INNOVATING FOR HEALTH

BIOHIT OYJ • Annual Report 2017

Contents

Biohit in brief

Biohit's innovations prevent illnesses and improve quality of life. Biohit Oyj is a Finnish biotechnology company operating on global markets. Our mission, "Innovating for Health", describes our products and services, which aim to promote medical research and early diagnosis, and prevent serious illnesses.

Our goal is to improve people's quality of life by preventing diseases, human suffering and financial loss. Biohit is headquartered in Helsinki and it has subsidiaries located in Italy and the United Kingdom. Biohit's Series B shares (BIOBV) are listed in Nasdaq OMX Helsinki Oy's Small Cap group and in the healthcare sub-sector.

Cost-effective innovations for healthcare

Gastrointestinal diseases are a growing world-wide concern, with related medical, ethical and financial problems. Gastrointestinal diseases are the most common cause for people to seek treatment or to complain of a lack of treatment. As the population ages, the need for healthcare will increase further, leading to an urgent requirement for new, cost-effective solutions.

The numerous health-related problems caused by smoking are the most common preventable form of mortality in western countries. Biohit helps people to give up smoking with a new method that is safe and does not cause nicotine addiction.

As a responsible company, we also aim to increase people's awareness of their exposure to acetaldehyde, a group 1 carcinogen, and to reduce the harmful effects of such exposure.

Biohit continuously develops its products and services to address growing needs. Our products and services are safe and cost-effective innovations for diagnosing and preventing diseases and associated risks.

Biohit's innovation is a breakthrough in the market for products used to give up smoking.

Year 2017

In 2017, we achieved good results in clinical research and developed our operations in China. We obtained assurance of the effectiveness of the Acetium® lozenge in giving up smoking and we were able to prepare the new product for launch. We also initiated several other studies. We concluded a transaction with our Chinese joint venture to enable a substantial increase in production capacity for the GastroPanel® product.

We invested in research and development

Research will provide evidence of the efficacy of Biohit's diagnostic tests in various clinical settings, as well as for population-based screening.

A verification study focusing on giving up smoking, with a sample of almost 2,000 smokers, was completed in May 2017. The study confirmed the effectiveness of Acetium® lozenges in helping people to give up smoking. We will launch a new product intended for giving up smoking in 2018.

We also continued developing the GastroPanel rapid test.

We boosted our efficiency

With the introduction of new quality standards, we updated and clarified our internal processes and trained our personnel. Further more we obtained significant savings in areas such as purchasing operations and production optimisation. We realised substantial cost savings throughout the Group, while also investing more in sales.

We made changes to our operations in China

We completed the divestment of our Chinese joint venture, which pushed our operating profit for 2017 into the positive. Now that the divested company is in full Chinese ownership, it will be able to make significant investments in increasing its production capacity, and it will gain easier access to national health care and screening programmes. In accordance with the existing agreement, we will continue to deliver raw materials required for manufacturing and we will receive a royalty payment based on the net sales of products.

Number of personnel

During the reporting period, the average number of personnel employed by the Group was 51 (53 in 2016), of whom 41 (44) were employed by the parent company and 10 (9) by subsidiaries. At the end of 2017, the Group employed 51 (49) personnel, of whom 42 (40) were employed by the parent company and 9 (9) by subsidiaries.

Our financial position

We are able to make the required investments in building an international network of distributors, as well as in developing and commercialising new products. At the end of the financial period, the company's financial assets totalled EUR 5.6 million (EUR 4.5 million).

GOAL: to enable early diagnosis and prevention of diseases

ACTIONS: commercialisation of new products and support to international distribution channels

IMPROVEMENT: enabling of appropriate and adequate treatment, early impact on serious diseases and public health

Net sales

9.0 MEUR

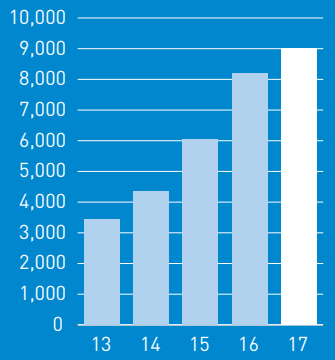
Growth in net sales %

9.6%

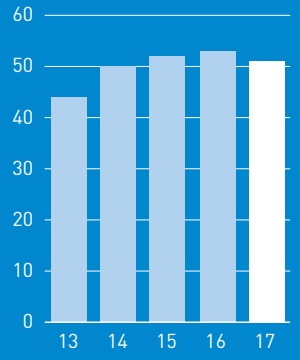
Operative EBITDA

–0.4 MEUR

Net sales 2013–2017, 1,000 EUR



Average number of personnel 2013–2017



Biohit Group's key figures	2017	2016
Net sales (MEUR)	**9.0**	8.2
EBITDA (MEUR)	**7.9**	–3.0
Operative EBITDA (MEUR)	**–0.4**	–1.9
Operating profit/loss (MEUR)	**6.4**	–3.4
Profit/loss before taxes (MEUR)	**6.4**	–3.3
Profit/loss for the period (MEUR)	**6.1**	–3.3
Average number of personnel	**51**	53
Number of personnel at the end of the period	**51**	49
Equity ratio (%)	**91.3%**	83.0%
Earnings per share (EUR), Undiluted	**0.42**	–0.22
Earnings per share (EUR), Diluted	**0.41**	–
Shareholders' equity per share (EUR)	**1.16**	0.73
Average number of shares during the period	**14,764,411**	14,685,071
Number of shares at the end of the period	**14,886,843**	14,698,533

A year of development

In 2017, we further improved our sales and financial result. We developed our products and made progress in our research projects.

Our EBITDA adjusted for items affecting comparability was EUR –0.4 million (EUR –1.9 million), which represents an improvement of EUR 1.6 million on the comparison period. Our free cash flow in the 2017 financial period amounted to EUR 0.6 million (EUR –2.5 million). Our financing position was strengthened by the cash sum of approximately EUR 1.5 million received from the divestment of our joint venture.

Our Chinese business developed favourably in 2017, and we expect the outlook to remain good. Biohit is now in a strong position to continue growing in 2018.

Quit smoking – nicotine free

The new Acetium® lozenge is a safe and effective product that may help quit smoking without nicotine or any of the potential side-effects of medicinal intervention methods. The Acetium lozenge is used while smoking, and it effectively removes carcinogenic acetaldehyde that dissolves in saliva during smoking. We will launch the new product in 2018.

New GastroPanel® quick test

The GastroPanel® quick test, intended for point-of-care testing (POC), can be conducted using a fingertip blood sample during a primary care appointment. The GastroPanel® quick test will be available in Europe as soon as the performance and clinical testing required for the CE mark have been completed.

Expansion of our distribution network continued

We continued to expand our distributor network by making new agreements and rearranging existing agreements. We made the following agreements in 2017 concerning the distribution of Biohit's diagnostic products: Mast Diagnostics will sell our diagnostic tests in France and Eastern Medical Co. will sell them in Vietnam. Cherubino Ltd was appointed as distributor for Malta, and Labquality

S.C.C. will be the distributor in Ecuador. Afric Phar was appointed as distributor of Biohit's rapid coeliac test and the ColonView® test in Morocco. In Sri Lanka, the GastroPanel® and ColonView tests will be distributed by IconnHealthCare Pvt Ltd.

In the review period, Hefny Pharma received the exclusive right to sell Acetium in Egypt. In China, Chinmax Medical Systems Inc. will be responsible for distributing the lozenge. In addition, a non-exclusive agreement was signed in December with R-Kioski for the distribution of the Acetium lozenge in Finland to help smokers to give up. In Greece, an exclusive distribution agreement covering the same product was signed with Pharmathen Hellas S.A.

Important new results in our research projects

In 2017, the 20-year follow-up results were published for a unique screening study, conducted between 1994 and 1996, on the risk of gastric cancer (known as the Kotka–Vantaa screening study) in two leading journals in the field (Acta Oncologica and Gut). The follow-up results show that long-term mortality due to gastric cancer significantly decreased among people who had been screened with GastroPanel biomarkers. In the second publication of the same study, a significant finding was published showing that if an infection of *Helicobacter pylori* was detected in the stomach in conjunction with the screening (1994–1996), it significantly reduced the risk of oesophageal cancer but increased the risk of gastric cancer over the 20-year monitoring period.

The new study on the effectiveness of Acetium lozenges for helping people to give up smoking was completed in spring 2017, and it confirmed the previous result showing that the Acetium lozenge is an effective and entirely nicotine-free method of helping people to give up smoking. The likelihood of people giving up smoking with the help of Acetium lozenges was 50% higher than with the placebo.

I would like to thank the personnel and partners of Biohit, as well as our active investors. We are highly motivated to continue realising the unique opportunities presented by Biohit.

Semi Korpela
CEO

Biohit's strategy 2017–2022

Our strategic decisions
We are working long-term to make our operations simpler and more efficient. We always take into account customer benefits.

We aim to increase net sales primarily in the following areas:
1) China
2) EU, Russia, Middle East, South-East Asia and Mexico

Our mission is "Innovating for Health".
We aim to become the world's leading biotechnology company in selected markets promoting gastrointestinal well-being:
a) Advanced and innovative in vitro diagnostic tests of the gastrointestinal tract and use of tests for screening
b) Products that bind acetaldehyde in the gastrointestinal tract

We will make our distribution chain and services simpler and more efficient
Our competitive advantage is a quick, flexible and cost-efficient distribution chain where customers play a key role. We are making our processes more efficient by continuously digitising and automating our operations and services.

We always take the customer into consideration in our decisions
Whenever we make a decision, we consider how the decision will benefit customers and how it will enable innovation for customers.

Quality is the most important thing
Our target is to constantly improve quality. We monitor our operations and make all required improvements rapidly. We take more preventive than corrective actions.

We rearranged our operations in China

Biohit divested its stake in Biohit Healthcare (Hefei) Co. Ltd, a joint venture in China. A capital gain amounting to approximately EUR 8.4 million was recognised for the 2017 financial period, and this will affect the comparability of the operating profit.

In conjunction with the transaction, a licensing and distribution agreement was made whereby Biohit will deliver raw materials required for manufacturing and will receive a payment based on the net sales of products. The agreement will be valid for at least 15 years.

Transferring ownership of the company entirely to Chinese parties will enable the investments required for growth, as well as the ability to receive state aid, obtain various technological subsidies and participate in national screening programmes.

Biohit HealthCare (Hefei) Co. Ltd has stated its intention to expand its production capacity for GastroPanel® and bring the GastroPanel product onto new technology platforms and instruments. The declared investments to increase the production capacity amount to approximately EUR 38.4 million.

The importance of quality

Customer satisfaction is the key indicator that guides our operations, and high quality is the basis of all our actions. Through quality management, we ensure that Biohit's products and services are safe, ethical and cost effective, and by our commitment to continuous improvement we aim to further increase the benefits enjoyed by customers. Biohit's quality management system is certified by an external party, and Biohit's products bear the CE mark in addition to the Acetium® product family's Key Flag symbol.

The new EU medical device regulations will shape the whole biotechnology industry and quality management will play an even more important role in the future. Our quality management system was updated to the new ISO standard versions 13485:2016, 9001:2015 and 14001:2015 during 2017, and it was certified in early 2018. Our organisation-wide quality management system follows the entire product and service lifecycle. Although quality regulations and requirements are obligations, they also help us to succeed in offering our customers and partners unique products as well as quick and professional service.

Quality

Quality is one of Biohit's cornerstones and is a part of all of its actions. All our functions, at all times, operate in a way to ensure that all quality certificates are valid. Everyone at Biohit works on quality. The organisation-wide quality and risk management approach is reflected in the final products we sell, and in the way we serve our customers.

All activities focus on patient safety and customer satisfaction. We continuously monitor customer satisfaction. We take into account all of the feedback that we receive and aim to constantly develop our products and services to serve our customers needs even better.

Commitment

We are committed to continuous improvement. Our products have been designed to minimise their environmental impact throughout their lifecycles. Recycled materials are selected for packaging, and the quantities of hazardous substances are reduced during the product development phase. The environmental impact is evaluated annually, and we strive to improve our operations in accordance with sustainable development principles. In the last financial period, we managed to reduce our scrapping levels and increase our material utilisation rate.

