direct shareholding: series B shares: 4,116

Minna Mäki, b. 1969

- Adjunct professor, Ph.D. (Molecular microbiology)
- R&D director
- With Biohit Oyj since 2018
- Previously: At Orion Diagnostica Oy. Before that, Product Development Director at Mobidiag Ltd and researcher at the University of Helsinki.
- No direct shareholding

Daniela Söderström, b. 1987

- MSc (Tech.)
- Quality and Regulatory Affairs Director
- Daniela Söderström has been working for Biohit Oyj in the field of quality management since 2014.
- Direct shareholding: series B shares: 30,000

Management of subsidiaries

The Managing Directors of the subsidiaries are responsible for the management of subsidiary operations and report to the President & CEO of the parent company. The subsidiaries are responsible for the sales and marketing of Biohit's products in their market areas. The managers of subsidiaries operate under the management and supervision of Biohit's President & CEO. In 2020, the Managing Directors of Biohit's subsidiaries were: Graham Johnson (United Kingdom) and Franco Aiolfi (Italy).

The personal details and shareholdings of Biohit Oyj's Board of Directors and operative management are available at www.biohit.fi/investors

Decision-making procedure concerning remuneration

The renumeration policy and the rest of the management team renumeration are available at www.biohit.fi/investors.

Remuneration of members of the Board of Directors

The Annual General Meeting approves the fees of Biohit Oyj's Board of Directors.

The remuneration paid to the other members of Biohit Oyj's Board of Directors is decided by the company's Board of Directors in accordance with the company's rules on related-party transactions, which are described on section "related-party transactions".

President & CEO and other company management

The Board approves the President & CEO's remuneration and terms of employment. The severance payment is not included in the President & CEO's terms of employment.

The Board approves the remuneration and terms of employment of members of the Management Team. Biohit Oyj's Board of Directors approves the principles of the incentive schemes for Management Team members and the President & CEO.

The President & CEO approves the salaries and profit-based incentives of subsidiaries' Managing Directors in accordance with the instructions provided by Biohit's Board of Directors. Profit-based incentives are dependent on sales and profitability trends for each unit.

Pension plans

No other pension arrangements, beyond those mandated by law, have been made with the Managing Directors of Group companies.

MAIN CHARACTERISTICS OF INTERNAL CONTROL OF THE FINANCIAL REPORTING PROCESS AND RISK MANAGEMENT

Biohit's internal control is responsible for ensuring that the Group carries out its business operations within the framework of current regulations and legislation and in accordance with the instructions of the Board of Directors. Internal control seeks to ensure that the Group operates with maximum efficiency and that efforts are made at various levels of the organisation to achieve the objectives set in the strategy approved by the Board of Directors. Risk management is geared towards supporting the achievement of these objectives by anticipating and managing business-related risks.

Control environment

Biohit's business operations and administration aim to realise the company's values, of which the most important is to promote health and wellbeing through innovation. Biohit will continue to focus on its diagnostics business and products that bind acetaldehyde – the areas where the company conducts global operations in manufacturing, sales and marketing.

Biohit's control environment is defined by the Board of Directors, which, as the highest administrative body, is responsible for organising internal control. The President & CEO is responsible for maintaining the efficiency of the control environment and the functionality of internal control. Biohit's financial department is responsible for the functionality of financial reporting as well as the interpretation and application of financial statement standards in line with the separately approved instructions.

Risk assessment

In the assessment of risks related to financial reporting, Biohit's objective is to identify the major risks associated with the Group's business operations and environment. The cost-effective management and monitoring of these risks will then ensure that the company's strategic and operational targets can be reached as intended.

The Board of Directors carries the main responsibility for risk assessment and monitoring the implementation of risk management. The President & CEO works with the parent company's operative management and subsidiaries' managers to ensure that the Group's risk management is duly arranged. The parent company's operative management is responsible for identifying and managing the risks involved within each business area, while the subsidiaries' Management Teams are responsible for those in their own market areas.

Risk management is one of the areas covered by Biohit's internal control processes, which regularly monitor the risks associated with the company's business operations, identify any changes and, if necessary, take appropriate action to hedge against them. Risk management focuses on ensuring the continuity of business operations and preventing financial misconduct.

Control measures

Internal control measures are integrated into the Group's general business management and reporting process. The subsidiaries report to Group Management on business and earnings trends and the most significant deviations on a monthly and quarterly basis. The Group's Management Team reports to the Board of Directors on the overall development of business; these two bodies, together with the President & CEO, decide on overall corporate strategies and procedures guiding the operations of the Group.

The subsidiaries' Boards follow business developments and ensure that the parent company's approved instructions and guidelines are followed. As a rule, the Boards of Directors of the subsidiaries meet monthly. Board work in the subsidiaries is based on financial reports and the written monthly and annual reports drawn up by subsidiary management.

Biohit's business control is carried out in accordance with the management system described above. The company provides the reporting systems necessary for business and financial management. The financial department of the parent company provides instructions for drawing up annual and interim financial statements and prepares the consolidated financial statements.

The parent company's finance department retains central control of funding and administrative matters within the framework of the instructions provided by the Board of Directors and the President & CEO, and is also responsible for the management of interest and exchange rate risks. The Managing Directors of the subsidiaries ensure that the subsidiaries' reporting is carried out in accordance with the instructions given by the Group's Management Team.

The parent company's administration department controls and provides instructions on Group-level personnel policies and any agreements made within the Group.

Disclosure policy

Biohit aims to provide all its stakeholders with information about the company's operations in a proactive, consistent and timely manner. The company seeks to take the special requirements and interests of all its stakeholders into account in its communications in order to increase confidence in the company and thereby promote its business operations. Biohit's Board of Directors has approved an information release policy with a view to ensuring the accuracy and reliability of any information released. The policy also specifies who is responsible for communications in different situations.

Biohit's financial department regularly provides information on processes related to financial administration reporting. This ensures the real-time availability of data, which is a prerequisite for efficient internal control.

Financial administration guidelines and the company's information release policy aim to ensure the promptness and comprehensiveness of communications and the release of information required for internal control purposes.

Monitoring

The efficiency of internal controls on financial reporting is overseen by the Board of Directors, the President & CEO, Management Team mem-

bers, and the Managing Directors of subsidiaries. Control focuses on following weekly and monthly financial reports and forecasts and analysing any deviations from business plans. Monitoring is performed at all Board and Management Team meetings where reports are reviewed. It is supported by regular contact between Group Management and the company's auditor, and analysis of any deviations, which occurs at least once per quarter.

The audit frameworks for the Group's subsidiaries and key audit areas are jointly defined by the Group's financial management and the chief auditor. Biohit has not appointed a separately organised function for internal auditing purposes but Biohit's financial department has responsibility to implement it in practise.

The Group has internal control reporting systems required for financial management and monitoring business development. The reporting systems produce monthly financial data, so that financial management can ensure compliance with the parent company's approved instructions on matters such as authorisation.

The Group's auditor and the auditors of each subsidiary evaluate the effectiveness of the internal control system in connection with the external audit.

AUDIT 2020

The auditor elected by the AGM is responsible for Biohit's statutory audit. According to the Articles of Association, the company must have one auditing body approved by the Central Chamber of Commerce. The 2020 Annual General Meeting re-elected auditing firm PricewaterhouseCoopers Oy as the company's auditor for a one-year term, with Pasi Karppinen, Authorised Public Accountant, as chief auditor.

Auditor and auditor's fees

The 2020 Annual General Meeting decided to pay auditor's fees in accordance with the auditor's invoice. The Group's invoiced auditors' fees for the 2020 financial period totalled EUR 105,000 (EUR 101,000 in 2019). In addition to this, PricewaterhouseCoopers Oy was paid a total of EUR 0 for other services (EUR 9,000 in 2019).

RELATED-PARTY TRANSACTIONS

The company keeps a list of its related parties, and it regularly engages in transactions with some of these parties. These transactions are related to the company's ordinary business activities, they are appropriate in terms of the company's operations and they are executed on ordinary market terms. The company's financial management monitors and supervises related-party transactions as part of the company's normal reporting and supervision practices. Relevant transactions between the company and its related parties are reported annually in the notes to the company's consolidated financial statements. The company's Board of Directors makes all relevant decisions concerning related-party transactions. Decision-making is based on particularly thorough preparation and appropriate reports, statements and estimates. Preparation of related-party transactions, decision-making and approval have been arranged to take account of disqualification rules and appropriate decision-making entities.

Biohit Oyj's Board of Directors made the following decision on 2020 related party transactions:

1. As part of his work as the head of scientific advisory board, Osmo Suovaniemi's compen sation will be the same as in 2019, when his compensation amounted to 200,000 EUR.
2. As part of his work as the managing director of Biohit Healthcare S.r.l, Franco Aiolfi will be paid a fixed fee of 36,000 EUR in 2020 (36,000 EUR in 2019).
3. BioAir S.p.A. which delivers finance, quality and IT services to Biohit Healthcare S.r.l will be paid 69,000 EUR in 2020
4. The members of the scientific advisory board will be paid 85 EUR per hour for the work outside the scientific advisory board.
5. Oy Tech Know Ltd., company controlled by Matti Härkönen, is paid the same consulting fee in 2020, 48,000 EUR, like as in 2019

INSIDERS

Biohit applies the Guidelines for Insiders approved by Nasdaq Helsinki Ltd, as well as any relevant amendments.

Biohit's President & CEO is responsible for insider control. He ensures that people who handle insider information are aware of insider regulations and adhere to trading restrictions. Insiders are not allowed to trade Biohit Oyj securities for 30 days before the publication of the company's financial statement bulletin and interim reports. Insiders participating in projects are not allowed to trade shares in Biohit before an announcement has been made of the continuation or discontinuation of a project.

Information on the shareholdings of Biohit's insiders and their trading activity is available on Biohit's website at www.biohit.fi/investors.

BOARD OF DIRECTORS

OSMO SUOVANIEMI

b. 1943
MD, PhD, Professor

Chairman of Biohit Oyj's Board of Directors

Non-independent of the major shareholder and of the company

Other relevant experience:
- The founder and previous President & CEO of Biohit Oyj
- The founder, main shareholder, chairman, and CEO of Labsystems Oyj and Eflab Oy
- Around 70 patents in Finland and several hundreds abroad.
- A board member, vice-chairman, and chairman of the General Industry Group in Finland in 1978–1986
- A board member of the Confederation of Finnish Industry in 1986
- A member of the Academy of Technical Sciences from 2003

EERO LEHTI

b. 1944
MSc (Soc.Sc.), holder of the honorary Finnish title of "kauppaneuvos", member of parliament until 2019

Member of Biohit Oyj's Board of Directors since 2009

Non-independent of the major shareholders and of the company

Other relevant experience:
- Member of Parliament
- Founder and Chairman of Taloustutkimus Oy
- Chairman and main owner of Suomen Lehtiyhtymä Oy
- Chairman of Fennia, Henki-Fennia, Eila Kaisla Oy
- A board member of the TEKES
- Chairman of Kerava Municipal Board.

FRANCO AIOLFI

b. 1947
Degree in Pharmacy awarded by the University of Urbino

Member of Biohit Oyj's Board of Directors since 2013

Independent of the major shareholders but non-independent of the company

Other relevant experience:
- Degree in Pharmacy awarded by Urbino University
- Managing Director of BioAir S.p.A. in 31.12.2020 and majority owner through Arsfin Consult Srl.

MATTI HÄRKÖNEN

b. 1933
MD, PhD, Emeritus Professor

Member of Biohit Oyj's Board of Directors since 2017

Non-independent of the major shareholders and of the company

Other relevant experience:
- Emeritus Professor of Clinical Chemistry at the University of Helsinki
- Doctor of Medicine and Surgery (MD, PhD)
- Medical Officer at Yhtyneet Laboratoriot Oy
- About 280 scientific publications Responsible for the clinical trials and related development work at Biohit Oyj
- Acts as a scientific advisor to Biohit Oyj.

LIU FENG

b. 1972
Managing Director of Hefei medicine Co., Ltd and owner of Biohit Healthcare (Hefei) Co., Ltd

Member of Biohit Oyj's Board of Directors since 2018

Non-independent of the major shareholders and of the company

Other relevant experience:
- Special researcher at the Counselor's Office of Anhui Provincial People's Government
- The vice chairman of the Chinese National Early Gastrointestinal-Cancer Prevention & Treatment Center Alliance
- Member of the council of the China Health Promotion Foundation.
- In 2013, Liu Feng and his companies and Biohit Oyj established a joint venture Biohit Healthcare (Hefei) Co., Ltd

LEA PALOHEIMO

b. 1951
PhD (clinical biochemistry), hospital chemist.

Member of Biohit Oyj's Board of Directors since 2019

Independent of the major shareholders but non-independent of the company

Other relevant experience:
- With Biohit Oyj during the years 2001-2019. Production and Product Development Director, Business Development Director.

TIMO JOENSUU

b. 1959
Professor, Chief Physician, Medical Director, PhD

Member of Biohit Oyj's Board of Directors since 2020

Independent of the major shareholders and the company

Other relevant experience:
- Co-founder of Docrates Cancer Center in Helsinki. Clinical director at Docrates Cancer Center in Helsinki until 2014
- MD, PhD and Docent of Clinical Oncology, University of Helsinki, Specialist in Medical Oncology and Radiation Therapy

MANAGEMENT TEAM

SEMI KORPELA

b. 1970
MSc (Econ.)
President & CEO

With Biohit Oyj since 2011 and from 2003 to 2006 as CFO.

Previously:
CFO at Biohit Oyj from 2003 to 2006. After that, Korpela was CFO of CPS Color Group.

ILARI PATRAKKA

b.1980
MSc (Econ.)
Sales and Marketing Director

With Biohit Oyj since 2012

Previously:
Retail sales channel manager at Marioff Corporation Oy, marketing and export manager at Gasmet Technologies Oy, sales manager at Gasmet Technologies (Asia) Ltd.

DANIELA SÖDERSTRÖM

b. 1987
MSc (Tech.)
Quality and Regulatory Affairs Director

With Biohit Oyj since 2014

Previously:
Daniela Söderström has been working for Biohit Oyj in the field of quality management since 2014.

JUKKA KAINULAINEN

b. 1982
MSc (Econ.)
Chief Financial Officer

With Biohit Oyj since 2018

Previously:
Business Controller at Capgemini and Tieto. Head of FP&A at Affecto and Controller team leader at CGI.

MINNA MÄKI

s. 1969
Adjunct professor, Ph.D. (Molecular microbiology)
R&D director

With Biohit Oyj since 2018

Previously:
At Orion Diagnostica Oyj. Before that, Product Development Director at Mobidiag Ltd and researcher at the University of Helsinki.

INFORMATION FOR SHAREHOLDERS

GENERAL MEETING OF SHAREHOLDERS

Biohit Oyj's Annual General Meeting has been planned for Wednesday 23 June 2021 at 11:00 am. The Board of Directors will call the General Meeting.

BOARD OF DIRECTORS' PROPOSAL REGARDING THE DISTRIBUTION OF PROFITS

On 31 December 2020, the parent company's distributable assets (unrestricted equity) amounted to EUR 5,905,188.50, including the loss for the financial period of EUR 3,350,126.90. The Board of Directors proposes to the Annual General Meeting that no dividend be distributed by the company for the most recent financial period.

SHARES

Total number of shares: 15,045,593 (15,045,593 in 2019)
Series A shares (20 votes per share): 2,975,500 (2,975,500 in 2019)
Series B shares (1 vote per share): 12,070,093 (12,070,093 in 2019)

Biohit Oyj's series B shares are listed in the Nasdaq Helsinki Ltd Small Cap group. The shares are traded under the symbol BIOBV. More detailed information about Biohit Oyj's shares is provided in the notes to the consolidated financial statements and on the company's website at www.biohithealthcare.com/investors.

FINANCIAL COMMUNICATIONS IN 2021

The financial reviews and other stock exchange releases published by Biohit are available on the company's website at www.biohithealthcare.com/investors. You can also subscribe to receive financial communications by email using the subscription form on the website.

PUBLICATION DATES FOR FINANCIAL REPORTS IN 2021

Wednesday 11 August 2021: Interim report, January–June (H1).

SILENT PERIOD

Biohit observes a silent period of 30 days before results are published. During this period, Biohit's management and other personnel will not provide information about the company's financial position or market-related comments, nor will they meet with representatives from equity markets or the financial media. However, if an event that requires immediate publication takes place during the silent period, Biohit will publish information without delay in accordance with disclosure regulations. In such cases, the company is able to comment on the event.

FINANCIAL STATEMENTS

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*part of the financial statements

REPORT OF THE BOARD OF DIRECTORS 2020

SUMMARY

- Revenue EUR 7.1 million (EUR 10.1 million)
- Revenue decreased by 29.1% compared to 2019
- Operative EBITDA EUR -1.2 million (EUR +0.6 million)
- Cash and cash equivalents at the end of the period EUR 1.0 million (EUR 1.3 million)
- Fair value of Genetic Analysis AS investment EUR 0.8 million (EUR 3.7 million 31 December 2019)
- Revenue from international operations 96.1% (96.0%) of total revenue
- Equity ratio 80.8% (83.9%)

In 2020, Biohit's revenue decreased by 29.1% compared to the previous year. Biohit's balance sheet provides a strong foundation for building the business and exploiting the great potential of the products. Our company's equity ratio at the end of 2020 was 80.8% (83.9%). At the end of the financial period, the company's financial assets amounted to EUR 5.3 million (EUR 5.6 million).

BIOHIT GROUP KEY FIGURES

	1–12/2020	1–12/2019
Revenue (MEUR)	7.1	10.1
Operating profit/loss (MEUR)*	-3.2	-1.4
Profit/loss before taxes (MEUR)	-3.3	-1.2
Profit/loss for the period (MEUR)	-3.3	-1.4
Average number of personnel	45	46
Number of personnel at the end of the period	46	46
Equity ratio (%)	80.8	83.9
Earnings per share (EUR)	-0.22	-0.09
Shareholders' equity per share (EUR)	0.58	0.97
Average number of shares during the period	15,045,593	15,005,253
Number of shares at the end of the period	15,045,593	15,045,593

* In 2017 we capitalized the patent regarding divestment of Biohit Healthcare (Hefei) Co. Ltd. which is depreciated EUR 1.5 million annually until end of 2021

REPORTING

Biohit's product portfolio consists of diagnostic tests, analysis systems, acetaldehyde binding products, monoclonal antibodies, as well as laboratory operations for R&D. The entire product and service portfolio is reported under a single segment

REVENUE AND RESULTS

Revenue decreased by 29.1% from the previous year. The proportion of international operations remained at the same level as the previous year 2020 amounted to 96.1% (96.0%). The operating profit was EUR -3.2 million (EUR -1.4 million).

Consolidated revenue and operating profit

MEUR	2020	2019
Revenue	7.1	10.1
Operating profit	-3.2	-1.4

BRIDGE CALCULATION OF ALTERNATIVE PERFORMANCE MEASURES

Operative EBITDA

€ 1,000	2020	2019
Operating profit/loss	-3,174	-1,412
Depreciation and amortization	1,997	2,006
Items affecting comparability	-	-
Operative EBITDA	-1,178	593

BALANCE SHEET, FINANCING AND OPERATIONAL CONTINUITY

On the 31 December 2020, the balance sheet totalled EUR 10.8 million (EUR 17.4 million 31 Dec 2019). At the end of the reporting period our equity ratio stood at 80.8% (83.9% 31 Dec 2019).

The balance sheet has decreased mainly due to Hefei patents amortization by EUR 1.5 million, decrease in Genetic Analysis AS fair value by EUR 2.9 million, negative EBITDA EUR 1.2 million and decrease in the working capital EUR 1.3 million.

Biohit Oyj have a relatively stable financing position despite the pandemic. On the 31 December 2020 company's financial assets totalled EUR 5.3 million (EUR 5.6 million) which does not include Genetic Analysis AS shares.

The company has managed to keep its working capital on a good level despite the COVID-19 pandemic and significant financial investments. The management believes that working capital will cover the operations for the next 12 months and the company is not dependent on external financing to be able to guarantee the continuity of its operations.

Cash flow from operating activities was EUR -0.0 million during the review period and EUR +0.2 million during the second half of the year. Company's management assessment is that company's ability to continue its operations is good and there are no indications towards events or circumstances that alone or together might give a significant reason to doubt the organisation's ability to continue its operations.

INVESTMENTS

Gross investments during the 1-12/2020 reporting period totalled EUR 0.0 million (EUR 0.0 million).

PERSONNEL

During the review period, the Biohit Group employed on average 45 (46) people, of whom 36 (37) were employed by the parent company and 9 (9) by the subsidiaries.

SHORT-TERM RISKS AND UNCERTAINTY FACTORS

Biohit's key risks are related to to prolongation of coronavirus (SARS-CoV-2) pandemic, the success of product registrations, the selection and development of new market areas and distribution channels and personnel recruitment.

Short-term risks are associated with the normalization of Biohit's product demand and the success of product registration. The recent increase in uncertainty factors associated with international politics may have an unfavourable impact on the company's business. It is also critical in the short-term to implement the changes in Biohit's product portfolio and processes according to new EU regulation, 2021 (MDR) and 2022 (IVDR), so that the sales of the existing products can continue.

Prolongation of COVID-19 pandemic can increase the bad debt risk among Biohit's international distribution network. The continuation of the shortage of components due to the COVID-19 pandemic may also have a negative impact on Biohit's sales.

The duration of the product registration process is different in each market area. For this reason, it is not possible to accurately assess the time taken for the authorities to handle registrations and for product sales to begin. The distributor is responsible for the registration process.

When investing liquid assets, the objective is to gain a return on investment with a minimum risk of equity loss. The investment portfolio consists of deposits, money market investments and corporate loans. A fundamental aspect in portfolio management is sufficient diversification across different asset classes, investment instruments and counterparties. The investment portfolio is subject to interest rate risk, which is managed by adjusting the duration of the portfolio. In addition, general instability in the financial markets impacts negatively on the value of the investment portfolio.

The Group's investment in Genetic Analysis AS unlisted shares is subject to changes in the terms of transactions involving the company's shares that take place between third parties. A negative change of 30% in the valuation of Genetic Analysis AS shares would have a negative pre-tax impact of EUR 0.2 million on the Group comprehensive income. Investment in Genetic Analysis AS is also subject to changes in EUR/NOK foreign exchange rate. In addition, Genetic Analysis AS is dependent on securing external financing in its operations. Genetic Analysis AS valuation changes have no effect on company's cash flow.

Biohit's customer base is widely diversified, with the exception of GastroPanel® sales in China, which currently represents a major single business for Biohit. For this reason, the company is dependent on the success of this business in China. Otherwise, the company is not significantly dependent on individual customers or project deliveries. Most of the company's business is conducted in euro and the indirect effects of currency exchange rate fluctuations are considered insignificant.

OUTLOOK FOR 2021

Biohit expects its 2021 revenue to grow significantly comparing with 2020 (previous year EUR 7.1 million).

The COVID-19 pandemic still creates uncertainty for the 2021 outlook. More information on the risks can be found in the section "short-term risks and uncertainty factors".

MAIN EVENTS IN THE FINANCIAL PERIOD

Business recovered both in Europe and China in the second half of 2020

The impact of the COVID-19 pandemic on Biohit's business in the second half of 2020 was more moderate than in the first half of 2020. Our business recovered both in Europe and in China. The Middle East market was almost at a standstill during the second half of the year 2020.

Our revenue decreased by 29% compared to 2019. Our revenue in the second half of 2020 was EUR 4.1 million and it decreased by 19% compared to the second half of 2019. Operative EBITDA decreased to EUR -1.2 million (EUR +0.6 million) of which the second half of the year generated EUR -0.2 million (EUR +0.2 million). We reached EUR 0.7 million savings in fixed costs as a result of the cost savings actions taken by the company. We accounted EUR -0.2 million in provision of obsolete inventory relating to products which sales stopped at the beginning of the year due to the pandemic. Our cash and cash equivalents at the end of the period remained on a good level EUR 1.0 million (EUR 1.3 million) due to the company's effective working capital management. Cash flow from the operating activities was positive EUR +0.2 million during the second half of the year.

Comprehensive income for 2020 was very negatively impacted by the fair value change in the investment in unlisted Genetic Analysis AS shares, EUR -2.9 million. The fair value change had no impact on the cash flow. The COVID-19 pandemic created an extra challenge on the Genetic Analysis AS financing round.

The pandemic has resulted in a shortage of components in some areas and the company has increased inventories for certain components in order to secure deliveries to distributors at the beginning of 2021.

Main agreements and GastroPanel® Quick Test

Despite the pandemic we made international distribution agreements for different product groups during the year 2020. We signed an agreement over the distribution of GastroPanel® QuickTest with Concile GmbH in Germany. In Algeria Hydra pharm s.a.r.l is our new QuickTest distributor. We also signed the exclusive distribution agreement with TPX Medik for distribution of Biohit GastroPanel® test in Malaysia. We also extended our agreement with SOK for the distribution of Acetium lozenge in their co-operative stores. In addition, we signed an extension contract with GrandPharma for Acetium capsule production and distribution locally in China.

An important achievement during the review period was the new manufacture and licensing agreement with Biohit's long term distributor Melon OOO regarding local GastroPanel® production in Russia. The local production enables better utilization of Russia's Ministry of Health recommendation for early detection of gastrointestinal diseases. Business in Russia grew compared to the previous year despite the COVID-19 impact.

The development of the GastroPanel® Quick Test has been suspended since the beginning of the year 2020 due to the COVID-19 pandemic. The study will continue when the safety conditions for running the study can be secured. It is priority for Biohit to secure the safety of both its own personnel and partners in all operations including clinical studies. We estimate that the study will restart in the first quarter of 2021. The product will be CE marked as soon as the clinical trials are completed.

RESEARCH AND DEVELOPMENT AND CLINICAL STUDIES

R&D operations focus on innovations, as well as product development and further improved usability. Biohit also employs external experts and subcontractors in its R&D operations.

Development expenditure has not been capitalised. Research and development expenditure during the 1-12/2020 reporting period amounted to EUR 1.0 million (EUR 1.2 million) of which the second half-year accounted for EUR 0.5 million (EUR 0.6 million).

The development of ColonView ELISA Test, automated screening test intended for detection of fecal occult blood (FOB) in stool samples continued in 2020.

In July 2020, the results of a clinical study conducted by the Oulu University Hospital Gastrocenter and Outpatient Department of Internal Medicine in 2017-2020 were published in an international scientific journal in the field of gastroenterology. This study was focused on patients with type 1 diabetes mellitus (DM1) and autoimmune thyroid disease (AITD), who are known to have a markedly increased risk of also contracting autoimmune-type atrophic gastritis (gastric mucosal atrophy and dysfunction). The result showed that atrophic gastritis is more common in AITD and DM1 patients compared to the general population and that the GastroPanel® is an excellent test for early detection of gastric mucosal changes and the associated risks of gastric cancer and others in these patient groups.

The status of GastroPanel® Quick Test is reported in CEO's comments section.

Financial reporting

Biohit Oyj publishes financial reviews twice per year. In 2021, the company will publish its interim report for January-June (H1) 2021 on Wednesday 11 August 2021 at 9.30am.

MAJOR EVENTS AFTER THE CLOSE OF THE REVIEW PERIOD

The company's management is not aware of any material events since the balance sheet date.

ADMINISTRATION

Annual General Meeting 2020

The Annual General Meeting (AGM) held on 16 September 2020 decided in accordance with the proposal by the Board of Directors that no dividend would be paid for the financial period that ended 31 December 2019.

The AGM resolved that seven (7) members are elected to the Board of Directors and that professor Osmo Suovaniemi, CEO Franco Aiolfi, emeritus professor Matti Härkönen, Commercial Counsellor Eero Lehti, PhD Lea Paloheimo, CEO Liu Feng and professor Timo Joensuu are elected as members of the Board of Directors until the end of the next AGM.

The AGM selected PricewaterhouseCoopers Oy, a firm of Authorized Public Accountants, to act as Biohit Oyj's auditor.

Biohit Oyj Management team

The members of Biohit's Management Team are: CEO Semi Korpela, CFO Jukka Kainulainen, Production & Research and Development Director Minna Mäki, Sales and Marketing Director Ilari Patrakka and Quality and Regulatory Affairs Director Daniela Söderström.

SHARES AND SHAREHOLDERS

Biohit Oyj's number of shares is 15,045,593 (15,045,593), of which 2,975,500 (2,975,500) are Series A shares and 12,070,093 (12,070,093) are Series B shares. The Series B shares are quoted on NASDAQ Helsinki in the Small cap/Healthcare group under the code BIOBV.

BIOBV/NASDAQ OMX Helsinki

	1–12/2020	1–12/2019
High (EUR)	4.30	3.70
Low (EUR)	1.90	2.10
Average (EUR)	2.56	2.99
End (EUR)	2.48	3.36
Turnover (EUR)	14,153,206	10,047,336
Turnover volume	5,518,054	3,361,995

Shareholders

At the end of the reporting period on 31 December 2020 the company had 7,513 shareholders (6,980 on 31 December 2019). Private households held 63.3% (63.5%), companies 7.5% (7.4%) and public sector organisations 0.0% (0.0%). Foreign ownership or nominee registrations accounted for 29.2% (29.1%) of shares.

Further information on the shares, major shareholders and management shareholdings is available on the company's website at www.biohithealthcare.com/investors.

Authorization of the Board of Directors to decide on the issue of shares and to issue special rights entitling the receipt of shares

The Annual General Meeting (AGM) held on 16 September 2020 resolved to authorise the Board of Directors to decide on the issue of shares and to issue special rights referred to in Chapter 10, section 1 of the Limited Liability Companies Act entitling the receipt of shares with the following terms and conditions:

The maximum number of new Series B shares to be issued pursuant to the special rights is 3,000,000, which corresponds to approximately 24.9% of the company's all existing Series B shares.

The authorisation includes the Board of Directors' entitlement to decide on all terms and conditions regarding the issue of special rights. The share issue and the issue of special rights entitling to the receipt of shares can occur in derogation from the pre-emptive subscription right of the shareholders (direct share issue).

The authorisation remains valid for two (2) years from the resolution of the AGM. This authorisation replaces the former authorisations.

BOARD'S PROPOSAL FOR DISTRIBUTIONS OF PROFIT

The parent company's distributable funds (unrestricted equity) on 31 December 2020 are EUR 5,905,188.50 of which the period net loss is EUR 3,350,126.90. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the fiscal year.

Annual General Meeting in 2021

Biohit Oyj's Annual General Meeting has been planned to be held on Wednesday 23 June 2021 in Helsinki. The Board of Directors will call the General Meeting at a later date.

Corporate Governance Statement

Biohit Oyj publishes a separate corporate Governance statement on its website at the following adress: https://www.biohithealthcare.com/en/biohits-corporate-governance-statements/.