The history of Biohit Oyj

Biohit's success is 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 a successful model and path for small and large companies in Finland.

This strategy originated in the early 1970s when Suovaniemi established the precursors to Biohit Oyj, Labsystems Oyj (1972) and the joint venture, Eflab Oy (1978). The "aggressive innovation and patenting strategy" forms a strong basis for enterprises – whether small or large – to succeed in international competition and create well-being for our society. Giving up on the aggressive innovation and patenting strategy often precedes the onset of recession in Finland and abroad. (**www.biohithealthcare.com/about-us/history : Aggressive innovation and patenting strategy**).

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 immuno-assays 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 since 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.
- 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 Professor Max Siurala and Professor Pentti Sipponen to study patients suffering from gastritis. A further basis for the development of GastroPanel is collaboration with Professor Matti Härkönen and Professor 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.
- 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 means for more safely diagnosing and preventing 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

- Biohit Oyj sells its liquid handling business to Sartorius Lab Holding GmbH for EUR 68 million.

2011–2012

- The company decides to focus on and invest in diagnostics in larger, rapidly growing markets and in products that bind carcinogenic acetaldehyde, thereby promoting the prevention of diseases, improving people's quality of life and saving on health care costs.

Osmo Suovaniemi established Biohit Oyj at 1988.

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 coeliac 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 test.

2015

- Biohit completes its first studies related to giving up smoking.
- **www.biohithealthcare.com/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

- Biohit Oyj acquires a stake in Genetic Analysis AS, a Norwegian company.
- Biohit's joint venture in China begins manufacturing the GastroPanel product.

Acetaldehyde

- As regards cancer, the problem is that acetaldehyde is formed from ethanol in certain locations in the gastrointestinal tract. "Free" acetaldehyde dissolved in saliva from tobacco smoke or originating from alcoholic drinks and other foodstuffs can also collect in locations in the gastrointestinal tract.
- A scientific committee set up by the EU proposes in 2012 that the acetaldehyde content of cosmetic products should be less than 5 mg/l and that mouthwashes should not contain any acetaldehyde.
- Several foodstuffs have an acetaldehyde content in excess of 5mg/l. (**www.biohithealthcare.com/laboratory-services/determination-of-acetaldehyde**).

Corporate Governance Statement 2017

INTRODUCTION

Biohit Oyj has prepared Corporate Governance Statement on the basis of Section 54 of the Finnish Corporate Governance Code for listed companies issued by the Securities Market Association. Biohit Oyj has appended its remuneration statement for the 2017 financial period to this statement.

The Corporate Governance Statement has been issued separately from the Report of Biohit Oyj's Board of Directors. The Board of Directors reviewed the Statement at its meeting on 28 February 2018.

The Report of the Board of Directors, the Auditor's Report and the full Corporate Governance Statement are available at **www.biohithealthcare.com/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 2015, 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 five-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 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 2017

The highest decision-making power at Biohit 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 2017, Biohit Oyj held its Annual General Meeting on 26 April 2017 in Helsinki. 2,883,200 series A shares and 4,996,761 series B shares were represented at the meeting, corresponding to 53.61% of all of the shares in the company and 87.97% of the votes. The meeting was attended by three of the five 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 throughout 2017.

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 biannual review of operations 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 6–12 times per year, usually meeting once per 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 2017

Until the Annual General Meeting held on 26 April 2017, the following six people were on the Board of Directors: Osmo Suovaniemi (chairman), Eero Lehti, Mikko Salaspuro, Seppo Luode, Franco Aiolfi and Janina Andersson. At the Annual General Meeting on 26 April 2017, Osmo Suovaniemi (chairman), Eero Lehti and Franco Aiolfi were re-elected to the Board of Directors, and Stina Syrjänen and Matti Härkönen were elected as new members to serve until the end of the Annual General Meeting in 2018. The Board of Directors elected Osmo Suovaniemi as its chairman.

Biohit Oyj's Board of Directors convened 6 times in 2017 (7 times in 2016). The average attendance was 91 per cent (100 per cent).

Biohit Oyj's Board of Directors on 31 December 2017

Osmo Suovaniemi (b. 1943), MD, PhD, Professor

- 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 6 Board meetings in 2017
- Direct shareholding: series A shares: 2,265,350; series B shares: 965,217
- Indirect shareholding via Interlab Oy, a company under his control: series B shares: 2,034,497

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 6 Board meetings in 2017
- Direct shareholding: no Biohit shares
- Indirect shareholding: Managing Director of Euroclone S.p.A. (formerly Polyfin S.p.A.) and a majority shareholder in Euroclone S.p.A. through Arsfin Consult Srl. Euroclone is the leading distributor of biotechnology application instruments on the Italian market. Euroclone S.p.A. owns 92,807 series B shares.

Stina Syrjänen (b. 1950), DDS, PhD, FDSRCSEd(hon), Professor

- Member of the Board since 2017
- Independent of the major shareholders but not of the company
- Professor of Oral Pathology at the University of Turku, and holder of honorary doctorate degrees from the Universities of Buenos Aires and Mayor, Santiago de Chile
- Attended 4 Board meetings in 2017
- Direct shareholding: no Biohit shares

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
- Responsible for Biohit Oyj's clinical laboratory research and related development work. Also serves as scientific advisor to Biohit Oyj.
- Attended 3 Board meetings in 2017
- 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
- Independent of the major shareholders and of the company
- Member of Parliament since 2007
- Founder of Taloustutkimus Oy and the Chairman of its Board
- Attended 4 Board meetings in 2017
- Direct shareholding: series B shares: 2,000

Board committees

The scope of Biohit's business operations does not require the appointment of an Audit Committee, and no other committees have been appointed to assist 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: 35,085

Group Management Team

The composition and areas of responsibility of the Group's Management Team were as follows: Semi Korpela (President, CEO, CFO), Lea Paloheimo (business development), Ilari Patrakka (sales and marketing), Kari Syrjänen (medical director) and Daniela Söderström (quality and registration).

Lea Paloheimo (b. 1951)
- PhD (clinical biochemistry), hospital chemist
- Business Development
- With Biohit Oyj since 2001
- Previously: Chemist at Huslab, Sales Manager at Dasico a/s in Denmark, PhD and post-doctoral work at the University of Copenhagen, Researcher at Orion Diagnostica (Orion Corporation), Clinical Chemist at United Laboratories Ltd.
- Direct shareholding: series B shares: 7,000

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: 14,820

Kari Syrjänen (b. 1948)
- MD, PhD, FIAC, Professor
- Medical Director
- With Biohit Oyj since 2013
- Previously: Professor of Pathology at the University of Kuopio, Dean of the Medical Faculty. Visiting professor at Siena University and at the National Health Institute (ISS) in Italy, as well as at the Barretos cancer hospital in Brazil. Researcher Department of Clinical Oncology, Turku University Hospital.
- 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.
- No direct shareholding

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 2017, the Managing Directors of Biohit's subsidiaries were: Graham Johnson (United Kingdom) and Franco Aiolfi (Italy).

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

REMUNERATION STATEMENT

Decision-making procedure concerning remuneration and main principles of remuneration

Remuneration of members of the Board of Directors

The Annual General Meeting approves the fees of Biohit Oyj's Board of Directors. A decision was made at the Annual General Meeting on 26 April 2017 to pay a fee of EUR 1,500 per meeting to the chairman and the other members of the 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 notice period of the President & CEO and the members of the Management Team and the remuneration for these parties during the notice period is determined in accordance with the Employment Contracts Act.

The President & CEO approves the remuneration and terms of employment of members of the Management Team. Biohit's Board of Directors approves the principles of the incentive schemes for Management Team members and the President & CEO. Bonuses are determined on the basis of the net sales and earnings trends in each person's area of responsibility. The maximum bonus that can be received depends on each person's monthly salary and can total no more than two months' salary. No bonus was paid to the President & CEO and Management Team members in 2017.

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's product segments.

In 2013, Biohit introduced an incentive system offering stock options to company managers and employees. A total of 188,310 new series B shares in the company were subscribed under stock options in 2017. The share subscription price under the stock options in question was EUR 2.2766 per share. On 31 December 2017, there were 178,750 stock options in circulation. The deadline for exercising stock options under the options programme is 31 May 2019. Earning of stock options has begun with the exception of 40,000 options intended for the President & CEO, for whom the earning period will begin on 1 June 2018. According to the terms and conditions of the stock option programme, stock options can be executed or sold on when they have been earned.

No new stock option programmes or other performance-related remuneration systems are in effect for 2018.

Pension plans

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

Remuneration and other benefits 2017

Remuneration of members of the Board of Directors

Member of the Board of Directors	Position on the Board of Directors	Board of Directors' fees (EUR)	Other remuneration (EUR)	Total remuneration (EUR)
Osmo Suovaniemi	Chairman	7,600	201,363	208,963
Matti Härkönen	Member	4,500	–	4,500
Eero Lehti	Member	3,000	–	3,000
Stina Syrjänen	Member	6,000	5,700	11,700
Franco Aiolfi	Member	7,500	27,000	34,500
Seppo Luode	Member	1,500	–	1,500
Mikko Salaspuro	Member	1,500	–	1,500
Janina Andersson	Member	1,500	–	1,500
Total		33,100	234,063	267,163

Companies under the control of members of the Board of Directors

	2017	2016
Franco Aiolfi, Euroclone S.p.A	81,600	166,860
Matti Härkönen, Oy Tech Know Ltd.	53,444	49,104
Mikko Salaspuro, Gascol Tutkimus Oy	20,632	76,948
Total	155,676	292,912

During the financial period that ended on 31 December 2017, the remuneration paid to members of the parent company's Board of Directors totalled EUR 33,100 (EUR 63,700 in 2016). Osmo Suovaniemi was paid EUR 201,363 (EUR 201,763 in 2016) for his services as a member of the scientific advisory board. Board member Franco Aiolfi is the Managing Director of Biohit Oyj's subsidiary, Healthcare S.R.l., and he received remuneration of EUR 27,000. Biohit has a consultancy agreement with Oy Tech Know Ltd, a company controlled by Board member Matti Härkönen. On the basis of this agreement, Oy Tech Know Ltd was paid consultancy fees of EUR 53,444 based on the work done by Matti Härkönen. Stina Syrjänen was paid EUR 5,700 for her services as a member of the scientific advisory board. Biohit Oyj has a consultancy agreement with Gascol Tutkimus Oy, an entity related to Mikko Salaspuro, who served as a member of the Board of Directors until the 2017 Annual General Meeting. On the basis of this agreement, consultancy fees of EUR 20,632 were paid for the work done by Mikko Salaspuro in the 2017 financial period.

Remuneration for the President & CEO

Salary and benefits (EUR)	2017	2016
Salary	202,327	201,757
Short-term incentives	–	–
Long-term incentives	291,314	–
Total	493,641	201,757

Remuneration for members of the Management Team (excluding the President & CEO)

Salary and benefits (EUR)	2017	2016
Salary	553,324	616,800
Short-term incentives	–	–
Long-term incentives	262,592	–
Total	815,916	616,219

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 of 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 members, 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.

The Group has all the 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 both in connection with the external audit and through spot checks throughout the financial period.

AUDIT 2017

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 2017 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 2017 Annual General Meeting decided to pay auditor's fees in accordance with the auditor's invoice. The Group's invoiced auditors' fees for the 2017 financial period totalled EUR 51,000 (EUR 42,000 in 2016). In addition to this, PricewaterhouseCoopers Oy was paid a total of EUR 30,000 for other services (EUR 52,000 in 2016).

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.

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.biohithealthcare.com/investors.**

Board of Directors

OSMO SUOVANIEMI (b. 1943)

- MD, PhD, Professor (h.c.)
- Chairman of Biohit Oyj's Board of Directors
- Non-independent of the major shareholders and of the company

EERO LEHTI (b. 1944)

- MSc (Soc.Sc.), holder of the honorary Finnish title of "kauppaneuvos", member of parliament
- Member of Biohit Oyj's Board of Directors since 2009
- Independent of the major shareholders and of the company

FRANCO AIOLFI (b. 1947)

- Degree in Pharmacy, University of Urbino
- Member of Biohit Oyj's Board of Directors since 2013
- Independent of the major shareholders but non-independent of the company

STINA SYRJÄNEN (b. 1950)

- DDS, PhD, FDSRCSEd(hon)
- Professor of Oral Pathology at the University of Turku
- Member of Biohit Oyj's Board of Directors since 2017
- Independent of the major shareholders but non-independent of the company

MATTI HÄRKÖNEN (b. 1933)

- MD, PhD, Emeritus Professor
- Member of Biohit Oyj's Board of Directors since 2017
- Independent of the major shareholders but non-independent of the company

Management team

SEMI KORPELA (b. 1970)
- MSc (Econ.)
- President, CEO, CFO
- With Biohit Oyj since 2011 and from 2003 to 2006 as CFO

LEA PALOHEIMO (b. 1951)
- PhD (clinical biochemistry), hospital chemist
- Production and Product Development Director, Business Development Director
- With Biohit Oyj since 2001

ILARI PATRAKKA (b. 1980)
- MSc (Econ.)
- Sales and Marketing Director
- With Biohit Oyj since 2012

DANIELA SÖDERSTRÖM (b. 1987)
- MSc (Tech.)
- Quality and Regulatory Affairs Director
- With Biohit Oyj since 2014

KARI SYRJÄNEN (b. 1948)
- MD, PhD, FIAC, Professor
- Chief Medical Director
- With Biohit Oyj since 2013

Information for shareholders

Annual General Meeting

Biohit Oyj's Annual General Meeting will be held at 5pm on Wednesday 25 April 2018 at Vanha Ylioppilastalo, Mannerheimintie 3, 00100 Helsinki, Finland. Shareholders who are listed on the company's register of shareholders and who wish to attend the Annual General Meeting should register by Friday 20 April 2018 at 10 am (the registration must arrive by this date).

Register for the Annual General Meeting:
Online: **www.biohithealthcare.com/investors**
By telephone: +358 9 773 861, Mon–Fri, 9am–4pm
By post: Biohit Oyj, Annual General Meeting, Laippatie 1, FI–00880 Helsinki, Finland

Board of Director's proposal regarding the distribution of profits

On 31 December 2017, the parent company's distributable assets (unrestricted equity) amounted to EUR 12,650,376.26, including the loss for the financial period of EUR 6,741,893.94. 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: 14,886,843 (14,698,533 in 2016)

Series A shares (20 votes per share): 2,975,500 (2,975,500 in 2016)
Series B shares (1 vote per share): 11,911,343 (11,723,033 in 2016)

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

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 2018

Wednesday 22 August 2018
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.

Summary of stock exchange releases in 2017

2.1.2017	Ownership arrangement in Biohit Oyj's Chinese Joint Venture – 2017 operating result expected to be positive
5.1.2017	Biohit Oyj CEO Semi Korpela takes sick leave
20.2.2017	Biohit Oyj's CEO Semi Korpela will return to work on 20.2.2017
20.2.2017	Biohit group financial statement release 2016
22.3.2017	Publication of Biohit Oyj Annual Report 2016
3.4.2017	Notice of Biohit Oyj's Annual General Meeting
20.4.2017	Biohit Oyj B-shares subscribed with Stock Options I 2013 B
26.4.2017	Decisions of the Annual General Meeting of Biohit Oyj
27.4.2017	Constitutive meeting of Biohit Oyj's Board of Directors
4.5.2017	Lea Paloheimo appointed Biohit Oyj's R&D and production director
22.5.2017	Biohit Acetium® lozenge is a highly effective means to stop smoking – results confirmed in a new large-scale trial
29.5.2017	Biohit Oyj B-shares subscribed with Stock Options I 2013 B
31.5.2017	Ownership arrangement in Biohit Oyj's Chinese Joint Venture completed
5.6.2017	Chinmax Medical Systems Inc. to distribute Acetium® Lozenge in China
2.8.2017	The results of Biohit's second smoking intervention trial have been published
16.8.2017	Biohit GastroPanel® was shown to be an accurate predictor of gastric cancer risk during a 12-year follow-up of 12.000 people in China
17.8.2017	Biohit group half year financial report 2017
4.9.2017	A new meta-analysis from independent scientists in Italy confirms the accuracy of Biohit GastroPanel® in diagnosis of atrophic gastritis
11.9.2017	An important patent granted to Biohit Acetium® Capsule in Japan
6.11.2017	Biohit Oyj B-shares Subscribed with Stock Options I 20134.9.2017
8.12.2017	Biohit Oyj's Financial Reporting and Annual General Meeting in 2018
18.12.2017	Quit smoking, nicotine free: R-kioski to distribute Acetium® lozenge in Finland

Financial Statements

Content

* part of the official financial statements

Report by the Board of Directors 2017

SUMMARY

- The company's net sales were EUR 9.0 million (EUR 8.2 million 1–12/2016)
- Operative EBITDA was EUR –0.4 million (EUR –1.9 million)
- The company's operating income was EUR 6.4 million (EUR –3.4 million)
- Profit before taxes was EUR 6.4 million (EUR –3.3 million)
- Undiluted earnings per share were EUR 0.42 (–0.22)
- International business operations accounted for 95.7% (92.2%) of net sales

In 2017, Biohit's net sales increased by 9.6% over 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 2017 was 91.3% (83.0%). At the end of the financial period, the company's financial assets amounted to EUR 5.6 million (EUR 4.5 million).

BIOHIT GROUP KEY FIGURES

	1–12/2017	1–12/2016
Net sales (MEUR)	9.0	8.2
Operating profit/loss (MEUR)	6.4	–3.4
Profit/loss before taxes (MEUR)	6.4	–3.3
Profit/loss for the period (MEUR)	6.1	–3.3
Average number of personnel	51	53
Number of personnel at the end of the period	51	49
Equity ratio (%)	91.3%	83.0%
Earnings per share (EUR)	0.42	–0.22
Shareholders' equity per share (EUR)	1.16	0.73
Average number of shares during the period	14,764,411	14,685,071
Number of shares at the end of the period	14,886,843	14,698,533

REPORTING

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

NET SALES AND RESULT

Net sales increased by 9.6% compared to the previous year. The proportion of international operations of net sales increased from the previous year and, in 2017, amounted to 95.7% (92.2%). Operating income was EUR 6.4 million (EUR –3.4 million).

Consolidated net sales and operating income

MEUR	2017	2016
Net sales	9.0	8.2
Operating income	6.4	–3.4

BRIDGE CALCULATION OF ALTERNATIVE PERFORMANCE MEASURES

Operative EBITDA

EUR 1,000	2017	2016
Operating income	6,356	–3,356
Depreciation and amortization	1,589	356
Items affecting comparability	–8,313	1,071
Operating EBITDA	–368	–1,929

Items affecting comparability

EUR 1,000	2017	2016
IFRS 2 share-based payments	–85	–873
Share of the profit/loss from Biohit HealthCare (Hefei) Co. Ltd	198	–198
Share of the impact on profit/loss from the dissolution of Biohit HealthCare (Hefei) Co. Ltd *	–596	–
Biohit HealthCare (Hefei) Co. Ltd, capital gain on share	8,796	–
Total	8,313	–1,071

* The impact on profit/loss is due to the dissolution of the consolidation in the balance sheet of Biohit HealthCare (Hefei) Co. Ltd, which was done using the equity method.

Free cash flow (FCF)

EUR 1,000	2017	2016
Net cash flow from operating activities	–943	–2,457
Investments in tangible and intangible assets	–170	–92
Proceeds from disposal of tangible and intangible assets	–	5
Proceeds from sale of share in joint venture (cash proportion)	1,743	–
Free cash flow	631	–2,544

BALANCE SHEET

The balance sheet totaled on 31 December 2017 EUR 18.9 million (EUR 13.0 million). Biohit's balance sheet provides the necessary foundation for building the business and exploiting the great potential of the products. The company's equity ratio at the end of 2017 was 91.3% (83.0%).

FINANCING AND OPERATIONAL CONTINUITY

Biohit Oyj has a moderate financing position, which allows for the necessary actions towards creating an international distributor network as well as the development and commercialization of new products. On 31 December 2017 company's financial assets totalled EUR 5.6 million (EUR 4.5 million).

Despite significant financial investments the company has managed to keep its working capital on a good level and the management states that working capital will cover the operations for at least the next 12 months and the company is not depended on external financing to be able to guarantee the continuity of its operations. 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 any reason to doubt the organisation's ability to continue its operations.

RESEARCH AND DEVELOPMENT

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 1–12/2017 reporting period amounted to EUR 1.2 million (EUR 1.9 million).

The main focus was in smoking cessation study and preparing the new product for the market. We also continued development of the GastroPanel® quick test and made a progress in the performance and clinical testing and software development that are required before starting the sales. We are further developing the ColonView-FIT concept for colon cancer diagnosis and possible screening projects in Finland and abroad.

INVESTMENTS

Gross investments during the 1–12/2017 reporting period totalled EUR 0.2 million (EUR 0.1 million).

Key investments in the period were related to regular manufacturing equipment.

PERSONNEL

During the review period, the Biohit Group employed 51 (53 in 2016) people on average. 41 (44) of whom were employed by the parent company and 10 (9) by the subsidiaries. At the end of the year 2017, the Group employed 51 (49) personnel, of whom 42 (40) 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 the investments required for business growth and adequacy of economic resources that are required in the medium term. Other risks are involved in areas such as the success of clinical trials, the selection and development of new market areas and distribution channels, registration processes, product pricing, and political decision-making affecting the progress of screening programs. Significant short-term risks are associated with the successful selection of new market areas, the timing of expansion into selected markets and product success in these markets. The recent increase in uncertainty factors associated with international politics may have an unfavorable impact on the company's business.

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 in these areas and for product sales to begin. Negative registration decisions are also possible.

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. Biohit conducts its investment activities with at least two partners.

Biohit's operation's customer base is widely diversified, with the exception of GastroPanel® sales in China, which currently represents a major single business for Biohit. Due to this reason, the company is dependent on the continuation of this business relationship. 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 2018

Biohit is going to launch the new Acetium-product for the smoking cessation in 2018. Biohit has several product registrations ongoing together with its distributors and license partners in a number of different markets, which will affect net sales development. A number of such registrations are expected to be completed in 2018.

China's operations continue to be an important focus area in Biohit's business in 2018. In addition to the ongoing GastroPanel screening research, Biohit's Chinese partner Biohit HealthCare (Hefei) Co. Ltd has begun the commercial manufacturing and sales of the GastroPanel product in China, that are produced from raw materials supplied by Biohit. At the same time, sales of GastroPanel kits manufactured in Finland are expected to continue to grow in the Chinese market.

Revenue is expected to increase during 2018.The company does not estimate when the comparable profit will turn profitable.

MAIN EVENTS IN THE FINANCIAL PERIOD

Expansion of our distribution network continued and we advanced in product registrations

We continued to expand our distributor network by making new agreements and rearranging existing agreements. We made the following agreements in 2017 concerning the distribution of Biohit's diagnostic products: Mast Diagnostics will sell our diagnostic tests in France and Eastern Medical Co. will sell them in Vietnam. Cherubino Ltd was appointed as distributor for Malta, and Labquality S.C.C. will be the distributor in Ecuador. Afric Phar was appointed as distributor of Biohit's celiac quick test and the ColonView® test in Morocco. In Sri Lanka, the GastroPanel® and ColonView tests will be distributed by IconnHealthCare Pvt Ltd. In the review period, Hefny Pharma received the exclusive right to sell Acetium in Egypt. In China,

Chinmax Medical Systems Inc. will be responsible for distributing the lozenge. In addition, a non-exclusive agreement was signed in December with R-Kioski for the distribution of the Acetium lozenge in Finland to help smokers to give up smoking. In Greece, an exclusive distribution agreement covering the same product was signed with Pharmathen Hellas S.A.

GastroPanel was granted sales licence in our strategically important market areas in Mexico and Iran during the review period. The ColonView quick test was approved for sale in Panama and Serbia. The registration of Acetium was completed in Vietnam and the shipments were initiated under the product name Athetium.

During 2017 a price approval decision on the three GastroPanel tests (pepsinogen I, pepsinogen II, gastrin–17) was issued in two Chinese provinces. The price approval decision has already been issued in 22 provinces. Price approval is a pre-requisite for reimbursability of GastroPanel and start of sales.