Helsinki, 15 February 2021
Biohit Oyj Board of Directors

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

€ 1,000	Note	1 Jan–31 Dec 2020	1 Jan–31 Dec 2019
Revenue	3	7,123	10,052
Change in inventories of finished and unfinished products		144	143
Other operating income	5	19	41
Materials and services	6	-3,309	-3,528
Expenses arising from employment benefits	7	-3,063	-3,291
Other operating expenses	8	-2,091	-2,824
EBITDA		**-1,178**	**593**
Depreciation and amortization	10	-1,997	-2,006
Operating profit/loss		**-3,174**	**-1,412**
Financial income	11	83	173
Financial expenses	11	-171	12
Profit/loss before taxes		**-3,261**	**-1,227**
Income taxes	12	-51	-189
Profit/loss for the financial period		**-3,313**	**-1,417**
Other items of comprehensive income			
Items that may later be reclassified through profit and loss			
Translation differences		-5	60
Items that will not be reclassified through profit and loss			
Changes in the fair value of equity instruments measured at fair value through other comprehensive income		-2,560	-110
Changes in the fair value of equity instruments measured at fair value through other comprehensive income		**-5,877**	**-1,467**
Distribution of profit/loss for the financial period			
To the owners of the parent company		-3,313	-1,417
Total		-3,313	-1,417
Distribution of comprehensive income for the financial period			
To the owners of the parent company		-5,877	-1,467
Total		-5,877	-1,467
Earnings per share calculated from earnings attributable to the owners of the parent company			
Undiluted earnings per share (EUR)	13	-0.22	-0.09
Diluted earnings per share (EUR)		-0.22	-0.09

CONSOLIDATED BALANCE SHEET

€ 1,000	Note	31 Dec 2020	31 Dec 2019
CONSOLIDATED BALANCE SHEET			
Non-current assets			
Intangible assets	14	1,763	3,401
Property, plant and equipment	15	269	389
Right-of-use assets	15, 16	371	283
Other non-current financial assets	17	58	58
Deferred tax assets	19	17	28
Total non-current assets		2,478	4,159
Current assets			
Inventories	20	903	990
Trade and other receivables	17, 21	1,317	2,902
Other current financial assets	17	5,041	7,996
Cash and cash equivalents	18, 22	1,038	1,325
Total current assets		**8,299**	**13,213**
Total assets		**10,777**	**17,372**

€ 1,000	Note	31 Dec 2020	31 Dec 2019
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	23	2,350	2,350
Fair value reserve	17	-1,165	1,395
Invested unrestricted equity fund	23, 24	5,138	5,138
Translation differences		-88	-84
Retained earnings		2,468	5,780
Shareholders' equity attributable to shareholders of the parent company		**8,703**	**14,580**
Total shareholders' equity		**8,703**	**14,580**
Long-term liabilities			
Lease liabilities	16, 18, 25	125	59
Deferred tax liabilities	19	3	352
Other liabilities	18, 26	6	5
Total long-term liabilities		**134**	**415**
Short-term liabilities			
Trade payables	26	612	869
Tax liabilities	26	31	109
Short-term interest-bearing liabilities	16, 18, 25	256	228
Other liabiliteis	26	1,040	1,171
Total short-term liabilities		**1,940**	**2,377**
Total shareholders' equity and liabilities		**10,777**	**17,372**

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

	Shareholders' equity attributable to shareholders of the parent company					
€ 1,000	Share capital	Invested unrestricted equity fund	Translation differences	Fair value reserve	Retained earnings	Total shareholders' equity
Shareholders' equity 1 January 2020	2,350	5,138	-84	1,395	5,780	14,580
Total comprehensive income for the period	-	-	-5	-2,560	-3,313	-5,877
Shareholders' equity 31 December 2020	**2,350**	**5,138**	**-88**	**-1,165**	**2,468**	**8,703**

	Shareholders' equity attributable to shareholders of the parent company					
€ 1,000	Share capital	Invested unrestricted equity fund	Translation differences	Fair value reserve	Retained earnings	Total shareholders' equity
Shareholders' equity 1 January 2019	2,350	4,925	-143	1,505	7,255	15,892
Subscription of options	-	213	-	-	-	213
Adjustments of translation differences	-	-	-	-	-59	-59
Total comprehensive income for the period	-	-	60	-110	-1,417	-1,467
Shareholders' equity 31 December 2019	**2,350**	**5,138**	**-84**	**1,395**	**5,780**	**14,580**

CONSOLIDATED CASH FLOW STATEMENT

€ 1,000	Note	2020	2019
Cash flow from operating activities			
Profit/loss for the financial period		-3,313	-1,417
Adjustments to profit for the financial period			
Business activies with no payment transactions		11	-68
Depreciation and impairment	10	1,997	2,006
Financial income and expenses		87	-184
Income taxes	12	51	189
Total adjustments to income for the financial period		2,146	1,943
Change in working captial			
Increase (-)/ decrease (+) in short-term interest-free trade receivables		1,545	-849
Increase (-)/ decrease (+) in inventories		97	-190
Increase (-)/ decrease (+) in short-term interest-free liabilities		-344	612
Total change in working capital		1,298	-427
Interest paid		-103	-51
Interest received		98	150
Realised exchange rate gains and losses		-10	9
Income tax paid		-142	-123
Net cash flow from operating acitivies		**-25**	**83**

€ 1,000	Note	2020	2019
Cash flow from investments			
Investments in tangible and intangible assets		-15	-46
Investments in funds and deposits		-1,557	-1,497
Profit from the sale of investments in funds and deposits		1,537	1,462
Loans		-	-57
Net cash flow from investments		**-35**	**-138**
Cash flow from financial acitivies			
Subscription of options		-	213
Withdrawal of loans		-	1
Repayment of lease liabilities		-222	-224
Net cash flow from financial activities		**-222**	**-10**
Change in financial assets		**-282**	**-65**
Cash and cash equivalents at the beguinning of the period		1,325	1,375
Effects of changes in exchange rates		-5	15
Cash and cash equivalents at the end of the period	22	**1,038**	**1,325**

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 BASIC INFORMATION ON THE COMPANY

Biohit Oyj is a Finnish public limited company that manufactures products that bind acetaldehyde, diagnostic products and systems for diagnostic analysis for the use of research institutions, healthcare and industry. The parent company's domicile is Helsinki, Finland.

A copy of the consolidated financial statements is available on the website, www.biohit.fi, and at the headquarters of the Group's parent company at Laippatie 1, Helsinki, Finland.

Biohit Oyj's Board of Directors approved the financial statements for publication on February 15th 2021. In accordance with the Finnish Limited Liability Companies Act, shareholders have the opportunity to approve or reject the financial statements at the Annual General Meeting, which is to be held after the financial statements have been published. At the Annual General Meeting, it is also possible for a decision to be made to alter the financial statements.

2 ACCOUNTING PRINCIPLES

Accounting principles

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) endorsed by the European Union. The IAS and IFRS standards that were valid on 31 December 2020 have been followed, as well as SIC and IFRIC interpretations. The IFRS refer to standards and interpretations thereof approved for application in the EU in compliance with the proceedings stipulated in Regulation (EC) 1606/2002, as referred to in the Finnish Accounting Act and subsequent regulations. The notes to the consolidated financial statements also comply with Finnish accounting and corporate legislation.

The consolidated financial statements have been prepared in compliance with the principle of operational continuity. Despite its loss-making financial periods, the company has succeeded in keeping its working capital at a good level and the company believes that it is sufficient to cover the next 12 months of operations. The company is not dependent on external financing to guarantee operational continuity. In the assessment of the company's senior management, the company's capacity to continue operating is good, and there are no foreseeable events or conditions that could occur individually or in combination to give major cause to doubt the company's ability to continue operating.

The consolidated financial statements have been prepared on the basis of acquisition cost with the exception of equity investments recognised at fair value through other comprehensive income and financial assets and liabilities recognised at fair value through profit or loss. The financial statements are presented in thousands of euros. The figures presented in the financial statements are rounded from precise figures, so the combined total of individual figures may differ from the total sum presented. Indicators have been calculated using precise values.

The preparation of IFRS-compliant financial statements requires the Group management to make certain estimations and judgments when applying the Group's accounting policies. Information on judgements that the management has made when applying the Group's accounting principles and that have the most significant effect on the figures presented in the financial statements are presented under "Accounting policies calling for judgements by the management and key sources of estimation uncertainty".

Presentation method

The Group's income statement is presented as a single calculation in which the share of the income accounted for by the Group's ongoing operations is presented first and income due to discontinued operations is then presented on a single line. In the 2019 and 2020 financial periods Biohit had no discontinued operation to present.

Consolidation principles

The consolidated financial statements include the parent company, Biohit Oyj, and all its subsidiaries. Subsidiaries are companies over which the Group exercises control. The Group has a controlling interest in a company if, by being involved in the company, it is exposed to fluctuating returns or is entitled to such fluctuating returns and it is able to influence these returns by exercising its control over the company.

Mutual shareholdings of Group companies have been eliminated using the acquisition cost model. Acquisition costs include transferred assets at fair value, generated or assumed liabilities and equity-based instruments that are issued. Acquired subsidiaries are consolidated from the moment that the Group gains control over them and divested subsidiaries are consolidated until this control ends. All internal Group business transactions, receivables, liabilities, unrealised profits and internal profit distribution are eliminated when preparing the consolidated financial statements. Unrealised losses are not eliminated if the loss results from impairment. The distribution of profits for the financial period to the parent company's owners and minority interest-holders is presented in the income statement, and the minority interest-holders' share of equity is presented as a separate item in the balance sheet under equity. The minority interest-holders' share of accumulated losses is recognized in the consolidated financial statements up to the amount of the investment. The Group has no associated companies or minority shareholders.

Subsidiaries

Subsidiaries are consolidated into the financial statements from the moment that the Group gains control over them until this control ends. The consolidated financial statements have been prepared using the acquisition-cost method. The Group's share of assets, liabilities and contingent liabilities on the date of acquisition is recognised at fair value and the amount in excess of the fair-value acquisition cost is recognised as goodwill. If the acquisition cost of a subsidiary is less than the value of the net assets on the date of acquisition, the difference is recognised in the income statement. Internal Group business transactions, receivables, liabilities and unrealised profits from internal sales are eliminated in the consolidated financial statements. Unrealised losses are also eliminated unless an internal business transaction demonstrates that an asset has become impaired. The share of a subsidiary owned by minority interest-holders is presented in the consolidated balance sheet under equity, separately from shareholders' equity. The accounting principles applied by subsidiaries have been adapted to correspond to the Group's principles. On 31 December 2020, the company had no goodwill on its balance sheet.

Translating items denominated in foreign currencies

The profit and financial position of the Group's units are measured in the currency of the main operating region of the unit in question. The consolidated financial statements are presented in euro, which is the functional and presentation currency of the Group's parent company.

Foreign currency business transactions are recorded in the functional currency at the exchange rate on the date of transaction. Monetary receivables and liabilities are translated at the exchange rate on the closing date of the financial period. Non-monetary foreign currency items have been translated into the functional currency at the exchange rates on the transaction date. Any exchange differences arising from translation are recognised in the income statement. Any exchange differences arising from the translation of accounts receivable and accounts payable within the Group are recognised as financial items, while corresponding external items are treated as sales or purchase adjustment items. The income statements of foreign subsidiaries have been translated into euro at the average exchange rate for the financial period and the balance sheets have been translated at the exchange rate on the closing date of the financial period. The exchange difference resulting from translating income statement items using the average exchange rate and balance sheet items at the exchange rate on the closing date of the financial period has been recognised as a separate item under translation differences in equity. Exchange differences from monetary items calculated as net investments made in foreign subsidiaries are recognised as translation differences.

Business segments

Biohit's product portfolio consists of diagnostic tests, analysis systems, products that bind carcinogenic acetaldehyde into harmless compounds, monoclonal antibodies and service laboratory operations. The company classifies its entire product and service portfolio into one segment.

Segment information is provided to the most senior operative decision-making body as part of internal reporting in a consistent manner. The Group's Management Team is the most senior operative decision-making body. It is responsible for allocating resources to business segments.

Revenue recognition:

The Group applies IFRS 15 Revenue from contracts with customers. The new standard establishes a five-step model for recognizing revenue from contracts with customers.

Revenue is recognised on a gross basis, as Biohit acts as a principal towards customers. The transaction price is estimated separately for each contract at the amount of consideration that Biohit is expected to be entitled to in exchange of the goods or services transferred. The determination of the transaction price is normally straightforward, as Biohit's contracts include no variable consideration such as retrospective discounts. Biohit applies the practical expedient and therefore does not recognise a significant financing component, i.e. does not adjust the promised consideration for time value of money when the time between the delivery of the promised good or service to the customer and the payment by the customer is less than one year.

Some distribution agreements include the right to return the goods. In this case, Biohit recognises revenue at the amount that it expects to be entitled to, and recognises a refund liability within advance payments (Note 26) as well as an asset reflecting the right to the returned goods in tangible assets in the balance sheet (Note 20). At the end of each reporting period, Biohit updates its estimates relating to the sales involving a right to return and adjusts revenue, cost of goods sold and the related refund liability and asset accordingly.

Revenue for each good or service as well as royalty from license-based business is recognised as a distinct performance obligation, as those are separately identifiable and Biohit's customers can benefit from them individually. Revenue from goods sold is recognised at a point of time when control over them is transferred to the customer in accordance with the commercial terms of delivery, i.e. when the goods leave the warehouse in accordance with "ex-works". For laboratory services, Biohit considers that control is transferred to the customer when the results of an analysis are delivered to the customer, and revenue is recognised at a point of time. Revenue from licence-based contracts is recognised based on a so-called subsequent sale, i.e. on the basis of revenue generated from the sales of the licenced goods by the customer or on the basis of the number of goods sold. Where Biohit is unable to receive from the customer the information regarding the amount of sales or the number of goods sold that forms the basis for royalty income, royalty income is estimated based on historical data. In the financial year 2020, royalty income is based on information submitted by the customers.

Biohit has a contractual obligation to withdraw defective goods from the market and replace them with new products without a separate compensation. Costs relating to the withdrawal are accounted for in accordance with IAS 37 Provisions, contingent liabilities and contingent assets. The amount of costs relating to goods withdrawn has not been material in Biohit's business.

Biohit recognises a contract asset when the right to a consideration is not unconditional. The asset is recognised within sales receivables when the right to a consideration is unconditional, i.e. when only passage of time is required before payment of the consideration is due. A contract liability is recognised for payments received from customers for which no goods or services have yet been delivered by Biohit.

Biohit has not incurred any significant costs to obtain the contracts, such as sales commissions. Biohit applies a practical expedient and recognises the incremental costs of obtaining a contract as an expense as incurred, if the amortisation period for the related asset would be one year or less.

Biohit applies the practical expedient and does not disclose information about partly or completely unsatisfied performance obligations that relate to contracts with a duration one year or less. Biohit's contracts with a duration of more than one year consist of distribution agreements that are framework contracts by nature and do not meet the criteria in IFRS 15 for the existence of a contract without specific purchase orders for quantities to be delivered. In this case, future sales relating to distribution agreements are not accounted for as unsatisfied performance obligations, and no transaction price is allocated to them.

Estimates made relating to revenue recognition

Biohit uses management's estimates when recognising revenue from contracts with customers including a right of return. Management estimates the extent to which the right of return will be exercised, and revenue is recognised only for the products which, according to management's estimate, are very likely not to be returned. Management's estimates are based on historical return rates or where historical data is not available, on estimates regarding future returns based on unsold goods included in the customer's inventory and their expiry dates. The amount of these contracts in Biohit's business is minimal.

Property, plant and equipment

Property, plant and equipment are recognised at original acquisition cost, less accumulated depreciation and impairments. Acquisition cost includes the direct costs arising from acquisition. Costs that arise subsequently are included in the book value of the asset or recognised as separate assets only if it is likely that the future financial benefit associated with the asset will benefit the Group and the acquisition cost of the asset can be reliably determined. Other repair and maintenance costs are recognised through profit or loss in the period during which they have materialised.

Straight-line depreciation is applied to assets according to the estimated useful life. No depreciation is made on land. The estimated useful lives are as follows:

Machinery and equipment: 3–10 years

The residual value and the useful life of assets are checked in every financial statement and, if necessary, adjusted to represent changes that have occurred in the expectations of financial benefit. Sales gains and losses accumulated from the disposal or transfer of tangible fixed assets are included in other operating income or expenses.

IFRS 16 Leases

Biohit implemented IFRS 16 for the first time for the reporting period beginning on 1 January 2019. It will result in almost all leases being recognised on the balance sheet by lessee as the distinction between operating and finance leases is removed.

Under the new standard, lessee recognises a right-of-use asset (the right to use the leased item) and a lease liability to pay rentals. The standard includes optional recognition exemptions for short-term leases (12 months or less) and leases for which the underlying asset is of low value. Biohit has decided to apply the optional exemptions and recognises these expenses as straight-line basis over the period of the lease.

The most significant impact of adopting the standard was that Biohit recognises new liabilities and right-of-use assets, relating to office premises and company cars from existing lease contracts.

According to IFRS 16 -standard, the lessee's lease period is the period during which the lease cannot be terminated. Also, a potential extension or termination option should be considered, if the use of such option is estimated to be reasonably certain. The lease term for ongoing contracts is based on estimate by Biohit's management. Management regularly estimates the length of those leases.

The lessee should value the lease agreement by discounting the future lease payments to the present value at the inception of the contract. The internal interest rate implicit in the lease is not easily available which is why the future minimum lease payments are discounted using Biohit's incremental borrowing rate. According to the standard, the incremental borrowing rate is defined as the interest that the lessee would have to pay when borrowing for a similar term and with similar security to obtain an asset of an equivalent value to the right-of-use asset in similar economic environment. Biohit has determined the incremental borrowing rate for leases based on the debt based financing offers received from the 3rd party. Biohit has applied a single discount rate to a portfolio of leases with similar characteristics.

INTANGIBLE ASSETS

Research and development expenses

Research expenditure is recognised as an expense in the balance sheet. Development expenditure related to designing new and more advanced products is capitalised in the balance sheet as an intangible asset when the product can be technically realised and commercially exploited, and the product is expected to generate a future financial benefit. Development expenditure that has previously been recognised as an expense cannot be capitalised at a later date. Depreciation is booked for an asset from the time it is ready for use. No development expenditure was capitalised on the balance sheet on 31 December 2020.

Other intangible assets

Intangible assets are only entered in the balance sheet if the acquisition cost of the asset can be reliably determined and if it is likely that the expected financial benefit from the asset will benefit the company. Other intangible assets with a limited useful life are entered in the balance sheet at original acquisition cost, and costs are booked in the income statement based on straight-line depreciation over the course of the known or estimated useful life of the asset. The Group has no intangible assets with indefinite useful lives.

The depreciation periods are as follows:

Patents:	4–10 years
IT software:	3 years
Other intangible assets:	5–10 years

Impairments of tangible and intangible assets

On the closing day of each financial period, the Group assesses whether there are indications of impairment in the value of a particular asset. If there are such indications, the recoverable amount from the said asset is estimated. Additionally, the recoverable amount is estimated annually for goodwill, regardless of whether there is any indication of impairment. The need for impairment is reviewed at the level of cash-generating units, that is, the lowest unit level that is largely independent of other units, and whose cash flow can be separated from other cash flows.

The discount rate used is the interest rate that is determined before taxes and that describes the market's view of the time value of money and the risks incorporated in the tested asset.

The recoverable amount is the asset's fair value, less costs arising from transfer or a higher utility value. Value in use is the estimated future net cash flow from the asset or cash-generating unit, which is discounted to its present value. Impairment loss is recognised if the book value of the asset is higher than the recoverable amount. Impairment loss is recognised immediately in the income statement. If the impairment loss is allocated to a cash-generating unit, it is first allocated to reduce the goodwill of the cash-generating unit and then to reduce the other assets of the unit pro rata. The impairment loss is cancelled if there is a change in the conditions and the recoverable amount from the asset has changed since the impairment loss was booked. However, the impairment loss may not be reversed in excess of what the asset's book value would be without the recognition of the impairment loss. Impairment losses recognised for goodwill are never reversed.

Inventories

Inventories are measured at acquisition cost or net realisable value, whichever is lower. The acquisition cost is determined using the FIFO method. The acquisition cost for finished and unfinished products consists of raw materials, direct labour costs, other direct costs, and the appropriate share of manufacturing-related variable overheads and fixed overheads at a normal level of operations. The net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs for completing the product and costs related to sales

Pension obligations

In Group companies, pension cover is arranged in accordance with the pension legislation and practices of the country in question. The pension arrangements are defined-contribution plans. The payments related to defined-contribution pension plans are recognised as costs in the financial period in which they arise.

Share-based payments

In the future the Group might have incentive plans where payments are made in the form of equity instruments. The benefits granted under the plans are recognised at fair value on the date on which they were granted and entered as costs evenly throughout the period during which they were earned. The effect of the plans on profit or loss is presented under costs of employee benefits.

The cost determined on the date on which the options were granted is based on the Group's estimate of the number of options for which rights are presumed to arise at the end of the incentive-earning period. The Group updates the presumption of the final number of options on the final day of every reporting period. Changes in estimates are treated through profit or loss. The fair value of option plans is defined on the basis of the Black-Scholes option pricing model. Terms that are not market-based, such as profitability and specific growth targets, are not taken into consideration when determining the fair value of options. Instead, they affect the estimate of the final number of options.

When option rights are exercised, the assets obtained from share subscriptions are entered into the invested unrestricted equity fund in accordance with the terms of the plan. The latest option program of Biohit ended in 2019.

Provisions

A provision is entered when the Group has, due to a past event, a legal or factual obligation, and the obligation is likely to materialise and the sum of the obligation can be reliably estimated. The amount to be recognised as a provision corresponds to the best estimate of the costs required to meet existing obligations on the closing date of the financial period. If the time value of money has a material impact, the amount of the provision is recognised as the present value of anticipated expenses.

Taxes based on taxable income for the period and deferred taxes

The tax expense in the income statement consists of the current tax expense and deferred tax. The amount of tax based on the taxable profit for the period is calculated from the taxable profit based on the applicable tax rate in each country. The tax is adjusted by possible taxes related to previous periods. Deferred taxes are calculated from all temporary differences between the book value and tax base. The biggest temporary differences arise from the depreciation of property, plant and equipment, deferred tax assets and internal margins on inventory.

No deferred tax is recognised for non-deductible goodwill impairment or for the undistributed profits of subsidiaries if the temporary difference is not likely to dissolve in the foreseeable future.

Deferred tax is calculated using the tax rates enacted by the balance sheet date. Deferred tax assets are recognised to the amount for which it is likely that taxable profit will be generated in the future against which the temporary difference can be utilised.

Financial Assets

Group's financial assets are classified in the following measurement categories: amortized cost, fair value through other comprehensive income and fair value through profit or loss. The classification depends on used business model for managing the financial assets and the contractual terms of the cash flows. Assets are classified as current assets, except for maturities over 12 months after balance sheet date, which are classified as non-current assets. Purchases and sales of financial assets are recognized on the settlement date. Financial assets are derecognized when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Amortized cost category consists of cash and cash equivalents, trade receivables and loan receivables where the business model is to hold the asset to collect the contractual cash flows. Financial assets recognized at amortized cost are valued using the effective interest method.

Assets at fair value through profit or loss consist of interest or equity funds or investments into listed bonds. All gains or losses of fair value changes investments in the category is included in financial income and expenses.

Assets at fair value fair value through other comprehensive income consist from equity investments to unlisted Genetic Analysis AS shares. All fair value changes in this category are recognised in equity and any potential future gain or loss from sale of assets will lead to transfer between equity to retained earnings without impact to the profit and loss statement. Dividends from equity investments are recognized at profit and loss statement.

Financial Liabilities

Group's financial liabilities are classified as amortized cost and measured at fair value net of transaction cost at settlement date. Financial liabilities are subsequently measured at amortized cost using the effective interest method. Financial liabilities at amortized cost consist of loans from financial institutions. Financial liabilities are included in non-current liabilities, except for items with maturities less than 12 months after the balance sheet date, which are included in current liabilities. A financial liability is derecognized when the related obligation is discharged, cancelled or expires. The group does not have any derivative liabilities.

The fair values of other interest-bearing liabilities at amortized cost are determined by using the discounted cash flow method employing market interest rates at the balance sheet date.

Impairment

The credit loss is recognized based on individual assessment of receivables. The simplified expected credit loss model is applied for trade receivables. The impairment process is based on historical credit loss experience combined with current conditions and forward looking macroeconomic analysis

Realised loss levels are adjusted based on history, so that they represent the current and future information and macroeconomic factors, that influence the customers ability to make the payments for receivables. Financial items based on trade receivables and contracts are recognized off the balance sheet as final credit loss., when it is not plausible to expect to receive payment e.g. in the process of bankruptcy. The impairment or credit loss is recognized in the consolidated statement of income within other expenses. Maturity analyses for trade receivables, movement in allowance account and general provisioning matrix is presented at note 27 under section credit risk. The Other financial assets at amortized cost consist of cash at banks.

Concept of operating profit and loss

IAS 1 Presentation of Financial Statements does not define the concept of operating profit. The Group has defined it as follows: operating profit or loss is a net total that can be calculated by adding other operating income to net sales, subtracting purchase expenses adjusted by the change in the stock of finished and unfinished products as well as expenses caused by production for own use, subtracting expenses from employee benefits, depreciation and potential impairment losses, as well as other operating expenses. All other items, including discontinued operations, are presented beneath operating profit or loss. Exchange differences and changes in the fair value of derivatives are included in operating profit or loss providing they arise from business-related items. Otherwise, they are recognised as financial items. Exchange differences related to the Group's internal receivables and liabilities are recognised as financial items.

Accounting policies calling for judgements by the management and key sources of estimation uncertainty

When preparing the financial statements, the management must make assessments and assumptions concerning the future, and the outcome may deviate considerably from the original assessments and assumptions. In addition, discretion must be used in applying the accounting policies. Although the estimates are based on the most recent information available, the realised values may differ from these estimates. The most important areas in which estimates, and discretion are used are described below.

Impairment testing

The Group conducts impairment tests as required on intangible assets. It also assesses any indication of impairment in accordance with the aforementioned accounting policies. The recoverable amounts of cash-generating units are measured on the basis of value-in-use calculations. Preparing these calculations requires the use of estimates.

Deferred tax assets

Deferred tax assets for unused tax losses and temporary differences in regard to recognised deferred tax assets are estimated by the Group at least once per year to determine the likelihood of the company in question generating sufficient taxable income before the unused tax losses expire.

Measurement of assets at fair value fair value through other comprehensive income where senior managers' judgement is required

Insofar as quoted valuations cannot be obtained from securities markets for liquid assets measured at fair value through other comprehensive income, the fair values are based on data that can be obtained for the assets or liabilities in question either directly (as a price) or indirectly (as a derivative of the price). The Group uses generally accepted valuation models to determine the fair values of these instruments, and the input data for these models are based in significant part on observable market data. For the valuation of Genetic Analysis AS, the input data consists of transactions involving the company's shares on market terms between third parties. The comparison periods assessment was based on the discounted cash-flow model based on the budgets by the management of Genetic Analysis AS. The company classifies the shares in Genetic Analysis AS as equity investments recognised at fair value fair value through other comprehensive income. On the balance sheet date, the fair value of the shares was EUR 0.8 million.

Application of new or amended IFRS standards and IFRIC interpretations

Biohit will begin applying new or amended IFRS standards and interpretations as of the date on which they enter into force or when they are approved for adoption in the EU. The consolidated financial statements were prepared in compliance with the same principles used in 2019.

New standards and interpretations that have not yet been adopted

Biohit has not yet applied the following new and amended standards and interpretations, which have already been published but have not been approved by the European Union or will not take effect until after the financial period.

Definition of Material - Amendments to IAS 1 and IAS 8:

The IASB has made amendments to IAS 1 Presentation of Financial Statements and IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors which use a consistent definition of materiality throughout International Financial Reporting Standards and the Conceptual Framework for Financial Reporting, clarify when information is material and incorporate some of the guidance in IAS 1 about immaterial information.

3 REVENUE AND SEGMENT INFORMATION

The company's product portfolio consists of diagnostic tests, products that bind acetaldehyde monoclonal antibodies, as well as laboratory operations for R&D. The company classifies its entire product portfolio into one segment.

REVENUE BY MARKET AREA		
€ 1,000	**2020**	2019
Finland	277	405
Europe, Other	3,640	3,977
North and South America	190	213
Asia	2,429	3,897
Other Countries	587	1,561
Revenue from contracts with customers total	7,123	10,052

The majority of Biohit's revenue is generated from distributor agreements in diagnostics. Biohit's customers, i.e. the distributors, buy and resell the products. Biohit has no post-sales rights or obligations relating to the control over the products, except for a right of return relating to some distribution agreements. The goods that are sold include several various tests for diagnostics of diseases in the gastrointestinal tract, such as celiac quick test, lactose intolerance test, Vitamin D test, GastroPanel® test for the first-line diagnosis of dyspepsia measured on simple blood test. Furthermore, the product portfolio includes Acetium® lozenge and Acetium® capsule, which are acetaldehyde-binding products sold under the trademark Acetium.

In licencing agreements, Biohit transfers licensed immaterial rights to a customer, and the customer both produces and sells the products. Licencing agreements cover both diagnostic products and Acetium products.

Biohit also has contracts that include both a distribution agreement and a licensing agreement. In this case, Biohit sells to the customer finished products and raw materials needed for production and, in addition, receives a royalty fee based on the sale of the product. Revenue from the sale of finished products, raw materials and royalty income from licences are recognised as separate performance obligations.

Biohit provided in 2020 laboratory services, such as GastroPanel® tests, for customers. Biohit analyses the sample collected from the customer and delivers the results of the analysis to the customer or to a company. The proportion of service contracts of Biohit's revenue is insignificant.

Contract assets and liabilities:

Biohit recognises revenue at a point of time when goods and services are delivered. The payment terms in Biohit's contracts with customers vary from a payment to be made one month in advance to payment in 60 days.

A contract liability is recognised for payments received where the goods or services have not yet been delivered. This is the case, among others, with countries outside Europe and Asia, where as a result of a higher credit risk relating to customers, an advance payment is received, on average, one month before the delivery of the goods. The timing difference between the receipt of the advance payment by Biohit and the delivery of the products or the results of a service does not exceed one year.

€ 1,000	**31 Dec 2020**	31 Dec 2019
Contract Assets	200	34
Trade receivables	868	2,595
Contract assets and receivables total	1,068	2,629

€ 1,000	**31 Dec 2020**	31 Dec 2019
Contract liabilities	0	2
Contract liabilities total	0	2

The items included in contract liabilities at the beginning of the period have been recognised as revenue during the financial year.

4 ACQUIRED BUSINESSES

No new businesses were acquired in the 2019 and 2020 financial periods.