We made changes to our operations in China

We completed the divestment of our Chinese joint venture, which turned our operating profit for 2017 into the positive. Now that the divested company is in full Chinese ownership, it will be able to make significant investments in increasing its production capacity, and it will gain easier access to national health care and screening programmes. In accordance with the existing agreement, we will continue to deliver raw materials required for manufacturing and we will receive a royalty payment based on the net sales of products.

We prepared new products for the market

Acetium® lozenge is a safe and effective product that helps smokers to give up without consuming addictive nicotine or incurring any of the potential side-effects of medicinal intervention methods. The Acetium lozenge is used while smoking, and it effectively removes carcinogenic acetaldehyde that dissolves in saliva during smoking. We will launch the new product in 2018.

The new GastroPanel® quick test, intended for point-of-care testing (POCT), can be conducted using a fingertip blood sample during a primary care appointment. The GastroPanel® quick test will be available in Europe as soon as the performance and clinical testing required for the CE mark have been completed.

Important new results in our research projects

In 2017, the 20-year follow-up results were published for a unique screening study, conducted between 1994 and 1996, on the risk of gastric cancer (known as the Kotka-Vantaa screening study) in two leading journals in the field (Acta Oncologica and Gut). The follow-up results show that long-term mortality due to gastric cancer significantly decreased among people who had been screened. In the second publication of the same study, a significant finding was published showing that if an infection of Helicobacter pylori was detected in the stomach in conjunction with the screening (1994–1996), it significantly reduced the risk of oesophageal cancer but increased the risk of gastric cancer over the 20-year monitoring period.

The effectiveness of the Acetium® lozenge in helping smokers to give up was verified in an extensive clinic trial

The results of Biohit's first study focusing on giving up smoking were published in 2016. Based on the promising results, Biohit repeated the study with a larger number of trial patients. The new study on the effectiveness of Acetium lozenges for helping people to give up smoking was completed in spring 2017, and it confirmed the previous result showing that the Acetium lozenge is an effective and entirely nicotine-free method of helping people to give up smoking. The likelihood of people giving up smoking with the help of Acetium lozenges was 50% higher than with the placebo.

Clinical studies progressed and new studies were started

Prompted by the promising results of the first smoking intervention study published in 2016, a confirmatory study testing Acetium® lozenge in a similar setting was reproduced with a larger sample size, completed in spring 2017. L-cysteine slowly released from Acetium® lozenge effectively binds carcinogenic acetaldehyde derived from the cigarette smoke, to build up an compound, that is excreted via gastroentestinal tract. Also this large study with 2000 smokers confirmed the previous results in that Acetium-lozenge is an

effective and completely nicotine-free method to help quit smoking. The likelihood to stop smoking with Acetium-lozenge was 50% higher than in the subjects who received placebo.

During 2017, we also concluded an international study in Brazil, comparing different screening tests of colorectal cancer since 2014. This study is similar in design to a previously (2015) published comparison study, where the sensitivity and specificity of Biohit ColonView®-FIT test (specific to human blood) was compared with the conventional guaiac-based test in detecting fecal occult blood. The interim results of the Brazilian study were reported in the DDW (Digestive Disease Week) congress of 2017 in the US. At this writing (February 2018), the research group is finishing the study report on the final results.

During 2017, both the two randomized clinical trials on migraine- and cluster headache patients continued. The progress of these two studies is delayed because of the slow speed of enrollment of the eligible patients as reported before. This trial has attracted considerable interest among the migraine patients and their physicians, because new effective medications for prevention of migraine attacks are urgently needed. Partly due to this reason, the company decided to conclude the migraine trial despite the fact that the originally planned cohort of 200 patients remains incomplete by 40 patients. Because of this, we decided to contract with two new research centers in Estonia, together agreed the enrollment of 160 eligible patients. When a similar study design as used in Finland is being reproduced, it will be possible to pool the results of these separate trials.

Another trial started in two clinics in Italy in 2016 has continued throughout the year 2017, testing the efficacy of Acetium® capsules in the treatment and prevention of the disease process of atrophic gastritis during a long-term follow-up.

As a direct continuation to the previous studies using Biohit GastroPanel® test, we started in autumn 2017 a new study focused on two special groups of high-risk patients. These include patients with Type 1 Diabetes Mellitus (DM1) and those with autoimmune thyroid disease (AITD), both known to be at particularly high risk of contracting autoimmune type of atrophic gastritis. In addition to establishing the magnitude of this risk, it is important to assess how the clinical monitoring of these patients is best organised. Also this study is conducted in collaboration with the Gastrocenter and Department of Internal Medicine at Oulu University in Finland, where all consenting DM1- and AITD-patients are enrolled on the occasion of their regular ambulatory visits, and subjected to GastroPanel test. All those with GastroPanel results implicating atrophic gastritis will be invited for diagnostic gastroscopy, disclosing the prevalence of mucosal atrophy in these high-risk patients.

In 2017, we also reported the first results of a study ongoing in Romania, evaluating the performance of Biohit Celiac Disease quick test (CDQT) in diagnosis of celiac disease (CD) in pediatric patients.

Option programme and financial communications

In 2017, 188,310 new series B shares were subscribed under Biohit Oyj's I 2013 stock options. The share subscription price was EUR 2.2766 per share. During the review period, a total of EUR 428,706.55 of the subscriptions was recognised in Biohit Oyj's invested unrestricted equity fund. Biohit Oyj did not grant new options in 2017.

Biohit Oyj publishes financial reviews twice per year. In 2018, the company will publish its interim report for January-June (H1) 2018 on Wednesday, 22 August 2018 at 9:30 am.

EVENTS AFTER THE CLOSE OF THE REVIEW PERIOD

Biohit Oyj's comments on its Chinese distributor's announcement

Biohit Oyj's distributor, a wholly Chinese owned Biohit HealthCare (Hefei) Co. Ltd has announced that it will expand its GastroPanel production capacity and that it will bring GastroPanel onto new technology platforms and instruments. The announced investment to increase the production capacity is substantial, approximately 38.4 million euros. As a result of the investment, the production capacity can be increased to produce 75 million tests yearly. Biohit Oyj will supply the needed raw materials and receives net sales based royalty payments in accordance with the distribution agreement existing between the parties. At this moment, Biohit Oyj cannot estimate the impact of this Chinese investment on Biohit Oyj's later results.

Quit smoking without nicotine: Pharmathen Hellas S.A. to distribute Acetium® lozenge in Greece

Biohit Oyj and Pharmathen Hellas S.A. have signed an agreement for the distribution of the smoking cessation product Acetium lozenge in Greece. The contract has been signed for three years with a continuation option. The first deliveries of the product will be in early 2018.

Dow BioMedica to distribute Biohit GastroPanel® in Korea

Biohit Oyj and Dow BioMedica have signed an agreement for the distribution of Biohit GastroPanel in Korea. The contract has been signed for four years with a continuation option. The registration will start during the 1st quarter of 2018.

Changes to Biohit Oyj's Management Team

Biohit Oyj CFO Niklas Nordström joined another company.

Biohit GastroPanel® test helps reducing unnecessary gastroscopies in pre-operative evaluation of the patients referred for bariatric surgery

A careful pre-operative evaluation is necessary for all patients to assess the status of their stomach, usually done by gastroscopy and biopsies. A recently published study from Tartu University Hospital (Estonia) shows that almost one third of these pre-operative gastroscopies can be replaced by non-invasive biomarker testing with GastroPanel.

Based on the results of this study, and as determined from the previously established data on the prevalence of Helicobacter pylori infection and atrophic gastritis, we can estimate that in Western countries, up to 80% of gastroscopies could be replaced by GastroPanel in the primary diagnosis of dyspeptic patients. This could significantly reduce these examinations that are felt uncomfortable by the patients and lead to substantial savings in healthcare costs.

New product registrations in Philippines and in Sri Lanka

Sales permit was granted for several Biohit quick tests in Philippines. Biohit UFT300 quick test was registered in Sri Lanka.

Montebello to distribute Biohit products in Norway

Biohit Oyj and Montebello Diagnostics AS have signed an agreement for the distribution of Biohit diagnostic products in Norway. The contract has been signed for three years with a continuation option.

ADMINISTRATION

Annual General Meeting in 2017

The Annual General Meeting (AGM) held on 26 April 2017 decided in accordance with the proposal by the Board of Directors that no dividend would be paid for the financial period that ended on 31 December 2016. 2,883,200 series A shares and 4,996,761 series B shares were represented at the meeting, corresponding to 53.61% of all of the shares in the company and 87.97% of the votes.

The AGM decided that the Board of Directors would have five (5) members and selected the following Board members until the end of the next AGM: members Professor (h.c.) Osmo Suovaniemi, Professor Stina Syrjänen, Professor Matti Härkönen, Commercial Counsellor Eero Lehti and managing director Franco Aiolfi. The AGM selected PricewaterhouseCoopers Oy, a firm of Authorised Public Accountants, to act as Biohit Oyj's auditor.

Biohit Oyj's Management Team

The members of Biohit's Management Team are: CEO & CFO Semi Korpela, Research & Development, Production and Business Development Director Lea Paloheimo, Sales and Marketing Director Ilari Patrakka, Quality and Regulatory Affairs Director Daniela Söderström and Chief Medical Director Kari Syrjänen.

SHARES AND SHAREHOLDERS

The number of Biohit Oyj's shares is 14,886,843 (14,698,533), of which 2,975,500 (2,975,500) are Series A shares and 11,911,343 (11,723,033) are Series B shares. The Series B shares are quoted on Nasdaq Helsinki in the Small cap/Healthcare group under the code BIOBV.

Supposing that the market capitalisation for series A and B shares is equal, the total market capitalisation at the end of the period was EUR 56.1 million (EUR 88.9 million on 31 December 2016).

BIOBV/NASDAQ OMX Helsinki

	1–12/2017	1–12/2016
High (EUR)	6.85	6.42
Low (EUR)	3.74	4.71
Average (EUR)	5.44	5.57
End (EUR)	3.77	6.05
Turnover (EUR)	17,264,322	11,988,747
Turnover volume	3,301,644	2,158,791

Shareholders

At the end of the reporting period on 31 December 2017, the company had 6,660 shareholders (6,402 on 31 December 2016). Private households held 77.2% (76.2%), companies 19.1% (19.3%) and public sector organisations 0.0% (0.0%). Foreign ownership or nominee registrations accounted for 3.6% (4.4%) of shares.

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

BOARD'S PROPOSAL FOR DISTRIBUTION OF PROFIT

The parent company's distributable funds (unrestricted equity) on 31 December 2017 ar EUR 12,650,376.26 (EUR 5,479,775.77), of which the profit for the period is EUR 6,741,893.94 (loss EUR 2,580,940.29). The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the fiscal year.

Annual General Meeting in 2018

Biohit Oyj's Annual General Meeting has been planned to be held at 5.00 pm on Wednesday 25 April 2018 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 address: **www.biohithealthcare.com/investors/corporate-governance/biohits-corporate-governance-statements.**

Helsinki, 28 February 2018

Biohit Oyj
Board of Directors

Consolidated comprehensive income statement

Since 31 December 2017, Biohit Oyj has used an income statement format based on expense types for its external reporting, and the format is also being used for the management reporting. A defining characteristic of Biohit's business has been major investments in research and development activities (expenses are not capitalised) and there have been good grounds to presenting these as separate activities. Biohit has completed or will complete, in the near future, its largest R&D projects. Furthermore, the company's strategic transition, from a business model based on shared ownership of business units to a licence-based business model, will substantially change the company's cost structure. A function-specific income statement does not provide investors with the best possible picture of the company's cost structure and it reduces comparability, whereas an income statement based on expense types serves this purpose much more reliably and meaningfully, while offering better, more relevant financial information.

The figures for 2016 have been changed to correspond to the income statement model based on expense types.