5 OTHER OPERATING INCOME

€ 1,000	**2020**	2019
Subsidies	18	38
Others	0	3
Total	19	41

6 MATERIALS AND SERVICES

€ 1,000	2020	2019
Materials, supplies and goods	2,310	2,576
External manufacturing services	999	952
Total	3,309	3,528

7 EXPENSES ARISING FROM EMPLOYMENT BENEFITS

€ 1,000	2020	2019
Salaries	2,635	2,813
Pension expenses – defined-contribution plans	354	409
Other personnel expenses	75	68
Total	3,063	3,291

Average number of Group employees in the financial period	2020	2019
Group total	45	46

Details of the employment benefits enjoyed by senior managers are presented in note 28 (related-party transactions).

8 OTHER OPERATING EXPENSES

€ 1,000	2020	2019
Travel expenses and other personnel expenses	139	284
Rents and maintenance expenses	90	142
Sales and marketing expenses	593	857
Other external services	1,026	1,148
Other operating expenses	243	392
Total	2,091	2,824

Other operating expenses include research and development expenses of EUR 1,043 thousand (EUR 1,232 thousand).

9 AUDITORS' FEES

€ 1,000	2020	2019
Companies belonging to the PricewaterhouseCoopers chain		
Auditors' fees	105	101
Assignments according Auditing Act 1.1,2 §	-	5
Other services	-	4
Total fees paid to the auditor	105	110

Assignments relating Auditing Act 1.1,2 § included for example statements regarding option program and mergers in 2019.

Other services in 2019 included expert services regarding IFRS 16 implementation and other consulting services.

10 DEPRECIATION AND IMPAIRMENT

€ 1,000	2020	2019
Intangible assets	1,638	1,644
Right-of-use assets	213	216
Plant and equipment	146	145
Total	1,997	2,006

11 FINANCIAL INCOME AND EXPENSES

€ 1,000	2020	2019
Financial income		
Interest expenses on financial liabilities		
Net loss on investments recognised at fair value through profit or loss	90	159
Other financial income	-6	14
Total	83	173
Financial expences		
Interest expenses on financial liabilities	-14	-12
Net loss on investments recognised at fair value through profit or loss	-5	0
Exchange rate losses from financial assets and liabilities	-151	24
Other financial expenses	-171	12
Total		
Total financial income and expenses	-87	185

12 INCOME TAXES

Direct taxes

€ 1,000	2020	2019
Tax based on taxable income for the financial period	-31	–45
Deferred taxes	-20	–145
Total Direct taxes	-51	–189

Reconciliation of tax expenses on the income statement

€ 1,000	2020	2019
Profit before taxers	-3,261	–1,227
Taxes calculated at domestic rates 20%	652	246
Effect of differing tax bases applying to foreign subsidiaries	-31	–77
Tax-free income and non-deductible expenses	-15	27
Non-recognised deferred tax assets from taxable loss	-429	–27
Other items	-229	–358
Taxes on the income statement	-51	–189

13 EARNINGS PER SHARE

Undiluted earnings per share are calculated by dividing the profit attributable to shareholders of the parent company in the financial period by the weighted average number of shares in circulation during the financial period.

	2020	2019
Profit for the period attributable to the owners of the parent company (EUR thousand)	-3,313	-1,417
Average number of shares, undiluted	15,045,593	15,005,253
Average number of shares, diluted	15,045,593	15,005,253
Earnings per share, undiluted (EUR)	-0.22	-0.09
Earnings per share, diluted (EUR)	-0.22	-0.09

14 INTANGIBLE ASSETS

2020

€ 1,000	Intangible rights	Total
Acquisition cost 1 January 2020	8,986	8,986
Acquisition cost 31 December 2020	8,986	8,986
Accumulated depreciation and impairment 1 January 2020	-5,585	-5,585
Depreciation	-1,638	-1,638
Accumulated depreciation and impairment 31 December 2020	-7,223	-7,223
Book value 1 January 2020	3,401	3,401
Book value 31 December 2020	1,763	1,763

2019

€ 1,000	Intangible rights	Total
Acquisition cost 1 January 2019	8,986	8,986
Acquisition cost 31 December 2019	8,986	8,986
Accumulated depreciation and impairment 1 January 2019	-3,941	-3,941
Depreciation	-1,644	-1,644
Accumulated depreciation and impairment 31 December 2019	-5,585	-5,585
Book value 1 January 2019	5,045	5,045
Book value 31 December 2019	3,401	3,401

Intangible rights consist of patents.

15 TANGIBLE ASSETS

2020

€ 1,000	Right-of-use assets	Plant and equipment	Total
Acquisition cost 1 January 2020	499	1,682	2,181
Increases	312	15	327
Acquisition cost 31 December 2020	811	1,697	2,508
Accumulated depreciation and impairment 1 January 2020	-216	-1,293	-1,509
Depreciation	-224	-135	-359
Accumulated depreciation and impairment 31 December 2020	-440	-1,428	-1,868
Book value 1 January 2020	283	389	672
Book value 31 December 2020	371	269	640

2019

€ 1,000	Right-of-use assets	Plant and equipment	Total
Acquisition cost 1 January 2019	448	1.635*	2.083
Increases	51	47	98
Acquisition cost 31 December 2019	499	1,682	2,181
Accumulated depreciation and impairment 1 January 2019	-	-1,147	-1,147
Depreciation	-216	-145	-362
Accumulated depreciation and impairment 31 December 2019	-216	-1,293	-1,509
Book value 1 January 2019	448	488	936
Book value 31 December 2019	283	389	672

*In 2019 while implementing IFRS16 EUR 69 thousand was transferred to the opening balance of right-of-use assets.

16 LEASES

Below stated information is based on the leasing contracts where the Biohit Group is the lessee.

Right-of-use assets € 1,000	31 Dec 2020	31 Dec 2019
Buildings	285	181
Equipment	36	45
Vehicles	50	57
	371	283

Lease liabilities € 1,000	31 Dec 2020	31 Dec 2019
Current	256	228
Non-current	125	59
	381	287

Depreciation charge of right-of-use assets € 1,000	31 Dec 2020	31 Dec 2019
Buildings	179	181
Equipment	19	19
Vehicles	26	16
	224	216
Interest expense (included in finance costs)	11	12

The Group leases mainly company cars and premises. Rental contracts are typically made for fixed periods of 12 months to 5 years but may have extension options.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- the exercise price of a purchase option if the group is reasonably certain to exercise that option

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

According to the standard, the incremental borrowing rate is defined as the interest that the lessee would have to pay when borrowing for a similar term and with similar security to obtain an asset of an equivalent value to the right-of-use asset in similar economic environment. Biohit has determined the incremental borrowing rate for leases based on the debt based financing offers received from the 3rd party. Biohit has applied a single discount rate to a portfolio of leases with similar characteristics.

The Group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassesed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

The standard includes optional recognition exemptions for short-term leases (12 months or less) and leases for which the underlying asset is of low value. Biohit has decided to apply the optional exemptions and recognises these expenses as straight-line basis over the period of the lease.

According to IFRS 16 -standard, the lessee's lease period is the period during which the lease cannot be terminated. Also, a potential extension or termination option should be considered, if the use of such an option is estimated to be reasonably certain. The lease term for ongoing contracts is based on estimate by Biohit's management. Management regularly estimates the length of those leases.

17 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

The Group categorised its financial assets and liabilities into the following categories on 31 December 2020:	Amortized cost € 1,000	Fair value through profit and loss € 1,000	Fair value through OCI € 1,000	Hierarchical level
Non-current assets				
Other non-current assets	58	-	-	Level 2
Current assets				
Other current financial assets	-	2,090	-	Level 1
Other current financial assets	-	2,034	-	Level 2
Other current financial assets	-	101	-	Level 3
Other current financial assets	-	-	816	Level 3
Trade receivables	868	-	-	
Other receivables	449	-	-	
Cash and cash equivalents	1,038	-	-	

* Genetic Analysis AS 816 thousand euros and single corporate loan worth of 101 thousand euros is categorized on the level 3.

The Group categorised its financial assets and liabilities into the following categories on 31 December 2019:	Amortized cost € 1,000	Fair value through profit and loss € 1,000	Fair value through OCI € 1,000	Hierarchical level
Non-current assets				
Other non-current assets	58	-	-	Level 2
Current assets				
Other current financial assets	-	1,250	-	Level 1
Other current financial assets	-	2,923	-	Level 2
Other current financial assets	-	99	-	Level 3
Other current financial assets	-	-	3,724	Level 3
Trade receivables	2,595	-	-	
Other receivables	307	-	-	
Cash and cash equivalents	1,325	-	-	

The company has classified the hierarchies of financial assets according to the availability of data on market terms and other price data.

The fair values on level 1 of the hierarchy are based on the quoted (unadjusted) prices of identical assets or liabilities on active markets. The group has mainly used valuations provided by its asset management partner as a source of price data for determining the fair value of these instruments, and the company has verified that the price data represents genuine, frequent market transactions involving the instruments in question.

In significant part, the fair values of level 2 instruments are based on other input data than the quoted prices included in level 1, although this data can be obtained for the assets or liabilities in question either directly (as a price) or indirectly (as a derivative of the price). The Group uses generally accepted valuation models to determine the fair values of these instruments, and the input data for these models are based in significant part on observable market data.

The level in the fair value hierarchy at which a certain item measured at fair value is classified overall is determined on the basis of the significant input data on the lowest level with regard to the entire item measured at fair value. The significance of input data is evaluated in its entirety in relation to the item valued at fair value.

The original book value of other receivables corresponds to their fair value because the effect of discounting is negligible

Financial liabilities by category € 1,000	Book value 2020	Fair value 2020	Book value 2019	Fair value 2019
Long-term financial liabilities valued at amortised cost				
Other liabilities	6	6	5	5
Leasing liabilities	125	125	59	59
Total	131	131	64	64
Short-term financial liabilities valued at amortised cost				
Trade payables	612	612	869	869
Tax liabilities	31	31	109	109
Leasing liabilities	256	256	228	228
Other liabilities	1,040	1,040	1,171	1,171
Total	1,940	1,940	2,377	2,377
Total financial liabilities	2,071	2,071	2,441	2,441

The original book value of accounts payable and other interest-free liabilities corresponds to their fair value because the effect of discounting is negligible in view of the maturity of the liabilities.

18 NET LIABILITIES

€ 1,000	2020	2019
Cash and cash equivalents	1,038	1,325
Other investments	4,225	4,272
Non-current liabilities	-6	-5
Lease liabilities	-381	-287
Net liabilities	4,875	5,305
Liquid assets and other financial assets	5,263	5,597
Gross liabilities - fixed interest	-387	-292
Net liabilities	4,875	5,305

Other investments are short-term money market investments that are traded on active markets and that are measured at fair value through profit and loss.

19 DEFERRED TAXES

Deferred tax assets

€ 1,000	1 Jan 2020	Recognised through profit and loss	Recognised under other items of comprehensive income	Businesses purchased/sold	31 Dec 2020
Internal inventory margin	11	-2	-	-	9
Other items	17	-1	-	-9	7
Total	28	-3	-	-9	17

Deferred tax liabilities

€ 1,000	1 Jan 2020	Recognised through profit and loss	Recognised under other items of comprehensive income	Businesses purchased/sold	31 Dec 2020
Capitalisation of intangible assets	3	-	-	0	3
Financial securities measured via the fair value reserve	349	-	-349	-	0
Total	352	-	-349	0	3

Due to the negative change in the fair value of Genetic Analysis AS shares, related deferred tax liabilities have been derecognized. No deferred tax asset has been recognized for the negative fair value reserve, as based on management's estimate, the recognition criteria are not met.

Deferred tax assets

€ 1,000	1 Jan 2019	Recognised through profit and loss	Recognised under other items of comprehensive income	Businesses purchased/sold	31 Dec 2019
Internal inventory margin	6	5	–	–	11
Other items	48	1	–	–32	17
Total	54	6	–	–32	28

Deferred tax liabilities

€ 1,000	1 Jan 2019	Recognised through profit and loss	Recognised under other items of comprehensive income	Businesses purchased/sold	31 Dec 2019
Capitalisation of tangible assets	3	–	–	0	3
Financial securities measured via the fair value reserve	376	–	–28	–	349
Total	380	–	–28	0	352

The Group has tax-deductible losses of EUR 22.7 million for the periods from 2011 to 2020 of which no deferred tax assets have been recognised.
EUR 22.3 million of the loss is in Finland (2020: EUR 2.2 million, 2019: EUR 0.3 million, 2011-2018: EUR 19.8 million) and EUR 0.4 million is in Italy. The losses expire in 10 years in Finland.

20 INVENTORIES

€ 1,000	2020	2019
Materials and supplies	369	409
Work in progress	14	19
Finished products/goods	521	562
Total inventories	903	990

21 TRADE AND OTHER RECEIVABLES

Long-term receivables

€ 1,000	2020	2019
Long-term interest-free receivables	18	30
Total	18	30

Short-term receivables

€ 1,000	2020	2019
Trade receivables	868	2,595
Accrued income	415	263
Other receivables	34	44
Total	1,317	2,902

The age analysis of the trade receivables is presented in note 27

22 CASH AND CASH EQUIVALENTS

€ 1,000	2020	2019
Cash and cash equivalents	1,038	1,325

23 NOTES RELATED TO SHAREHOLDERS' EQUITY

Biohit Oyj's share capital is EUR 2,350,350.81 (EUR 2,350,350.81) and there are 15,045,593 (15,045,593) shares, of which 2,975,500 (2,975,500) belong to Series A and 12,070,093 (12,070,093) belong to Series B. Series B is listed on the stock exchange.

The shares have no nominal value. Shares in Series A and B differ from each other in that each Series A share entitles its holder to twenty (20) votes at general meetings, while each Series B share carries one (1) vote. The dividend paid for Series B shares is, however, two (2) per cent of the nominal value higher than that paid for Series A shares. When this regulation is applied, the nominal value of the shares is taken to be EUR 0.17, which was the nominal value of the company's shares when it decided to discontinue using nominal values for shares.

The shareholders' equity has been paid in full.

Description of shareholders' equity funds:
The translation differences reserve includes the translation differences arising when the financial statements of foreign subsidiaries and joint ventures are translated into euros.

The invested unrestricted equity fund includes other investments similar to shareholders' equity and the subscription prices of shares insofar as no specific decision is taken to recognise these under shareholders' equity.

24 SHARE-BASED PAYMENTS

Subscription period for the share options I 2013 ended 31 May 2019 and the company currently does not have any ongoing option programs.

Share-based payments

Biohit Oyj established an option programme within the framework of the share-based incentive scheme. The option programme was intended for senior managers and employees. In addition, the company granted options to two individuals as one-off compensation for amendments to the terms and conditions of certain old contracts. In accordance with the terms of the option programme, options were granted without cash payment, but a subscription price is set for the shares. The key terms and conditions of the incentive scheme, such as the terms relating to the creation of rights, are shown in the table below.

Scheme	I 2013 Types A, B, C, D, E	II 2013
Nature of the scheme	Share options	Share options
Date of granting	19 June 2013	19 June 2013
Number of instruments granted	500,000	420,000
Subscription price	EUR 3.00	EUR 3.00
Share price at the time of granting	EUR 5.36 - 7.35	EUR 5.36
Period of validity (years)	6	2
Realisation	In shares	In shares

The share options lapse if they were not exercised by the deadline specified in the programme. Under programme I 2013, an employee forfeits his/her incentives if he/she leaves the Group before the right ultimately arises. The incentives provided for by programme II 2013 were earned in full before 31 December 2013.

Options in circulation

Number of options	2020	2019
Options in circulation at the beginning of the financial period	-	113,552
Options exercised	-	93,552
Options expired	-	20,000
Options in circulation at the end of the financial period	-	0
Exercisable options at the end of the financial period	-	0
Weighted average strike price (euros/stock)		2.28

The strike price is affected by dividends paid in accordance with the terms of the option programme. No dividend was paid for the financial period that ended on 31 December 2019, so the strike price did not change.

Determining fair value

The Group uses the Black Scholes model to determine the fair value of its option schemes. The anticipated volatility is defined on the basis of the actual trend shown by the parent company's share price, taking into consideration the remaining period of validity of the options. The fair value of the shares in the option schemes is based on the quoted share price.

Presumptions used to determine fair value during the 2019 financial period

Scheme	I 2013	II 2013
Anticipated volatility	45% – 88%	70%
Anticipated average period of validity of options on the issue date (years)	6	2
Risk-free rate (%)	0.40% – 1.12%	0.39%
Anticipated dividends (dividend yield)	subtracted from the subscription value	subtracted from the subscription value
Fair value of the instrument defined on the date of issue (EUR)	5,36 – 7,35	5,36

The amount recognised as expenses is included in note 7 ("Expenses arising from employment benefits")

25 INTEREST-BEARING LIABILITIES

Balance sheet values of interest-bearing liabilities

€ 1,000	2020	2019
Non-current interest-bearing liabilities		
Lease liabilities	125	59
Total interest-bearing non-current liabilities	125	59
Current interest-bearing liabilities		
Lease liabilities	256	228
Total interest-bearing current liabilities	256	228
Total interest-bearing current liabilities	381	287

The fair values of financial liabilities are presented in note 17.

Covenants connected to long-term loans
There are no special covenants attached to the company's non-current financial lease liabilities.

Subordinated loans
The company has no subordinated loans.

26 TRADE PAYABLES AND OTHER LIABILITIES

Non-current interest-free liabilities

€ 1,000	2020	2019
Deferred tax liabilities	3	352
Other non-current liabilities	6	5
Total	9	357

Current interest-free liabilities

€ 1,000	2020	2019
Trade payables	612	869
Other payables		
Advances received	0	2
Tax liabilities	2	109
Accurrals and deferred income	1,069	1,169
Total	1,683	2,149
Total interest-free liabilities	1,692	2,506

The most substantial item included in accruals and deferred income is the deferral of employment benefits 445 thousand euros (602 thousand euros).

27 MANAGEMENT OF FINANCING RISKS

Biohit's management of financing risks focuses on analysing and minimising the following financing risks:

Exchange rate risk
Exchange rate risks are associated with international business activities. When calculated using comparable currencies, Biohit's net revenue does not materially differ from the reported values. Overall, exchange rate changes did not significant affect the company's profitability in the last financial period. The company's sales are primarily denominated in euros and the company does not have any exchange rate hedging.

Sensitivity analysis in accordance with IFRS 7 for exchange rate changes

2020

€ 1,000	GBP	CNY
Current assets		
Trade and other receivables	390	-
Current liabilities		
Interest-free liabilities	-262	-
Open position	128	-
Net position	128	-

The receivables and liabilities above include external receivables and liabilites of Biohit Healthcare Ltd and Biohit Oyj's internal receivables from Biohit Healthcare Ltd.

If the euro strengthens 10% compared to the pound, the positive effect of the net position on Biohit's profit and loss statement is EUR 10 thousand.

If the euro weakens 10% compared to the pound, the negative effect of the net position on Biohit's profit and loss statement is EUR 10 thousand.

2019

€ 1,000	GBP	CNY
Current assets		
Trade and other receivables	568	850
Current liabilities		
Interest-free liabilities	-276	–
Open position	292	850
Net position	292	850

The net position includes financial assets denominated in foreign currencies, as well as receivables and liabilities to Group companies and external parties translated into euros at the exchange rate on the final day of the reporting period.

Interest rate risk
Interest rate changes have a minor effect on Biohit's earnings. For this reason, the Group did not use any separate hedging against this risk in the financial period.

Liquidity risk
Liquidity risk management aims to safeguard the Group's finances under all circumstances. The Group's current financial assets on the balance sheet date amounted to EUR 5.3 million (EUR 5.6 million). The company also holds shares in Genetic Analysis AS worth EUR 0.8 million (EUR 3.7 million). The aim of the investment activities related to the company's current liquid assets is to achieve profit at very low risk of capital loss.

The Group's equity ratio was 80.8% (83.9%).

Analysis of the maturities of financial liabilities in 2020

€ 1,000	‹1 year	1–5 year	›5 year	Total
Accounts payable and other interest-free liabilities	612	-	-	612
Lease contracts	256	125	-	381
Total	869	125	-	994

Analysis of the maturities of financial liabilities in 2019

€ 1,000	‹1 year	1–5 year	›5 year	Total
Accounts payable and other interest-free liabilities	869	-	-	869
Lease contracts	228	59	-	287
Total	1,097	59	-	1,156

Commodity risk
The company is not using derivatives to hedge against commodity risks because the company is not exposed to commodity risks by virtue of the nature of its business.

Credit and counterparty risk
The business units are responsible for the credit risks connected to their trade receivables, and they have evaluated the risk of credit losses for each customer. Biohit's customer base primarily consists of solvent companies. As such, Biohit's risk of credit losses cannot be considered significant. The company has not used credit insurance. The majority of customer relationships are long-term in nature and business relations are active, so the company will become aware of changes in customers' creditworthiness at an early stage.

The investment portfolio consists of direct corporate bond loans, structured products, corporate loan funds, money market funds and cash in bank accounts. Some of the products in the investment portfolio are listed, while others are not. Sufficient diversification of investments between asset categories, investment instruments and counterparties is essential. The company uses at least two partners in its investment activities. Approximately 46% of the investment portfolio is cash, low-risk money market fund investments and investment-grade investments. Approximately 24% of the portfolio is investments rated BB-B, while investments without credit ratings account for 30%.

On 31 December 2020, trade receivables totalled EUR 0.9 million (EUR 2.6 million). The maximum amount of credit risk is the book value of the trade receivables.

Age distribution of trade receivables

€ 1,000	2020	Impairment loss	Net 2020	2019	Impairment loss	Net 2019
Not yet at maturity	492	0	492	1,070	0	1,070
Less than 30 days overdue	101	0	101	1,313	–1	1,312
30–60 days overdue	16	0	16	60	0	60
61–90 days overdue	6	0	6	43	0	43
More than 90 days overdue	289	-36	253	110	0	110
Total	904	-36	868	2,596	–1	2,595

EUR 36 thousad was recognised in credit losses for 2020.
EUR 1 thousand was recognised in credit losses for 2019 and at the same time 39 thousand earlier credit losses was reversed.

Capital structure management
The equity ratio – an indicator of the company's capital structure – is calculated by dividing the Group's equity by the balance sheet total less advances received.
The result of this calculation is then multiplied by one hundred.

Equity ratio

€ 1,000	2020	2019
Total shareholders' equity	8,703	14,580
Balance sheet total	10,777	17,372
Advances received	0	–2
Equity ratio	80.8%	83.9%

28 RELATED-PARTY TRANSACTIONS

Parties are considered to be related parties if one of the parties is able to exercise control or considerable influence over the other's decision-making related to finances and business The Group's related parties include the members of the Board of Directors and the Group Management Team, as well as the President & CEO.

Salaries and other short-term employment benefits

€ 1,000	2020	2019
Parent company		
Management teams	451	393
President & CEO	232	204
Members of the scientific advisory board	207	209

Osmo Suovaniemi has been employed by the company as a member of the scientific advisory board by the Board of Directors' decision. The compensation, including fringe benefits, is EUR 207 thousand (EUR 209 thousand)

1,000 €	2020	2019
Subsidiaries		
Managing Directors	115	115

Board of Directors' remuneration

1,000 €		2020	2019
Parent company			
Osmo Suovaniemi	Chairman	11	9
Franco Aiolfi	Member	11	9
Matti Härkönen	Member	11	9
Eero Lehti	Member	6	8
Liu Feng	Member	11	8
Lea Paloheimo	Member	11	8
Timo Joensuu	Member	5	-
Total board remuneration		63	50

Liu Feng is the owner of Biohit HealthCare (Hefei) Co. Ltd, and he exercises control over the company.

Share-based payments

€ 1,000	2020	2019
Parent company		
Management Teams	-	20

On 31 December 2020, the members of the Board of Directors and President & CEO owned a total of 2,950,500 Series A shares and 4,651,533 Series B shares, either directly or through companies under their control. These correspond to 50.5% of all of the shares in the company and 88.9% of all of the votes.

On 31 December 2020, Franco Aiolfi, a member of the Board of Directors, was the majority owner of BioAir S.p.A. via a company called Arsfin Consult S.r.l.. BioAir S.p.A. owned 92,807 series B shares 31 December 2020.

The Group's parent company and subsidiaries

Parent company: Biohit Oyj, Finland	Group ownership
Biohit Healthcare Ltd, United Kingdom	100%
Biohit Healthcare S.r.l., Italy	100%

Sales of goods and services to related party companies

€ 1,000	2020	2019
Sales of goods		
Biohit HealthCare (Hefei) Co. Ltd	1,920	2,537
Sales of services		
Biohit HealthCare (Hefei) Co. Ltd	200	1,018
Total	2,120	3,555

Other operating expenses

€ 1,000	2020	2019
Consultancy, administration and logistics fees (companies under the control of members of the Board of Directors)		
Euroclone S.p.A., Franco Aiolfi		77
Bioair S.p.A., Franco Aiolfi	69	-
Eurobrick, Franco Aiolfi	25	25
Oy Tech Know Ltd, Matti Härkönen	48	46
Total	142	148

29 COLLATERAL AND CONTINGENT LIABILITIES

€ 1,000	2020	2019
Collateral pledged on the company's own behalf		
Guarantees	4	4
Total collateral and contingent liabilities	4	4

30 EVENTS AFTER THE FINANCIAL PERIOD

The company's management is not aware of any material events since the balance sheet date.

3 KEY INDICATORS

3.1 INDICATORS OF FINANCIAL TRENDS

	IFRS 2016	IFRS 2017	IFRS 2018	IFRS 2019	**IFRS 2020**
Revenue 1,000 €	8,195	8,979	9,931	10,052	7,123
Change in revenue %	35.4%	9.6%	10.6%	1.2%	-29.1%
Operating profit/loss 1,000 €	–3,356	6,356	–1,965	–1,412	-3,174
Proportion of revenue (%)	–41.0%	70.8%	–19.8%	–14.0%	-44.6%
Profit/loss before extraordinary items and taxes 1,000 €	–3,275	6,405	–2,024	–1,227	-3,261
Proportion of revenue (%)	–40.0%	71.3%	–20.4%	–12.2%	-45.8%
Profit/loss before taxes 1,000 €	–3,275	6,405	–2,024	–1,227	-3,261
Proportion of revenue (%)	–40.0%	71.3%	–20.4%	–12.2%	-45.8%
Return on equity (%)	–31.1%	45.8%	–12.2%	–8.1%	-28.0%
Return on investments (%)	–29.4%	46.3%	–10.9%	–8.0%	-25.8%
Equity ratio (%)	83.0%	91.3%	89.2%	83.9%	80.8%
Investments in fixed assets 1,000 €	115	7,232	13	48	15
Proportion of revenue (%)	1.4%	80.6%	0.1%	0.5%	0.2%
Research and development expenditure 1,000 €	1,852	1,209	1,290	1,232	1,043
Proportion of revenue (%)	22.6%	13.5%	13.0%	12.3%	14.6%
Balance sheet total 1,000 €	12,989	18,895	17,887	17,372	10,777
Average number of personnel	53	51	50	46	45

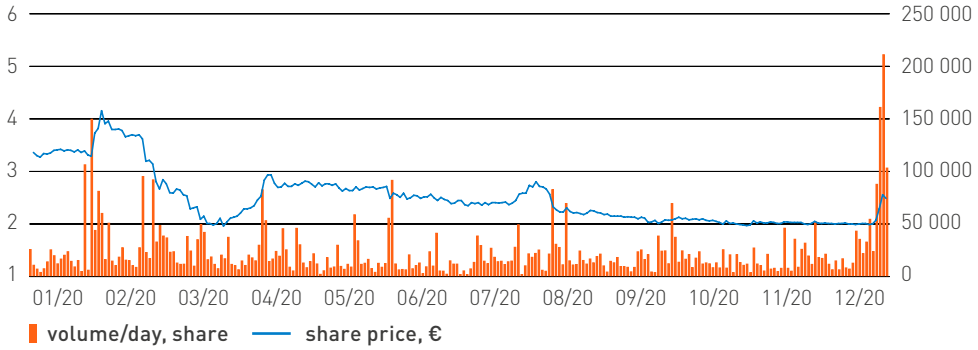
3.2 SHARE-SPECIFIC INDICATORS

	IFRS 2016	IFRS 2017	IFRS 2018	IFRS 2019	**IFRS 2020**
Earnings per share, undiluted (EUR)	-0.22	0.42	-0.14	-0.09	-0.22
Shareholders' equity attributable to the owners of the parent company (EUR per share)	0.73	1.16	1.06	0.97	0.58
Price-to-earnings ratio (P/E)	0.0	9.0	-21.1	-37.3	-11.3
Dividend per share					
Repayment of capital per share					
Dividend payout ratio (%)					
Effective dividend yield (%)	0.00%	0.00%	0.00%	0.00%	0.00%
Series B share price trend (EUR)					
Average	5.57	5.44	4.37	2.99	2.56
Low	4.71	3.74	2.94	2.10	1.90
High	6.42	6.85	6.20	3.70	4.30
Price 31 December	6.05	3.77	2.96	3.36	2.48
Market capitalisation EUR 1,000 (presuming the same market value for Series A shares as for Series B shares)	88,926	56,123	44,258	50,553	37,313
Turnover of Series B shares (thousands)	2,159	3,302	8,616	3,362	5,518
Proportion of the total (%)	19.9%	27.7%	71.9%	27.9%	45.7%
Average ex-rights adjusted number of shares	14,685,071	14,764,411	14,901,904	15,005,253	15,045,593
Taking into consideration the diluting effect of options and convertible bonds	15,052,131	14,943,161	15,015,256	15,005,253	15,045,593
Ex-rights adjusted number of shares at the end of the financial period	14,698,533	14,886,843	14,952,041	15,045,593	15,045,593
Taking into consideration the diluting effect of options and convertible bonds	15,065,593	15,065,593	15,065,593	15,045,593	15,045,593

The company had options that had a diluting effect. As the company is loss-making, the diluting effect had not been presented.