1,000 €	Note	1.1.–31.12.2017	1.1.–31.12.2016
Net sales	3	**8,979**	**8,195**
Change in inventories of finished and unfinished products		–133	105
Other operating income	5	8,256	119
Materials and services	6	–3,206	–3,000
Expenses arising from employment benefits	7	–3,442	–4,546
Other operating expenses	8	–2,706	–3,675
Share of the profit/loss of joint ventures		198	–198
EBITDA		**7,946**	**–3,000**
Depreciation and amortization	11, 15, 16	–1,589	–356
Operating profit/loss		**6,356**	**–3,356**
Financial income	12	143	244
Financial expenses	12	–94	–163
Profit/loss before taxes		**6,405**	**–3,275**
Income taxes	13	–267	–20
Profit/loss for the financial period		**6,139**	**–3,295**
Available-for-sale financial assets		–110	987
Translation differences		–49	–106
Items of comprehensive income that may later be reclassified through profit and loss		–158	881
Total comprehensive income for the period		**5,980**	**–2,414**
Distribution of profit/loss for the financial period			
To the owners of the parent company		6,139	–3,295
Total		6,139	–3,295
Distribution of comprehensive income for the financial period			
To the owners of the parent company		5,980	–2,414
Total		5,980	–2,414
Earnings per share calculated from earnings attributable to the owners of the parent company			
Undiluted earnings per share, EUR	14	0.42	–0.22
Earnings per share, diluted (EUR)		0.41	–

Consolidated balance sheet

1,000 €	Note	31.12.2017	31.12.2016
ASSETS			
Non-current assets			
Intangible assets	15	6,764	1,196
Property, plant and equipment	16	708	717
Ownership stake in joint ventures	17	–	381
Other non-current financial assets	18, 19	2	2
Deferred tax assets	20	67	107
Total non-current assets		**7,541**	**2,403**
Current assets			
Inventories	21	681	864
Trade and other receivables	18, 22	1,960	1,991
Other current financial assets	18, 19	7,375	7,134
Cash and cash equivalents	18, 19, 24	1,339	597
Total current assets		**11,354**	**10,586**
Total assets		**18,895**	**12,989**

Consolidated balance sheet

1,000 €	Note	31.12.2017	31.12.2016
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	25	2,350	2,350
Invested unrestricted equity fund	25	4,777	4,348
Translation differences	25	–143	–94
Retained earnings		10,259	4,146
Shareholders' equity attributable to shareholders of the parent company		**17,243**	**10,750**
Total shareholders' equity		**17,243**	**10,750**
Long-term liabilities			
Deferred tax liabilities	20, 28	311	412
Financial liabilities	18, 19, 27	59	–
Other liabilities	18, 19, 28	4	5
Total long-term liabilities		**374**	**417**
Short-term liabilities			
Trade payables	18, 28	414	979
Short-term interest-bearing liabilities	18, 27	17	–
Tax liabilities	18, 28	8	4
Other liabilities	18, 28	839	840
Total short-term liabilities		**1,278**	**1,822**
Total shareholders' equity and liabilities		**18,895**	**12,989**

Statement of changes in consolidated shareholders' equity

1,000 €	Shareholders' equity attributable to shareholders of the parent company					
	Share capital	Invested unrestricted equity fund	Translation differences	Fair value reserve	Retained earnings	Total shareholders' equity
Shareholders' equity 1 Jan 2017	2,350	4,348	–94	1,024	3,122	10,750
Incentive scheme for senior management	–	–	–	–	85	85
Subscription of options	–	429	–	–	–	429
Total comprehensive income for the period	–	–	–49	–110	6,139	5,980
Shareholders' equity 31 Dec 2017	**2,350**	**4,777**	**–143**	**914**	**9,345**	**17,243**

1,000 €	Shareholders' equity attributable to shareholders of the parent company					
	Share capital	Invested unrestricted equity fund	Translation differences	Fair value reserve	Retained earnings	Total shareholders' equity
Shareholders' equity 1 Jan 2016	2,350	2,367	12	36	5,544	10,310
Directed share issue	–	1,981	–	–	–	1,981
Incentive scheme for senior management	–	–	–	–	873	873
Total comprehensive income for the period	–	–	–106	987	–3,295	–2,414
Shareholders' equity 31 Dec 2016	**2,350**	**4,348**	**–94**	**1,024**	**3,122**	**10,750**

Consolidated cash flow statement

1,000 €	Note	2017	2016
Cash flow from operating activities			
Profit/loss for the financial period		6,139	–3,295
Adjustments to profit for the financial period			
Business activities with no payment transactions		–6,757	1,015
Depreciation and amortization	11	1,589	356
Unrealised exchange rate gains and losses		1	2
Financial income and expenses		–40	–83
Other adjustments		–1,744	–
Income taxes	13	267	20
Total adjustments to income for the financial period	23	–6,684	1,309
Change in working capital			
Increase (–)/decrease (+) in short-term interest-free trade receivables		12	–1,032
Increase (–)/decrease (+) in inventories		183	–226
Increase (+)/decrease (–) in short-term interest-free liabilities		–495	747
Total change in working capital		–300	–512
Interest paid		–40	–136
Interest received		131	263
Realised exchange rate gains and losses		–61	–31
Income taxes paid		–127	–56
Net cash flow from operating activities		**–943**	**–2,457**

1,000 €	Note	2017	2016
Cash flow from investments			
Investments in tangible and intangible assets		–170	–92
Proceeds from disposal of tangible and intangible assets		–	5
Cash received from divestment of joint venture		1,743	–
Proceeds from the sale of investments in funds and deposits		–377	2,609
Net cash flow from investments		**1,196**	**2,522**
Cash flow from financing activities			
Paid share issue		429	–
Withdrawal of loans		88	–
Payments for financial leasing liabilities		–13	–
Repayment of loans		–	–128
Net cash flow from financing activities		**504**	**–128**
Change in cash and cash equivalents		**757**	**–63**
Cash and cash equivalents at the beginning of the period		597	723
Effect of changes in exchange rates		–15	–62
Cash and cash equivalents at the end of the period	24	**1,339**	**597**

Notes to the consolidated financial statements

1 BASIC INFORMATION ABOUT 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, health care 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 26 February 2018. 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 2017 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 available-for-sale investments and financial assets and liabilities measured 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.

Consolidation principles

The consolidated financial statements include the parent company, Biohit Oyj, and all of 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 recognised 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.

Joint arrangements

The Group has applied IFRS 11 to all of its joint arrangements. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures in accordance with the investors' contractual rights and obligations. The Group has assessed the nature of its joint arrangements and determined that they are joint ventures. Joint ventures are consolidated using the equity method. When the equity method is used, shares in joint ventures are initially recognised at acquisition cost and this amount is increased or decreased by entering the Group's share of the subsequent profits or losses and other items of comprehensive income. If the Group's share of a loss made by a joint venture is as great as or greater than its interest in the joint venture (including any non-current receivables that actually constitute part of the Group's net investment in the joint venture), the Group will not recognise additional losses unless it has a legal or factual obligation to do so and it has not made payments on behalf of the joint venture. Business transactions between the Group and its joint arrangements give rise to unrealised profits, which are eliminated in accordance with the Group's ownership stake. Unrealised losses are also eliminated unless a business transaction indicates that the value of a transferred asset has become impaired. The joint arrangements were discontinued on 31 May 2017.

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.

Principles for revenue recognition

Revenue from sales of goods and services is recognised when the related material risks and benefits have been transferred to the purchasers and there is no significant uncertainty regarding payments or costs of goods and services, or any return of goods. The amount of booked income consists of the compensation from sold goods or services based on fair value, less value-added tax and volume or other discounts, as well as exchange rate profits and losses related to the sale.

The goods sold by the Group comprise diagnostic tests, products that bind acetaldehyde, analysis systems and monoclonal antibodies. Sales of goods are recognised when the item has been delivered to the customer and the risk related to the goods has been transferred to the customer. The services sold by the Group comprise analysis of samples at the service laboratory. Revenue from services is recognised as income when the samples have been analysed. Consolidated net sales include contractual royalties whereby Biohit receives a proportion of the sales made by a contractual partner. Royalties are recognised as net sales on and accrued basis in accordance with the contents of related agreements. Royalties are recognised as income when the income can be reliably determined and the financial benefit related to the transaction is likely to accrue to the Group.

Interest income is recognised in accordance with the effective interest rate method. Dividend income is recognised when the right to the dividend is established.

The company will separately evaluate the impact of IFRS 15.

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:

Buildings:	20–30 years
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.

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.

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:	5–10 years
Development expenditure:	5 years
Computer software:	3 years
Other intangible assets:	5–10 years

Impairment 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

The Group has 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.

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.

Current tax liabilities and deferred tax liabilities

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 and liabilities

The Group's financial assets are classified at fair value through profit or loss under financial assets, loans, financial assets held to maturity and other receivables, as well as under financial assets held for sale. The classification is made on the basis of the purpose of the acquisition and the assets are classified in connection with the original acquisition. All purchases and sales of financial assets are booked on the day of the transaction. Financial assets are derecognised when the Group has lost its agreement-based right to the cash flow or it has transferred a significant share of the risks and income outside the Group.

Loans and other receivables are non-derivative assets with related costs that are fixed or can be determined, which are not noted on active markets and which the company does not hold for trading purposes. They are measured at amortised cost using the effective interest rate method. They are included in the balance sheet in current or non-current assets depending on their nature: the latter if they fall due more than 12 months in the future. This group mainly consists of trade receivables.

Financial assets available for sale are non-derivative assets such as money market investments that have been specifically assigned to this category or that have not been assigned to any other category. Typically, investments are categorised as available for sale if there is no active market for them but the company can sell them if necessary. Investments classified in this group are measured at fair value

and changes in value are entered into equity under items of comprehensive income. The profit or loss of an investment classified as available for sale is entered into income when the investment is sold or falls due. Any interest or dividend income is booked as income under financial items.

Cash and cash equivalents include cash in hand and at bank as well as other liquid investments with a maturity of less than three months.

Financial liabilities are booked at fair value based on the original consideration received in accounting. Transaction costs are included in the original book values of financial liabilities. All financial liabilities are later measured at amortised cost using the effective interest rate method. Financial liabilities are included in current and non-current liabilities and they can be interest-bearing or interest-free. **Interest-bearing liabilities** consist of financial liabilities for which the company must pay interest or other fees on the basis of a contract throughout the duration of the loan.

Non interest-bearing liabilities consist of liabilities for which the company need not regularly pay interest or other fees on the basis of a contract. The principles for determining the fair values of financial liabilities are presented in note 20.

Impairment of financial assets

On each balance sheet date, the Group estimates whether there is objective proof of impairment of an individual financial asset or group of financial assets. If there is evidence of impairment, the impairment is recognised through profit or loss. If the impairment loss decreases in a later accounting period, the recognised loss is reversed through profit or loss unless it applies to an equity investment classified as an investment available for sale, in which case the impairment is not reversed through profit or loss.

The Group books impairment losses for trade receivables when there is reliable evidence to demonstrate that receivables cannot be collected in accordance with their original terms. The magnitude of the impairment loss to be recognised in the income statement is determined as the difference between the book value of the receivable and the present value of the estimated future cash flows discounted using the effective interest rate. If the impairment loss decreases in a subsequent financial period and the reduction can be objectively linked to a transaction that has taken place after the recognition of the impairment loss, the recognised loss is reversed through profit or loss.

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 judgments 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 unfinished 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 determined the likelihood of the company in question generating sufficient taxable income before the unused tax losses expire.

Measurement of available-for-sale financial assets at fair value where senior managers' judgement is required

Insofar as quoted valuations cannot be obtained from securities markets for asset items classed as financial assets available for sale, 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 company classifies shares in Genetic Analysis AS as financial assets available for sale measured at fair value.

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 have been prepared in compliance with the same accounting principles as in 2016. The standards or interpretations that entered into force in 2017 have not given rise to material changes in the accounting principles.

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. The Group intends to apply these on the date on which they enter into force or from the beginning of the following financial period if this date is not the first day of the financial period.

The International Accounting Standards Board has published three new standards that apply to Biohit: IFRS 15 (Revenue from Contracts with Customers), IFRS 9 (Financial Instruments) and IFRS 16 (Leases).

IFRS 15 and IFRS 9 will be adopted as of 1 January 2018, and IFRS 16 will be adopted as of 1 January 2019. Earlier adoption of IFRS 16 is permitted but only in combination with IFRS 15. The European Union has approved IFRS 15, IFRS 16 and IFRS 9.

IFRS 15

IFRS 15 includes a five-phase model for recognising sales revenues received on the basis of contracts with customers. Revenues are recognised as and when the customer obtains control over the promised goods or service in the extent to which the company expects to be entitled to the products or services in question. In addition, IFRS 15 includes wide-ranging requirements for notes on the company's customer agreements, performance obligations under contracts and significant values. Biohit has adopted the standard on the required adoption date.