4 SHARES AND SHAREHODLERS

4.1 FINAL MARKET VALUES OF SHARES



4.2 SHAREHOLDINGS BY OWNER GROUP 31 DECEMBER 2020

Series A shares	Number of owners	%	Number of shares	%
1. Companies	1	11.1	24,990	0.8
2. Households	8	88.9	2,950,510	99.2
Shares on the waiting list				0.0
Total number of Series A shares	9	100.0	2,975,500	100.0

Series B shares	Number of owners	%	Number of owners	%
1. Households	7,259	96.7	6,037,599	50.0
2. Financial and insurance institutions	10	0.1	353,771	2.9
3. Companies and housing companies	195	2.6	681,276	5.6
4. Non-profit organisations	6	0.1	2,761	0.0
5. Public corporations		0.0		0.0
6. Nominees and foreign owners	34	0.5	4,139,094	34.3
In joint and clearing accounts		0.0	855,592	7.1
Total number of Series B shares	7,504	100.0	12,070,093	100.0
Total number of Series A and Series B shares	7,513		15,045,593	

Series A shares	Number of owners	%	Number of owners	%
1–1,000	0	0.0	0	0.0
1,001–10,000	5	55.6	25,000	0.8
10,001–100,000	2	22.2	82,190	2.8
More than 100,001	2	22.2	2,868,310	96.4
Total number of Series A shares	9	100.0	2,975,500	100.0

Series B shares	Number of owners	%	Number of shares	%
1–1,000	6,432	85.7	1,658,240	13.7
1,001–10,000	951	12.7	2,735,093	22.7
10,001–100,000	117	1.6	2,817,652	23.3
More than 100,001	4	0.1	4,003,516	33.2
Shares in joint and clearing accounts		0.0	855,592	7.1
Total number of Series B shares	7,504	100.0	12,070,093	100.0
Total number of Series A and Series B shares	7,513		15,045,593	

LARGEST REGISTERED SHAREHOLDERS 31 DECEMBER 2020

10 largest owners in terms of the number of shares	Series A shares	Series B shares	Total number of shares	%
Biohit Healthcare (Hefei) Co., Ltd.	850,000	4,095,415	4,945,415	32.9
Suovaniemi Osmo Antero	2,018,310	0	2,018,310	13.4
Härkönen Matti	57,200	267,965	325,165	2.2
Oy Etra Invest Ab		200,000	200,000	1.3
Interlab Oy		130,000	130,000	0.9
Suovaniemi Vesa Jukka Markku		85,353	85,353	0.6
Syrjälä Pekka	0	80,300	80,300	0.5
Jaakkola Sami Juhani	0	79,600	79,600	0.5
Ruusila Ari Tapio	0	70,000	70,000	0.5
Oy Tech Know Ltd	24,990	43,600	68,590	0.5

10 largest owners in terms of the number of votes	Series A shares	Series B shares	Total number of shares	%
Suovaniemi Osmo Antero	2,018,310	0	40,366,200	56.4
Biohit Healthcare (Hefei) Co., Ltd.	850,000	4,095,415	21,095,415	29.5
Härkönen Matti	57,200	267,965	1,411,965	2.0
Oy Tech Know Ltd	24,990	43,600	543,400	0.8
Oy Etra Invest Ab		200,000	200,000	0.3
Interlab Oy		130,000	130,000	0.2
Suovaniemi Vesa Jukka Markku		85,353	85,353	0.1
Syrjälä Pekka	0	80,300	80,300	0.1
Jaakkola Sami Juhani	0	79,600	79,600	0.1
Ruusila Ari Tapio	0	70,000	70,000	0.1

The list of Biohit Oyj´s biggest shareholders is based on the information given by the Euroclear Finland Ltd.

Senior management ownership 31 December 2020
On 31 December 2020, the members of the Board of Directors and President & CEO owned a total of 2,950,500 Series A shares and 4,651,533 Series B shares, either directly or through companies under their control. These correspond to 50.5 per cent of all of the shares in the company and 88.9 per cent of all of the votes.

Franco Aiolfi, a member of the Board of Directors, is the majority owner of BioAir S.p.A. via a company called Arsfin Consult S.r.l.. BioAir S.p.A. owned 92,807 series B shares on 31 December 2020.

5 FORMULAE FOR CALCULATING KEY INDICATORS

Return on equity, %	profit/loss for the financial period / shareholders' equity (average for the year)	× 100
Return on investments, %	profit before extraordinary items + interest and other financial expenses / balance sheet total - interest-free liabilities (average for the year)	× 100
Equity ratio, %	shareholders' equity on the balance sheet / balance sheet total - advances received	× 100
Earnings per share (EUR)	profit/loss for the financial period / average number of ex-rights shares during the period	
Shareholders' equity per share (EUR)	shareholders' equity on the balance sheet / number of shares on the balance sheet date	
Dividend per share	dividend distributed for the financial period / number of shares on the balance sheet date	
Dividend payout ratio, %	Dividend per share / Dividend per share	× 100
Effective dividend yield , %	Dividend per share / last transaction rate in the financial period	× 100
Price-to-earnings ratio (P/E)	last transaction rate in the financial period / earnings per share	

Biohit will present APMs to describe the financial development of its business and improve comparability between different periods. Alternative Performance Measures (APMs) should not be considered substitutes for the key indicators specified in the IFRS norms for financial statements. The operational key indicators have been adjusted for certain measurement items that do not constitute part of ordinary business activities or that do not affect cash flow during the period but that affect comparability. The items that affect comparability and the APMs used by Biohit Oyj are defined as follows:

Items that affect comparability:

Certain business transactions that do not constitute part of ordinary business activities or measurement items that do not affect cash flow but that have a significant effect on the income statement for the period have been adjusted for items that affect comparability. These items arise through non-recurring transactions such as:

- Asset impariments
- Asset sales or purchases
- Expense entries for benefits in accordance with IFRS 2

In addition, Biohit Oyj presents the following APMs:

EBITDA (EUR)=
operating profit + depreciation and impairment

Operative EBITDA (EUR) =
operating profit + depreciation, impairment - items affecting comparability

Free cash flow(FCF) (EUR) =
Cash flow from operating activities - Investments and tangible and intangible assets + Revenue from disposal of tangible and intangible assets

PARENT COMPANY'S INCOME STATEMENT (FAS)

€ 1,000	Note	1.1. – 31.12.2020	1.1. – 31.12.2019
Revenue	2	**4,619**	7,422
Change in inventories of finished and unfinished products		69	70
Other operating income	3	162	495
Materials and services	4	-2,090	–2,410
Personnel expenses	5	-2,475	–2,725
Other operating expenses	6	-1,866	–2,649
EBITDA		**-1,580**	202
Depreciation and amortization	7	-1,695	–1,711
Operating profit/loss		**-3,276**	–1,509
Operating profit/loss	9	-56	511
Profit/loss before appropriations and taxes		**-3,331**	–998
Withholding tax	10	-19	–119
Profit/loss for the financial period		**-3,350**	–1,117

PARENT COMPANY'S BALANCE SHEET (FAS)

€ 1,000	Note	31 Dec 2020	31 Dec 2019
Assets			
Non-current assets			
Intangible assets	11	1,597	3,163
Tangible assets	12	289	410
Investments			
Shares in Group companies	13	31	31
Other investments	13	2	2
Total fixed assets		**1,918**	**3,606**
Current assets			
Inventories	14	632	783
Long-term receivables	15	57	312
Short-term receivables	15	1,225	2,584
Financial securities	16	5,029	7,984
Cash at bank and in hand	17	636	998
Total current assets		**7,579**	**12,662**
Total assets		**9,496**	**16,267**

€ 1,000	Note	31 Dec 2020	31 Dec 2019
Assets			
Shareholders' equity			
Share capital	18	2,350	2,350
Fair value reserve	18	-1,165	1,395
Invested unrestricted equity found	18	4,042	4,042
Retained earnings	18	6,378	7,495
Profit/loss for the financial period	18	-3,350	–1,117
Total shareholders' equity		**8,256**	**14,165**
Liabilities			
Long-term liabilities	19	8	373
Short-term liabilities	21	1,233	1,729
Total liabilities		**1,241**	**2,102**
Total liabilties and shareholders' equity		**9,496**	**16,267**

PARENT COMPANY'S STATEMENT OF CASH FLOWS

€ 1,000	Note	2020	2019
Cash flow from operating activities:			
Profit/loss before appropriations and taxes		-3,331	–998
Adjustments:			
Depreciation according to plan		1,695	1,711
Unrealised exchange rate gains and losses		5	–
Other income and expenses unconnected to payment		62	–148
Financial income and expenses		56	–511
Change in working capital:			
Increase (-)/decrease (+) in short-term interest-free trade receivables		1,538	–843
Increase (-)/decrease (+) in inventories		151	–84
Increase (+)/decrease (-) in short-term interest-free liabilities		-434	416
Interest paid and payments on other operating financial expenses		-90	–71
Dividends received		-	321
Income and interest received from business activities		111	175
Paid direct taxes		-80	-
Cash flow from operating activities		**-318**	**–31**
Cash flow from investments:			
Investments in tangible and intangible assets		-7	–40
Investments in other instruments		-1,557	–1,497
Revenue from disposal of other investments		1,537	1,462
Loans		-	–57
Cash flow from investments		**-27**	**–132**
Cash flow from financing activities:			
Subscription of options		-	213
Repayment of long-term loans		-17	–17
Cash flow from financing activities		**-17**	**196**
Increase (+)/decrease (-) in cash and cash equivalents		-363	33
Cash and cash equivalents at the beginning of the period		998	912
Cash and cash equivalents transferred with the merger		-	53
Cash and cash equivalents at the end of the period	17	636	998

NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

1 ACCOUNTING PRINCIPLES

When preparing the financial statements in accordance with good accounting practices, the company's senior managers are called upon to make estimates and assumptions that affect the content of the financial statements. The outcomes may differ from these estimates.

The parent company's financial statements have been prepared in accordance with the Finnish Accounting Act.

The financial statements present figures in thousands of euros based on the original values of business transactions, with the exception of financial securities, a component of current assets, which are measured at fair value.

Valuation of property, plant and equipment

Property, plant and equipment are recognised on the balance sheet at acquisition cost, less received contributions, depreciation according to plan and impairments. Depreciation according to plan is calculated using a straight-line model based on the useful life of the asset.

The depreciation according to plan periods are as follows:

Intangible rights	3–10 years
Other long-term expenses	5–10 years
Plant and equipment	3–10 years

Valuation on inventories

Inventories are presented in accordance with the FIFO principle at acquisition cost or replacement cost or likely sale price, whichever is lower. The acquisition cost of inventories includes variable costs as well as the allotted proportion of the fixed expenses of purchasing and manufacturing.

Valuation of financial securities

Financial securities, which belong to current assets, are measured at fair value in accordance with section 5.2a§ of the Finnish Accounting Act. The fair fair value of investments is determined based on price quotations on active markets, i.e., the buy quotation on the closing date of the financial period. Unrealised profits and losses due to changes in the fair value of money market investments are recognised in the income statement under financial income and expenses in accordance with the Group's updated accounting policies.

Investments recognised via the fair value reserve consist solely of the equity investment in the unlisted shares in Genetic Anallysis AS. For the valuation of Genetic Analysis AS market-based trades between third parties were used as input values. The valuation is consistant with the accounting principles of the Group.

Research and development expenditure

Research expenses are recognised as annual expenses in the year in which they were incurred.

Principle for revenue recognition

When calculating net sales, indirect sales taxes and discounts are deducted from sales revenues. Sales of work performances are recognised when they are handed over.

Maintenance and repairs

Maintenance and repair expenses are recognised as expenses for the financial period. The costs of renovating leased offices are capitalised under other long-term expenses and are subject to straight-line depreciation for the remainder of the lease period.

Pensions

The company's statutory pension cover and any applicable additional benefits is insured by a pension insurance company. Pension expenses are recognised on the basis of work performed by employees during working hours.

Deferred taxes

No deferred taxes have been recognised on the balance sheet. In accordance with general guidelines issued by the Accounting Board on 12 September 2006, the amounts of deferred taxes that must be entered into the balance sheet are presented in the notes, along with the amounts of tax liabilities and assets that should not be entered into the balance sheet because they are unlikely to be realised.

Items denominated in foreign currencies

Receivables and liabilities in foreign currencies have been translated into euros at the exchange rate quoted by the European Central Bank on the balance sheet date. Translation differences have been recognised through profit and loss.

2 REVENUE BY BUSINESS SEGMENT

€ 1,000	2020	2019
Diagnostics	4,619	7,422
Total	4,619	7,422

Revenue by market area

€ 1,000	2020	2019
Finland	277	405
Europe, other	1,132	1,351
North and South America	190	209
Asia	2,433	3,897
Other countries	587	1,561
Total	4,619	7,422

3 OTHER OPERATING INCOME

€ 1,000	2020	2019
From Group companies	162	306
Others	0	189
Total	162	495

In 2019, other operating income includes Finio Oy's merger profit EUR 149 thousand.

4 MATERIALS AND SERVICES

€ 1,000	2020	2019
Purchases during the financial period	1,870	2,424
Change in inventories	220	–13
Total materials and supplies	2,090	2,410
Total materials and services	2,090	2,410

5 PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

€ 1,000	2020	2019
Salaries	2,141	2,339
Pension expenses	294	353
Other personnel expenses	40	33
Total personnel expenses	2,475	2,725

In the financial period, the parent company employed an average of	2020	2019
Office personnel	36	37
Average number of personnel	36	37
Number of personnel at the end of the financial period	36	37

6 MATERIALS AND SERVICES

€ 1,000	2020	2019
Travel expenses and other personnel expenses	120	230
Rents and maintenance expenses	258	285
Sales and marketing expenses	374	718
Other external services	751	895
Change in value of trade receivables	62	12
Other operating expenses	301	510
Total	1,866	2,649

7 DEPRECIATION AND IMPAIRMENT

€ 1,000	2020	2019
Intangible assets	1,567	1,573
Plant and equipment	129	138
Total	1,695	1,711

8 AUDITORS' FEES

€ 1,000	2020	2019
Companies belonging to the PricewaterhouseCoopers chain		
Auditors' fees	75	75
Auditors' statements	-	5
Other services	-	4
Total fees paid to the auditor	75	84

Assignments relating Auditing Act 1.1,2 § included for example statements regarding option program and mergers. Other services in 2019 included expert services regarding IFRS 16 implementation and other consulting services.

9 FINANCIAL INCOME AND EXPENSES

€ 1,000	2020	2019
Dividend income		
From Group companies	1	321
Total dividend income	1	321
Other interest and financial income		
From Group companies	6	6
From others	89	159
Other interest and financial income	95	166
Total financial income	96	486
Interest expenses and other financial expenses		
To others	-152	24
Total financial expenses	-152	24
Total financial income and expenses	-56	511
Financial income and expenses include foreign exchange gains/losses (net)	-1	0

The items above operating profit include foreign exchange losses/gains (net) or EUR -16 thousand (EUR 14 thousand)

10 INCOME TAXES

€ 1,000	2020	2019
Withholding tax	19	119
Total	19	119

11 INTANGIBLE ASSETS

2020

€ 1,000	Intangible rights	Total
Acquisition cost at the beginning of the financial period	7,942	7,942
Acquisition cost at the end of the financial period	7,942	7,942
Accumulated depreciation and impairment in the financial period	-4,778	-4,778
Depreciation and impairment in the financial period	-1,567	-1,567
Accumulated depreciation at the end of the financial period	-6,345	-6,345
Book value at the beginning of the financial period	3,163	3,163
Book value at the end of the financial period	1,597	1,597

2019

€ 1,000	Intangible rights	Total
Acquisition cost at the beginning of the financial period	7,942	7,942
Acquisition cost at the end of the financial period	7,942	7,942
Accumulated depreciation and impairment in the financial period	–3,205	–3,205
Depreciation and impairment in the financial period	–1,573	–1,573
Depreciation and impairment in the financial period	–4,778	–4,778
Book value at the beginning of the financial period	4,736	4,736
Book value at the end of the financial period	3,163	3,163

12 TANGIBLE ASSETS

2020

€ 1,000	Plant and equipment	Total
Acquisition cost at the beginning of the financial period	1,559	1,559
Increases	7	7
Acquisition cost at the end of the financial period	1,566	1,566
Accumulated depreciation and impairment in the financial period	-1,149	-1,149
Depreciation in the financial period	-129	-129
Accumulated depreciation at the end of the financial period	-1,278	-1,278
Book value at the beginning of the financial period	410	410
Book value at the end of the financial period	289	289

2019

€ 1,000	Plant and equipment	Total
Acquisition cost at the beginning of the financial period	1,519	1,519
Increases	40	40
Acquisition cost at the end of the financial period	1,559	1,559
Accumulated depreciation and impairment in the financial period	–1,011	–1,011
Depreciation in the financial period	–138	–138
Accumulated depreciation at the end of the financial period	–1,149	–1,149
Book value at the beginning of the financial period	508	508
Book value at the end of the financial period	410	410

13 INVESTMENTS

Shares 2020

€ 1,000	Group companies	Others	Total
Book value at the beginning of the financial period	31	2	32
Book value at the end of the financial period	31	2	32

Shares 2019

€ 1,000	Group companies	Others	Total
Book value at the beginning of the financial period	232	1	233
Increases	-	1	1
Decreases	-201	-	-201
Book value at the end of the financial period	31	2	32

14 INVENTORIES

€ 1,000	2020	2019
Materials and supplies	368	409
Work in progress	14	19
Finished products/goods	250	355
Total inventories	632	783

15 RECEIVABLES

€ 1,000	2020	2019
Long-term receivables		
Receivables from Group companies		
Loan receivables	-	255
Other receivables		
Loan receivables	57	57
Total non-current receivables	57	312
Short-term receivables		
Receivables from Group companies		
Trade receivables	186	323
Loan Receivables	255	–
Accured income	6	6
Other receivables		
Trade receivables	369	1,986
Other receivables	144	145
Accured income	264	123
Total curret receivables	1,225	2,584

16 FINANCIAL SECURITIES

Assets measured at fair value

€ 1,000	2020	Level 1	Level 2	Level 3
Traded securities and investment to unlisted company *	5,029	2,090	2,022	917

* Genetic Analysis AS 816 thousand euros and one corporate loans 101 thousand euros on level 3

Assets measured at fair value

€ 1,000	2019	Level 1	Level 2	Level 3
Traded securities and investment to unlisted company*	7,984	1,250	2,911	3,823

* Genetic Analysis AS 3,724 thousand euros on the level 3 and one corporate loan 99 thousand euros on level 3

Financial securities consist of fixed-income investments, corporate loans and money market investments.