Biohit has prepared an estimate of the effects of IFRS 15. In addition, Biohit will evaluate the IASB's clarifications for 2016 and monitor the development of the standard. Based on the estimate, the standard does not have a material effect on the company's revenue recognition practices. In accordance with the estimate, there may be an effect on contracts where revenues are expected to be recognised when the customers sells products for which Biohit earns a contractual royalty fee. In other words, this concerns a separate performance obligation from selling goods. Performance obligation refers to a distinct product or service that customers can individually benefit from. At Biohit, separate performance obligations may be selling goods and earning royalties based on a licence.

The adoption of IFRS 15 does not have a major impact on Biohit's financial statements as the majority of net sales consist of distributor agreements, and the revenue recognition practices for these will not change as a result of IFRS 15.

The quantitative impacts of the adoption of IFRS 15 will be updated if agreements are made with revenue recognition practices that have material impacts according to the standard.

IFRS 9

IFRS 9 includes updated guidelines on classifying and measuring financial assets, as well as a new model for estimating impairments of financial assets based on expected credit losses and new requirements for general hedge accounting. Biohit has prepared an estimate of the impact of the new standard on the financial statements and it adopted the standard on the required adoption date.

The company classifies shares in Genetic Analysis AS and money market investments as financial assets available for sale. Changes in the value of Genetic Analysis AS are recognised at fair value in items of comprehensive income. Changes in the value of money market investments are recognised at fair value through profit or loss. According to Biohit's estimates, the adoption of IFRS 9 does not have a major impact on Biohit's financial statement transactions or values. The adoption of the standard will lead to writedowns on credit losses occurring earlier, but the financial impact will be of the order of thousands of euros annually.

IFRS 16

In accordance with IFRS 16, all lease agreements will be recognised on the lessee's balance sheet. The lessee recognises a right-of-use asset on its balance sheet based on its right to use the asset, as well as a lease liability based on its obligation to make lease payments. The standard includes voluntary options to ease the application of the standard to short-term contracts and assets with a low value. From the lessor's perspective, reporting will remain the same as under the current standards – lease agreements will continue to be divided into finance leases and other leases. Biohit has begun preparing a preliminary estimate of the effects of IFRS 16 on the financial statements. The most significant effect is expected to be that Biohit recognises new liabilities on its balance sheet which are mostly offices and cars currently included in other lease agreements. In addition, the nature of the expenses related to these lease agreements will change when IFRS 16 replaces rental expenses with depreciation of a right-of-use asset and interest expenses due to lease liabilities, which are reported under financial expenses. Biohit has not yet determined the quantitative impact on its financial statements of the adoption of IFRS 16. Biohit will prepare a more precise estimate of the standard's impact in the next 12 months. No decision has yet been made on the means of transition.

3 SEGMENT INFORMATION

The company's product portfolio consists of diagnostic tests, products that bind acetaldehyde and monoclonal antibodies.

The company classifies its entire product portfolio into one segment.

NET SALES BY MARKET AREA	2017	2016
Finland	390	640
Europe, other	3,035	3,067
North and South America	223	252
Asia	4,562	3,635
Other countries	769	601
Total	8,979	8,195

4 ACQUIRED BUSINESSES

No businesses were acquired in the 2016 and 2017 financial periods.

5 OTHER OPERATING INCOME

1,000 €	2017	2016
Biohit Healthcare (Hefei) Co. Ltd, capital gain *	8,200	4
Subsidies	39	58
Loss from sales of property, plant and equipment	–6	–
Others	23	52
Total	8,256	119

* On 2 January 2017, Biohit Oyj announced an arrangement to reduce the share capital in Biohit HealthCare (Hefei) Co. Ltd, a joint venture operating in Hefei, China, leading to Biohit Oyj giving up its holding in the company. In H1/2017, the transaction was granted the requisite approval by the authorities and the share capital in the joint venture was reduced by an amount corresponding to Biohit Oyj's holding. A capital gain amounting to approximately EUR 8.4 million was recognised during the first half of the 2017 financial period, and this will affect the comparability of the operating profit. The amount recognised under intangible rights on the balance sheet is approximately EUR 7.1 million. In addition, a cash payment of EUR 1.7 million was received as part of the transaction. After direct taxes and exchange rate changes, the cash proportion was approximately EUR 1.5 million. Biohit HealthCare (Hefei) Co. Ltd is no longer a joint venture of Biohit Oyj, nor will it be consolidated as part of Biohit Group as of 1 June 2017. Biohit Oyj's share of the profit from the joint venture for the period 1 January – 31 May 2017 is EUR 198 thousand and this is presented on a separate row on Biohit Oyj's income statement.

6 MATERIALS AND SERVICES

1,000 €	2017	2016
Materials, supplies and goods	2,741	2,580
External manufacturing services	465	420
Total	3,206	3,000

7 EXPENSES ARISING FROM EMPLOYMENT BENEFITS

1,000 €	2017	2016
Salaries	2,860	3,131
Pension expenses – defined-contribution plans	421	429
Options and share bonuses realised and paid in shares	85	873
Other personnel expenses	75	113
Total	3,442	4,546

Average number of employees of the Group in the financial period	2017	2016
Group total	51	53

Details of the employment benefits enjoyed by senior managers are presented in note 30 ("Related-party transactions").

8 OTHER OPERATING EXPENSES

1,000 €	2017	2016
Travel expenses and other personnel expenses	336	372
Rents and maintenance expenses	387	380
Sales and marketing expenses	454	845
Other external services	1,138	1,429
Other operating expenses	390	649
Total	2,706	3,675

Other operating expenses include research and development expenses of EUR 1,211 thousand (EUR 1,852 thousand).

9 SHARE OF THE PROFIT/LOSS OF JOINT VENTURES (equity method) and intra-group eliminations

1,000 €	2017	2016
Consolidation of the profit form Biohit HealthCare (Hefei) Co. Ltd in the financial period	198	–194

* See note 5

10 AUDITORS' FEES

1,000 €	2017	2016
Companies belonging to the PricewaterhouseCoopers chain		
Auditors' fees	45	38
Auditors' statements	6	4
Tax service	8	–
Other services	22	52
Total fees paid to the auditor	80	94

In the 2017 financial period, PricewaterhouseCoopers Oy provided Biohit Group with services unrelated to auditing at a total cost of EUR 22 thousand. The services included expert services related to applying the new IFRS standards.

The services included expert services related to applying the new IFRS standards.

11 DEPRECIATION AND AMORTIZATION

1,000 €	2017	2016
Intangible assets	1,002	181
Buildings	4	11
Plant and equipment	175	164
Impairment depreciation	409	–
Total	1,589	356

Impairment depreciation in 2017 consisted of the impairment of intangible rights that the company received as part of the sale of its holding in Biohit HealthCare (Hefei) Co. Ltd in a total amount of EUR 153 thousand and writedowns on customer relationships in Italy in an amount of EUR 256 thousand.

12 FINANCIAL INCOME AND EXPENSES

1,000 €	2017	2016
Financial income		
Dividend income from financial assets available for sale	0	–
Exchange rate gains from financial assets and liabilities	9	7
Net profit/loss on investments recognised at fair value through profit or loss	55	70
Other financial income	78	167
Total	143	244
Financial expenses		
Interest expenses on financial liabilities	–6	0
Exchange rate losses from financial assets and liabilities	–70	–36
Fees	–14	–21
Other financial expenses	–4	–107
Total	–94	–163
Total financial income and expenses	49	81

13 INCOME TAXES

Direct taxes

1,000 €	2017	2016
Tax based on taxable income for the financial period	–267	–59
Deferred taxes	0	39
Total direct taxes	–267	–20

Reconciliation of tax expenses on the income statement

1,000 €	2017	2016
Profit before taxes	6,405	–3,275
Taxes calculated at domestic rates 20%	–1,281	655
Effect of differing tax bases applying to foreign subsidiaries	–65	–20
Tax-free income and non-deductible expenses	1,759	–27
Non-recognised deferred tax assets from taxable loss	–478	–628
Other items	–201	–
Taxes on the income statement	–267	–20

14 EARNINGS PER SHARE

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

	2017	2016
Profit for the period attributable to the owners of the parent company, EUR 1,000	6,139	–3,295
Average number of shares, undiluted	14,764,411	14,685,071
Effect of share options	178,750	367,060
Average number of shares, diluted	14,943,161	15,052,131
Undiluted earnings per share, EUR	0.42	–0.22
Earnings per share, diluted (EUR)	0.41	–

Diluted earnings per share were not calculated because the company's profit for the financial period was negative and calculating EPS with a diluting effect would reduce the loss attributed to each share.

15 INTANGIBLE ASSETS

2017

1,000 €	Intangible rights	Other intangible assets	Total
Acquisition cost 1 Jan 2017	2,084	712	2,796
Increases	7,053	–	7,053
Decreases	–75	–	–75
Acquisition cost 31 Dec 2017	9,062	712	9,774
Accumulated depreciation and impairment 1 Jan 2017	–892	–708	–1,600
Depreciation	–999	–3	–1,002
Impairment	–409	–	–409
Accumulated depreciation and impairment 31 Dec 2017	–2,300	–711	–3,011
Book value 1 Jan 2017	1,192	4	1,196
Book value 31 Dec 2017	6,762	2	6,764

2016

1,000 €	Intangible rights	Other intangible assets	Total
Acquisition cost 1 Jan 2016	2,108	707	2,815
Increases	–	5	5
Decreases	–24	–	–24
Acquisition cost 31 Dec 2016	2,084	712	2,796
Accumulated depreciation and impairment 1 Jan 2016	–714	–705	–1,419
Depreciation	–178	–3	–181
Accumulated depreciation and impairment 31 Dec 2016	–892	–708	–1,600
Book value 1 Jan 2016	1,394	2	1,396
Book value 31 Dec 2016	1,192	4	1,196

16 TANGIBLE ASSETS

2017

1,000 €	Buildings	Plant and equipment	Total
Acquisition cost 1 Jan 2017	147	1,600	1,747
Increases	–	180	180
Decreases	–	–28	–28
Acquisition cost 31 Dec 2017	147	1,752	1,899
Accumulated depreciation and impairment 1 Jan 2017	–143	–888	–1,031
Depreciation	–4	–175	–179
Depreciation of decreases	–	18	18
Accumulated depreciation and impairment 31 Dec 2017	–147	–1,044	–1,192
Book value 1 Jan 2017	4	712	717
Book value 31 Dec 2017	0	708	708

2016

1,000 €	Buildings	Plant and equipment	Total
Acquisition cost 1 Jan 2016	147	1,498	1,645
Increases	–	110	110
Decreases	–	–8	–8
Acquisition cost 31 Dec 2016	147	1,600	1,747
Accumulated depreciation and impairment 1 Jan 2016	–132	–731	–863
Depreciation	–11	–164	–175
Depreciation of decreases	–	7	7
Accumulated depreciation and impairment 31 Dec 2016	–143	–888	–1,031
Book value 1 Jan 2016	15	767	782
Book value 31 Dec 2016	4	712	717

17 OWNERSHIP STAKE IN JOINT VENTURES

1,000 €	2016
Net assets 1 Jan	1,490
Profit (+)/loss (–) for the financial period	10
Internal inventory margin	–496
Other items of comprehensive income	–53
Net assets 31 Dec	952
Group share 31 Dec (%)	40%
Group share 31 Dec (EUR 1,000)	381
Book value 31 Dec (EUR 1,000)	381

Biohit Oyj sold its holding in Biohit HealthCare (Hefei) Co. Ltd in May 2017. The company will no longer be consolidated as part of Biohit Group, nor will its share of net assets be presented for 2017. See also note 5.

18 FINANCIAL ASSETS AND LIABILITIES BY GROUP

Balance sheet values of financial assets by group 31 Dec 2017

1,000 €	Loans and other receivables	Financial assets available for sale	Total book value	Fair value	Fair value hierarchy
Non-current financial assets					
Other non-current financial assets	2	–	2	2	2
Total	2	–	2	2	
Current financial assets					
Trade and other receivables	1,960	–	1,960	1,960	
Other current financial assets	–	4302 *	4,302	4,302	2
Other current financial assets	–	3072 **	3,072	3,072	2
Cash and cash equivalents	1,339	–	1,339	1,339	
Total	3,299	7,375	10,674	10,674	
Total financial assets	3,301	7,375	10,676	10,676	

Balance sheet values of financial assets by group 31 Dec 2016

1,000 €	Loans and other receivables	Financial assets available for sale	Total book value	Fair value	Fair value hierarchy
Non-current financial assets					
Other non-current financial assets	2	–	2	2	2
Total	2	–	2	2	
Current financial assets					
Trade and other receivables	1,991	–	1,991	1,991	
Other current financial assets	–	3943 *	3,943	3,943	2
Other current financial assets	–	3191 **	3,191	3,191	2
Cash and cash equivalents	597	–	597	597	
Total	2,589	7,134	9,723	9,723	
Total financial assets	2,591	7,134	9,725	9,725	

* The sum of EUR 4,302 thousand (EUR 3,943 thousand) for financial assets available for sale includes a total of EUR 2 thousand (EUR 2 thousand) in non-listed shares, which are recognised at acquisition cost, as no reliable fair value is available.

**The company classifies shares in Genetic Analysis AS as financial assets available for sale measured at fair value in accordance with the measurement principles for Level 2 instruments. For the valuation of Genetic Analysis AS, the input data consists of recent transactions involving the company's shares on market terms between third parties. On the balance sheet date, the fair value of the shares was EUR 3,072,447.43. 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 in view of the maturity of the receivables.

Financial liabilities by group

1,000 €	**Book value 2017**	**Fair value 2017**	Book value 2016	Fair value 2016
Long-term financial liabilities valued at deferred acquisition cost				
Other liabilities	4	4	5	5
Financial leasing liabilities	59	59	–	–
Total	63	63	5	5
Short-term financial liabilities valued at deferred acquisition cost				
Trade payables	414	414	979	979
Tax liabilities	8	8	4	4
Other liabilities	839	839	840	840
Principal payments for financial leasing liabilities	17	17	–	–
Total	1,278	1,278	1,822	1,822
Total financial liabilities	1,341	1,341	1,828	1,828

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.

19 NET LIABILITIES

1,000 €	2017 EUR	2016 EUR
Cash and cash equivalents	1,339	597
Other investments	7,377	7,136
Current liabilities	–17	–
Non-current liabilities	–63	–5
Net liabilities	8,636	7,728
Liquid assets and other financial assets	8,716	7,734
Gross liabilities – fixed interest	–80	–5
Net liabilities	8,636	7,728

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

1,000 €	Cash in hand EUR	Other liquid assets EUR	Financial leasing liabilities maturing within less than one year EUR	Financial leasing liabilities maturing in more than one year EUR	Loans maturing within less than one year EUR	Loans maturing in more than one year EUR	Total EUR
Net liabilities 1 Jan 2016	723	6,518	–	2	–128	–5	7,110
Cash flow	–63	–2,609	–	–	–	–	–2,672
Purchases, financial leasing	–	1,981	–	–	–	–	1,981
Changes in exchange rates	–62	–	–	–	–	–	–62
Other changes not based on cash flow	–	1,243	–	–	128	–	1,371
Net liabilities 31 Dec 2016	597	7,134	–	2	0	–5.1620	7,728
Cash flow	757	377	–	–	–	1	1,136
Purchases, financial leasing	–	–	–	–	–17	–59	–76
Changes in exchange rates	–15	–	–	–	–	–	–15
Other changes not based on cash flow	–	–136	–	–	–	–	–136
Net liabilities 31 Dec 2017	1,339	7,375	–	2	–17	–63	8,636

20 DEFERRED TAXES

Deferred tax assets

1,000 €	1.1.2017	Recognised through profit and loss	Recognised under other items of comprehensive income	Businesses acquired/sold	31.12.2017
Internal inventory margin	6	0	–	–	6
Other items	101	–	–	–40	61
Total	107	0	–	–40	67

Deferred tax liabilities

1,000 €	1.1.2017	Recognised through profit and loss	Recognised under other items of comprehensive income	Businesses acquired/sold	31.12.2017
Capitalisation of intangible assets	151	–	–	–75	76
Capitalisation of tangible assets	5	–	–	1	6
Assets classified as available for sale	256	–	–27	–	229
Total	412	–	–27	–74	311

Deferred tax assets

1,000 €	1.1.2016	Recognised through profit and loss	Recognised under other items of comprehensive income	Businesses acquired/sold	31.12.2016
Internal inventory margin	6	0	–	–	6
Other items	70	40	–	–9	101
Total	77	39	–	–9	107

Deferred tax liabilities

1,000 €	1.1.2016	Recognised through profit and loss	Recognised under other items of comprehensive income	Businesses acquired/sold	31.12.2016
Capitalisation of intangible assets	175	–	–	–24	151
Capitalisation of tangible assets	1	–	–	4	5
Assets classified as available for sale	–	–	256	–	256
Total	176	–	256	–19	412

The Group has tax-deductible losses of EUR 18.8 million for 2012, 2013, 2014, 2015, 2016 and 2017 for which no deferred tax assets have been recognised. EUR 18.4 million of the loss is in Finland (2017: EUR 1.9 million, 2016: EUR 2.4 million, 2015: EUR 3.2 million, 2014: EUR 4.1 million, 2013: EUR 3.4 million, 2012: EUR 3.4 million) and EUR 0.4 million is in Italy. The losses expire in 10 years in Finland.

21 INVENTORIES

1,000 €	2017	2016
Materials and supplies	297	465
Work in progress	115	87
Finished products/goods	269	311
Total inventories	681	864

22 TRADE AND OTHER RECEIVABLES

Long-term receivables

1,000 €	2017	2016
Long-term interest-free receivables	70	109
Total	70	109

Short-term receivables

1,000 €	2017	2016
Trade receivables	1,617	1,663
Accrued income	311	298
Other receivables	32	30
Total	1,960	1,991

The age analysis of the trade receivables is presented in note 29.

23 NOTE CONCERNING SUBSTANTIAL ITEMS ON THE CONSOLIDATED CASH FLOW STATEMENT

1,000 €	2017	2016
Business activities with no payment transactions:		
The patents returned to the company when Biohit divested its holding in Biohit Healthcare (Hefei) Co. Ltd	–7,053	–
Other business activities that do not include payment transactions	296	1015
Cash amount received from the divestment of the holding in Biohit HealthCare (Hefei) Co. Ltd *	–1,744	–
Other	1,816	294
Total	–6,684	1,309

* See note 5

24 CASH AND CASH EQUIVALENTS

1,000 €	2017	2016
Cash and cash equivalents	1,339	597

25 NOTES RELATED TO SHAREHOLDERS' EQUITY

Biohit Oyj share capital is EUR 2,350,350.81 (EUR 2,350,350.81) and the number of shares is 14,886,843 (14,698,533), of which 2,975,500 (2,975,500) belong to Series A and 11,911,343 (11,723,033) belong to Series B. The shares in Series B are listed on the stock exchange.

The shares have no nominal value. Series A and B differ from each other in that every Series A share carries twenty (20) votes at meetings of shareholders, while every Series B share carries one (1) vote. When dividends are paid, Series B shares receive a divided two (2) per cent of the nominal value higher than that paid for Series A shares. When this provision is applied, the nominal value of the share 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 with an equity nature and the subscription price of shares insofar as there is no decision expressly calling for this to be entered into share capital.

26 SHARE-BASED PAYMENTS

Terms of share-based incentive schemes
Biohit Oyj established an option programme within the framework of the share-based incentive scheme. The option programme is 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 are 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	19.6.2013	19.6.2013
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 are 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.

Circulating options

Number of options	2017	2016
Options in circulation at the beginning of the financial period	367,060	207,060
New options issued	–	160,000
Options exercised	188,310	–
Options in circulation at the end of the financial period	178,750	367,060
Exercisable options at the end of the financial period	178,750	367,060
Weighted average strike price EUR/share	2.28	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 2016, so the strike price did not change

The following section describes the range of strike prices for options in circulation at the end of the financial period, as well as the weighted average period of validity remaining in accordance with the agreement.

	Range of strike prices (EUR)	Weighted average period of validity (years)	Number of stock options
2017	0.0	1.4	178,750
2016	0.0	3.4	367,060

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 2017 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").

27 INTEREST-BEARING LIABILITIES

Balance sheet values of interest-bearing liabilities

1,000 €	2017	2016
Non-current interest-bearing liabilities		
Financial leasing liabilities	59	–
Total non-current interest-bearing liabilities	59	–
Current interest-bearing liabilities		
Principal payments for financial leasing liabilities	17	–
Total current interest-bearing liabilities	17	–
Total interest-bearing liabilities	76	–

The fair values of financial liabilities are presented in note 18.

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.

28 TRADE PAYABLES AND OTHER LIABILITIES

Non-current interest-free liabilities

1,000 €	2017	2016
Deferred tax liabilities	311	412
Other non-current liabilities	4	5
Total	315	417

Current interest-free liabilities

1,000 €	2017	2016
Trade payables	414	979
Advances received	–	33
Tax liabilities	8	4
Accruals and deferred income	839	807
Total	1,261	1,822
Total interest-free liabilities	1,576	2,240

The most substantial item of accruals and deferred income is the deferral of employment benefits.

29 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 sales are not materially different to 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

2017

1,000 €	GBP	USD
Non-current liabilities	–	–
Open position	–	–
Current assets		
Trade and other receivables	282	0
Current liabilities		
Interest-free liabilities	–249	–41
Open position	34	–41
Net position	34	–41

2016

1,000 €	GBP	USD
Non-current liabilities	–	–
Open position	–	–
Current assets		
Trade and other receivables	353	–
Current liabilities		
Interest-free liabilities	–190	–36
Open position	163	–36
Net position	163	–36

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. On the balance sheet date, the Group's current financial assets amounted to EUR 5.6 million (EUR 4.5 million). The company also holds shares in Genetic Analysis AS worth EUR 3.1 million (EUR 3.2 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 91.3 per cent (83.0 per cent).

Analysis of the maturities of financial liabilities in 2017

1,000 €	‹ 1 year	1–5 years	› 5 years	Total
Accounts payable and other interest-free liabilities	414	–	–	414
Principal payments for financial leasing liabilities	17	59	–	76
Interest expenses for financial leasing liabilities	3	11	–	15
Total	434	71	–	505

Analysis of the maturities of financial liabilities in 2016

1,000 €	‹ 1 year	1–5 years	› 5 years	Total
Accounts payable and other interest-free liabilities	979	–	–	979
Total	979	–	–	979

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 26% of the investment portfolio is cash, low-risk money market fund investments and investment-grade investments. Approximately 33% of the portfolio consists of investments that are rated BB-B, while investments without credit ratings account for 41%.

On 31 December 2017, accounts receivable totalled EUR 1.6 million (EUR 1.7 million). The majority of the outstanding trade receivable balance is payable by Biohit HealthCare (Hefei) Co. Ltd. The maximum amount of credit risk is the book value of the trade receivables.

Age distribution of trade receivables

1,000 €	2017	Impairment loss	Net 2017	2016	Impairment loss	Net 2016
Not yet at maturity	1,305	–	1,305	1,145	–	1,145
Less than 30 days overdue	129	–	129	359	–	359
30 – 60 days overdue	125	–	125	78	–	78
61 – 90 days overdue	23	–	23	28	–	28
More than 90 days overdue	65	–29	36	63	–10	52
Total	1,646	–29	1,617	1,674	–10	1,663

EUR 18 thousand (EUR 5 thousand) was recognised in credit losses for 2017.

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 €	2017	2016
Total shareholders' equity	17,243	10,750
Balance sheet total	18,895	12,989
Advances received	–	–33
Equity ratio	91.3%	83.0%

30 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 €	2017	2016
Parent company		
Management Teams	553	616
President & CEO	202	202
Members of the scientific advisory board	221	232

Osmo Suovaniemi has been employed by the company as a member of the scientific advisory board by the Board of Directors' decision. Including fringe benefits, the remuneration is EUR 201 thousand (EUR 202 thousand). Board member Stina Syrjänen acts as a member in the scienficid advisory board, for which she has been paid EUR 6 thousand in consulting fees.