17 CASH AND CASH EQUIVALENTS

€ 1,000	2020	2019
Cash in hand and at bank	636	998

18 SHAREHOLDERS' EQUITY

€ 1,000	2020	2019
Share capital 1 January	2,350	2,350
Share capital 31 December	2,350	2,350
Fair value reserve 1 January	1,395	1,505
Decreases	-2,560	–110
Fair value reserve 31 December	-1,165	1,395
Invested unrestricted equity fund 1 January	4,042	3,829
Subscription of options	-	213
Invested unrestricted equity fund 31 December	4,042	4,042
Retained earnings 1 January	6,378	7,495
Retained earnings 31 December	6,378	7,495
Reported profit/loss for the financial period	-3,350	–1,117
Total shareholders' equity	8,256	14,165

Shares and voting rights

Biohit's shares are divided into Series A and Series B shares. The series differ from each other in that each Series A share entitles its holder to twenty (20) votes at general meetings, while each Series B share carries one (1) vote. The dividend paid for Series B shares is, however, two (2) per cent of the nominal value higher than that paid for Series A shares. When this regulation is applied, the nominal value of the shares is taken to be EUR 0.17, which was the nominal value of the company's shares when it decided to discontinue using nominal values for shares.

Calculation of distributable equity 31 December	2020	2019
Retained earnings	6,378	7,495
Profit/loss for the financial period	-3,350	–1,117
Invested unrestricted equity fund	4,042	4,042
Fair value reserve	-1,165	
Total	5,905	10,420

Parent company's share capital structure	2020 shares	2020 % of shares	2020 % of votes	2019 shares
Series A shares (20 votes per share)	2,975,500	19.8	83.1	2,975,500
Series B shares (1 vote per share)	12,070,093	80.2	16.9	12,070,093
Total	15,045,593	100.0	100.0	15,045,593

The company's share capital is EUR 2,350,350.81. The company does not hold any of its own shares. Based on a resolution of the AGM held on 16 September 2020, the Board of the company is authorised to decide on the issue of shares and to issue the special rights referred to in Chapter 10 of the Limited Liability Companies Act so that the maximum number of new Series B shares to be issued pursuant to the special rights is 3,000,000, which corresponds to approximately 24.9% of all of the company's Series B shares. In 2020, the company did not issue any new shares under the authorisation granted on 16 September 2020.

19 LONG-TERM LIABILITIES

€ 1,000	2020	2019
Loans from financial institutions	8	25
From others	-	349
Total	8	373

Year 2019 long-term liabilities from others are deferred tax liabilities.

20 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax liabilities

€ 1,000	2020	2019
Assets classified as available for sale	-	349
Total	-	349

The company only recognises fair value changes in Genetic Analysis AS in the fair value reserve, and the deferred tax related to this is presented on the 2019 balance sheet. Due to the negative change in the fair value of Genetic Analysis AS the deferred tax liabilities have been removed from the 2020 balance sheet and deferred receivables have not been noted, because based on the Boards estimate the requirements for deferred tax liabilities are not fufilled.

The tax-deductable losses have not been noted in the balance sheet. Including the confirmed losses for the 2020 financial period, there is a total of EUR 22.3 million loss in Finland (2020: EUR 2.2 million, 2019: EUR 0.3 million, 2010-2018: EUR 19.8 million) The losses for the financial period 2020 have not been confirmed.

21 SHORT-TERM LIABILITIES

€ 1,000	2020	2019
Loans from financial institutions, current proportion	17	17
Advances received	0	2
Trade payables	470	746
Accruals and deferred income	586	760
Other liabilities	159	204
Total short-term liabilities	1,233	1,729

The significant items of accruals and deferred income are salary-related deferred items valued at EUR 445 thousand (EUR 602 thousand).

22 PLEDGES, CONTINGENT LIABILITIES AND OTHER LIABILITIES

€ 1,000	2020	2019
Debts for which mortgages have been pledged		
The company has not pledged any collateral.		
Leasing commitments		
Payable in the next financial period	19	18
Payable later	16	24
Total	36	42
Rental commitments		
Payable in the next financial period	174	87
Payable later	-	-
Total	174	87
Other contingent liabilities		
Guarantees	4	4

Leasing and rental fees mainly consist of fixed-term leasing and rental agreements lasting longer than one year.

Contingent liabilities on behalf of Group companies
The company has no contingent liabilities on behalf of Group companies.

BOARD OF DIRECTOR'S PROPOSAL REGARDING THE DISTRIBUTION OF PROFITS

On 31 December 2020, the parent company's distributable assets (unrestricted equity) amounted to EUR 5,905,188.50, including the loss for the financial period of EUR 3,350,126.90. The Board of Directors proposes to the Annual General Meeting that the company distribute no divided for the last financial year and that the profit for the financial year be transferred to retained earnings.

Helsinki, 15 February 2021

Osmo Suovaniemi
Chairman of the Board of Directors

Franco Aiolfi
Member of the Board of Directors

Liu Feng
Member of the Board of Directors

Matti Härkönen
Member of the Board of Directors

Timo Joensuu
Member of the Board of Directors

Eero Lehti
Member of the Board of Directors

Lea Paloheimo
Member of the Board of Directors

Semi Korpela
President & CEO

Auditor's statement

A statement has been issued today on the completed audit.

Helsinki, 22 February 2021

PricewaterhouseCoopers Oy
Firm of auditors

Pasi Karppinen
Authorised Public Accountant (KHT)
M.Sc. Economics

AUDITOR'S REPORT (TRANSLATION OF THE FINNISH ORIGINAL)

To the Annual General Meeting of Biohit Oyj

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion

- the consolidated financial statements give a true and fair view of the group's financial position and financial performance and cash flows in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU
- the financial statements give a true and fair view of the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements in Finland and comply with statutory requirements.

Our opinion is consistent with the additional report to the Board of Directors.

What we have audited

We have audited the financial statements of Biohit Oyj (business identity code 0703582-0) for the year ended 31 December 2020. The financial statements comprise:

- the consolidated balance sheet, consolidated comprehensive income statement, statement of changes in consolidated shareholders' equity, consolidated cash flow statement, and notes to the consolidated financial statements, including a summary of significant accounting policies
- the parent company's balance sheet, income statement, statement of cash flows and notes.

BASIS FOR OPINION

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

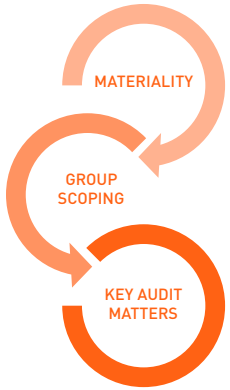
Independence

We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, the non-audit services that we have provided to the parent company and to the group companies are in accordance with the applicable law and regulations in Finland and we have not provided non-audit services that are prohibited under Article 5(1) of Regulation (EU) No 537/2014. The non-audit services that we have provided are disclosed in note 2.9 to the Financial Statements.

OUR AUDIT APPROACH

Overview



Materiality:

- Overall group materiality: € 110 thousand

Audit scope:

- In addition to the parent company, our group scope consists of two foreign subsidiaries.

Key audit matters:

- Cut-off of Revenue recognition
- Valuation of Genetic Analysis AS shares
- Valuation of intangible assets (patents)

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements. In particular, we considered where management made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain.

Materiality

The scope of our audit was influenced by our application of materiality. An audit is designed to obtain reasonable assurance whether the financial statements are free from material misstatement. Misstatements may arise due to fraud or error. They are considered material if individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Based on our professional judgement, we determined certain quantitative thresholds for materiality, including the overall group materiality for the consolidated financial statements as set out in the table below. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures and to evaluate the effect of misstatements on the financial statements as a whole.

Overall group materiality	€ 110 thousand (€ 180 thousand in 2019)
How we determined it	We used total assets as benchmark and 1% rule of thumb to determine overall group materiality.
Rationale for the materiality benchmark applied	Biohit group's business has been clearly loss making . Based on our assessment the total assets provide a more solid base for determining the materiality than the commonly used income statement based benchmarks.

How we tailored our group audit scope

We tailored the scope of our audit, taking into account the structure of the group, the accounting processes and controls, and the industry in which the group operates. Biohit Oyj is a Finnish biotechnology company operating on global markets, which has foreign subsidiaries in Great Britain and Italy.

We determined the type of work that needed to be performed at group companies. This work was performed by the group audit team. Audit was performed for the parent company and for Biohit Healthcare Ltd, UK. For the Italian subsidiary, we performed selected audit procedures on specified account balances as well as analytical procedures. In addition, we performed audit procedures on the group level.

By performing the procedures above, we have obtained sufficient and appropriate evidence regarding the financial information of the Group as a whole to provide a basis for our opinion on the consolidated financial statements.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
CUT-OFF OF REVENUE RECOGNITION Refer to the financial statements accounting principles and the financial statements note 2.3 Biohit Oyj is a Finnish Biotechnology company operating on global markets. Biohit's product portfolio consists of diagnostic tests, analysis systems, products that bind carcinogenic acetaldehyde, monoclonal antibodies and service laboratory operations. The Group's revenue is predominately generated from distribution agreements signed with several distributors who then sell the products further to healthcare operators. Revenue from distribution agreement-based product sales are recognized at a point of time when the control has transferred to a distributor in accordance with delivery terms. For other sources of revenue there is no material risk of misstatement associated with the timing of revenue recognition. In revenue recognition there is a risk that revenue in the financial statements is recognized in an incorrect period due to either errors or fraud.	We gained an understanding of the revenue recognition process and we performed substantive audit procedures to ensure revenue is recorded in the correct period. Our substantive audit procedures included: • testing a sample of selected distribution agreements in order to ensure the correctness of revenue recognition criteria applied • testing revenue transaction that occurred close to the year end • testing certain revenue related balances recognised in the balance sheet • Testing a sample of revenue transactions occurred during the year • Testing the basis for selected manual journal entries posted in revenue accounts

Key audit matter in the audit of the group	How our audit addressed the key audit matter
VALUATION OF GENETIC ANALYSIS AS SHARES Reference to the accounting principles and the financial statements note 2.17 As per December 31, 2020, the value of Genetic Analysis shares amounts to 0,8 million euros (3,7 million euros in 2019) both in the parent company's and in the group's balance sheet. Genetic Analysis AS shares are classified as short-term financial assets. The shares are valued at fair value through other comprehensive income As Genetic Analysis AS is an unlisted entity, the fair value is measured using alternative information available. In 2020 the value has been based on marked-based transactions between third parties. The company is in development phase and there are uncertainties in the future prospects of the company, which may cause fluctuations in the valuation of the shares. Due to the estimation uncertainty and significance of the investment, we have determined valuation of the Genetic Analysis AS investment to be key audit matter in the audit of the financial statements.	We have assessed the appropriateness of the valuation of the Genetic Analysis AS shares. Our substantive audit procedures included: • we obtained the supporting evidence that the Company used in valuation of the shares and agreed the Company´s valuation calculation to the supporting documentation • we assessed the contents of the Notes disclosures relating to the valuation of Genetic Analysis AS shares

Key audit matter in the audit of the group	How our audit addressed the key audit matter
VALUATION OF INTANGIBLE ASSETS (PATENTS) Reference to the financial statements accounting principles and the financial statement notes 2.14 As part of disposal of Biohit HealthCare (Hefei) Co. Ltd in 2017, certain intellectual property rights (patents) were recognized on the balance sheet as a result of the transaction. Balance sheet value of those patents amounts to 1,5 million euros as per December 31, 2020. The patents are amortized straight-line by the end of 2021. The value of patents is subject to impairment testing always when there is indication of impairment. An impairment test was performed in connection with preparation of 2020 financial statements. Based on the impairment test no impairment was recognized. In the valuation of the patents there is significant management judgement involved relating to the future royalties from Biohit Healtcare Hefei. Due to the management judgement and estimation uncertainty related to the valuation of the patents, we consider this as a key audit matter for the audit of the financial statements.	We have assessed the appropriateness of the valuation of the patents at the year-end. As part of the valuation assessment we have performed the following audit procedures: • we evaluated the reliability of estimates used by management by comparing forecasts made in prior years to actual outcomes • we assessed key inputs in the calculations such as revenue growth, EBITDA and discount rate, by reference to management's forecasts • we tested the mathematical accuracy of the calculations • we compared the recoverable amount of the patents to its carrying value in the financial statements.

The above-mentioned Key audit matters Valuation of intangible assets (patents) and Valuation of Genetic Analysis AS shares are also key audit matters with respect to our audit of the parent company financial statements. The value of patents amounted to 1,5 million euros and the value of Genetic Analysis shares amounted to 0,8 million euros in the parent company's balance sheet as of December 31, 2020. Our audit procedures were aligned with the ones presented above.

RESPONSIBILITIES OF THE BOARD OF DIRECTORS AND THE MANAGING DIRECTOR FOR THE FINANCIAL STATEMENTS

The Board of Directors and the Managing Director are responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, and of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the parent company's and the group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the parent company or the group or to cease operations, or there is no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the parent company or the group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

OTHER REPORTING REQUIREMENTS

APPOINTMENT

We were first appointed as auditors by the annual general meeting on 14 April 2014. Our appointment represents a total period of uninterrupted engagement of 7 years.

OTHER INFORMATION

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors and the information included in the Annual Report, but does not include the financial statements and our auditor's report thereon. We have obtained the report of the Board of Directors prior to the date of this auditor's report and the Annual Report is expected to be made available to us after that date.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information identified above and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. With respect to the report of the Board of Directors, our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion

- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditor's report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Helsinki, 22 February 2021

PricewaterhouseCoopers Oy
Authorised Public Accountants

Pasi Karppinen
Authorised Public Accountant (KHT)
M.Sc. Economics

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