1,000 €	2017	2016
Subsidiaries		
Managing Directors	106	135

Board of Directors' fees

1,000 €		2017	2016
Parent company			
Osmo Suovaniemi	Chairman	8	11
Franco Aiolfi	Member	8	11
Matti Härkönen	Member	5	–
Eero Lehti	Member	3	11
Stina Syrjänen	Member	6	–
Seppo Luode	Member	2	11
Mikko Salaspuro	Member	2	11
Janina Andersson	Member	2	11
Total Board remuneration		33	64

Share-based payments

1,000 €	2017	2016
Parent company		
Management Teams	263	–
President & CEO	291	–

On 31 December 2017, the members of the Board of Directors and President & CEO owned a total of 2,347,540 Series A shares and 3,439,171 Series B shares, either directly or through companies under their control.

These correspond to 39.3 per cent of all of the shares in the company and 70.0 per cent of all of the votes.

The Chairman of the Board of Directors, Osmo Suovaniemi, is the majority owner of Interlab Oy, and Interlab Oy owns 2,034,497 Series B shares.

Franco Aiolfi, a member of the Board of Directors, is the majority owner of Euroclone S.p.A. via a company called Arsfin Consult S.r.l. Euroclone S.p.A. owns 92,807 series B shares.

At the end of 2017, the Group's President & CEO held 40,000 options (127,060). In total, the members of the Group Management Team held 80,000 (337,060) options at the end of 2017, while other external parties and the company's key personnel held 98,750. Each option held by the management entitles the holder to subscribe to one series B share, which accounts for 0.54% of all shares and 0.11% of all votes after subscription.

The options in circulation represent 1.2% of all shares and 0.25% of all votes after subscription.

The options held by the Group's President & CEO and members of the Group Management Team are subject to the same terms and conditions as the options held by others. Option bonuses granted to the company's managers are measured at fair value at the time of issue and recognised evenly as cost items throughout the period during which they were earned, which runs from 19 June 2013 to 31 May 2019.

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%
Oy Finio Ab, Finland	100%
Vantaan Hienomekano Oy, Finland	100%

Oy Finio Ab and Vantaan Hienomekano Oy were not in business in 2016 and 2017.

Sales of goods and services to related party companies	2017	2016
Sales of goods		
Biohit HealthCare (Hefei) Co. Ltd	1,076	3,067
Sales of services		
Biohit HealthCare (Hefei) Co. Ltd	246	500
Total	1,322	3,567

Sales for 2017 are reported until 31 May 2017.

Other operating expenses

1,000 €	2017	2016
Consultancy, administration and logistics fees (Companies controlled by members of the board of directors)		
Euroclone S.p.A., Franco Aiolfi	82	167
Oy Tech Know Ltd, Matti Härkönen	53	–
Gascol Tutkimus Oy, Mikko Salaspuro	21	77
Total	156	244
Ownership stakes in joint ventures		
Biohit HealthCare (Hefei) Co. Ltd*	0%	40%

* See note 5

31 COLLATERAL AND CONTINGENT LIABILITIES

1,000 €	2017	2016
Collaterals given on behalf of the parent company		
Guarantees	3	104
Other liabilities		
Leasing commitments:		
Due for payment in one year	51	59
Due for payment in more than 1 year but less than 5 years	36	54
Due for payment in more than five years	–	–
Total	87	113
Other rental commitments:		
Due for payment in one year	196	262
Due for payment in more than 1 year but less than 5 years	262	454
Due for payment in more than five years	–	–
Total	458	716
Total other liabilities	545	829
Total collaterals and contingent liabilities	548	933

32 EVENTS AFTER THE REPORTING 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 2013	IFRS 2014	IFRS 2015	IFRS 2016	**IFRS 2017**
Net sales	3,452	4,363	6,051	8,195	8,979
Change in net sales (%)	68.6%	26.4%	38.7%	35.4%	9.6%
Operating profit/loss	–5,860	–4,504	–2,900	–3,356	6,356
Proportion of net sales (%)	–169.8%	–103.2%	–47.9%	–41.0%	70.8%
Profit/loss before extraordinary items and taxes	–5,921	–4,312	–2,903	–3,275	6,405
Proportion of net sales (%)	–171.5%	–98.8%	–48.0%	–40.0%	71.3%
Profit/loss before taxes	–5,921	–4,312	–2,903	–3,275	6,405
Proportion of net sales (%)	–171.5%	–98.8%	–48.0%	–40.0%	71.3%
Return on equity (%)	–20.4%	–24.5%	–25.3%	–31.1%	45.8%
Return on investments (%)	–19.4%	–23.8%	–22.8%	–29.4%	46.3%
Equity ratio	82.2%	87.5%	87.9%	83.0%	91.3%
Investments in fixed assets	1,827	447	832	115	7,232
Proportion of net sales (%)	52.9%	10.2%	13.8%	1.4%	80.6%
Research and development expenditure	1,031	1,942	1,914	1,852	1,209
Proportion of net sales (%)	29.9%	44.5%	31.6%	22.6%	13.5%
Balance sheet total	27,306	14,508	11,728	12,989	18,895
Average number of personnel	44	50	52	53	51

3.2 Share-specific indicators

	IFRS 2013	IFRS 2014	IFRS 2015	IFRS 2016	**IFRS 2017**
Undiluted earnings per share (EUR)	–0.43	–0.32	–0.20	–0.22	0.42
Shareholders' equity attributable to the owners of the parent company (EUR)	1.63	0.90	0.72	0.73	1.16
Price-to-earnings ratio (P/E)	0.0	0.0	0.0	0.0	9.0
Dividend per share	0.72				
Repayment of capital per share	0.00				
Dividend payout ratio (%)	n/a				
Effective dividend yield (%)	9.57	0.00	0.00	0.00	0.00
Series B share price trend (EUR)					
– average	6.59	6.35	5.45	5.57	5.44
– low	4.00	4.57	4.22	4.71	3.74
– high	9.10	8.17	7.14	6.42	6.85
– price 31 Dec	7.56	4.68	5.61	6.05	3.77
Market capitalisation (EUR 1000)					
(presuming the same market value for Series A shares					
as for Series B shares)	104,408	66,155	80,495	88,926	56,123
Turnover of Series B shares (thousands)	8,593	4,029	4,014	2,159	3,302
– proportion of the total (%)	79.3%	37.2%	37.0%	19.9%	27.7%
Average ex-rights adjusted number of					
shares	13,941,286	13,941,286	14,276,519	14,685,071	14,764,411
– taking into consideration the diluting effect of options and convertible bonds	14,521,286	14,521,286	14,703,579	15,052,131	14,943,161
Ex-rights adjusted number of					
shares at the end of the financial period	14,135,593	14,135,593	14,348,533	14,698,533	14,886,843
– taking into consideration the diluting effect of options and convertible bonds	14,715,593	14,715,593	14,775,593	15,065,593	15,065,593

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

4 SHARES AND SHAREHOLDERS

4.1. Shareholdings by owner group 31 December 2017

Series A shares	Number of owners number	%	Number of owners number	%
1. Companies	1	10.0	24,990	0.8
2. Households	9	90.0	2,950,510	99.2
Shares on the waiting list			0	0.0
Total number of Series A shares	10	100.0	2,975,500	100.0

Series B shares	Number of owners number	%	Number of owners number	%
1. Households	6,410	96.4	8,543,002	71.7
2. Financial and insurance institutions	11	0.2	142,865	1.2
3. Companies and housing companies	192	2.9	2,676,154	22.5
4. Non-profit organisations	6	0.1	2,681	0.0
5. Public bodies	1	0.0	2,000	0.0
6. Nominees and foreign owners	27	0.4	531,549	4.5
In joint and clearing accounts	3	0.0	13,092	0.1
Total number of Series B shares	6,650	100.0	11,911,343	100.0
Total number of Series A and Series B shares	6,660		14,886,843	

Series A shares	Number of owners number	%	Number of owners number	%
1–1 000	0	0.0	0	0.0
1 001–10 000	3	30.0	25,000	0.8
10 001–100 000	3	30.0	156,990	5.3
More than 100,001	4	40.0	2,793,510	93.9
Total number of Series A shares	10	100.0	2,975,500	100.0

Series B shares	Number of owners number	%	Number of owners number	%
1–1 000	5,673	85.3	1,539,081	12.9
1 001–10 000	857	12.9	2,510,387	21.1
10 001–100 000	109	1.6	2,375,476	19.9
More than 100,001	8	0.1	5,473,307	46.0
Shares in joint and clearing accounts	3	0.0	13,092	0.1
Total number of Series B shares	6,650	100.0	11,911,343	100.0
Total number of Series A and Series B shares	6,660		14,886,843	

LARGEST REGISTERED SHAREHOLDERS 31 DECEMBER 2017

10 largest owners in terms of the number of shares	Series A shares	Series B shares	Total number of shares	%
Suovaniemi Osmo Antero	2,265,350	965,217	3,230,567	21.7
Interlab Oy		2,034,497	2,034,497	13.7
Suovaniemi Ville Roi	208,280	371,300	579,580	3.9
Suovaniemi Joel	208,280	333,000	541,280	3.6
Suovaniemi Oili	111,600	288,935	400,535	2.7
Härkönen Matti	57,200	267,965	325,165	2.2
Suovaniemi Vesa Jukka Markku	74,800	187,819	262,619	1.8
Genetic Analysis AS		246,067	246,067	1.7
Nordea Bank Ab (Publ), Finland branch		206,507	206,507	1.4
Oy Etra Invest Ab		200,000	200,000	1.3

10 largest owners in terms of the number of votes	Series A shares	Series B shares	Total number of shares	%
Suovaniemi Osmo Antero	2,265,350	965,217	46,272,217	64.8
Suovaniemi Ville Roi	208,280	371,300	4,536,900	6.4
Suovaniemi Joel	208,280	333,000	4,498,600	6.3
Suovaniemi Oili	111,600	288,935	2,520,935	3.5
Interlab Oy		2,034,497	2,034,497	2.9
Suovaniemi Vesa Jukka Markku	74,800	187,819	1,683,819	2.4
Härkönen Matti	57,200	267,965	1,411,965	2.0
Oy Tech Know Ltd	24,990	43,600	543,400	0.8
Luostarinen Reijo	10,000	100,000	300,000	0.4
Genetic Analysis AS		246,067	246,067	0.3

Senior management ownership 31 December 2017

On 31 December 2017, the members of the Board of Directors and President & CEO held a total of 2,347,540 Series A shares and 3,439,171 Series B shares.

These correspond to 37.9 per cent of all of the shares in the company and 68.8 per cent of all of the votes.

The Chairman of the Board of Directors, Osmo Suovaniemi, is the majority owner of Interlab Oy, and Interlab Oy owns 2,034,497 Series B shares.

Franco Aiolfi, a member of the Board of Directors, is the majority owner of Euroclone S.p.A. via a company called Arsfin Consult S.r.l.

Euroclone S.p.A. owns 92,807 series B shares.

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 (EUR)	dividend distributed for the financial period / number of shares on the balance sheet date	
Dividend payout ratio (%)	dividend per share / earnings 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	

In its 2017 financial statements, Biohit Oyj is transitioning from an operation-based income statement model to an income statement based on expense types, which will provide investors with a better picture of the company's operating income and offer better, more relevant financial information.

The new instructions issued by the European Securities and Markets Authority (ESMA) on Alternative Performance Measures (APMs) took effect for the 2016 financial period. In conjunction with the transition to an income statement model based on expense types, Biohit will present APMs to describe the financial development of its business and improve comparability between different periods. 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. This items arise through non-recurring transactions such as:

– Asset impairments
– Asset sales or purchases
– Expense entries for benefits in accordance with IFRS2

In addition, Biohit Oyj presents the following APMs:

EBITDA =
Operating profit + depreciation and amortization

Operative EBITDA =
Operating profit + depreciation and amortization – items affecting comparability

Free cash flow (FCF) =
Operating cash flow – Investments in tangible and intangible assets + Proceeds from disposal of tangible and intangible assets

Parent company's income statement (FAS)

1,000 €	Note	1.1.–31.12.2017	1.1.–31.12.2016
Net sales	2	**6,865**	**6,039**
Change in inventories of finished products and work in progress		–137	39
Other operating income	3	262	339
Materials and services	4	–2,586	–2,348
Personnel expenses	5	–2,817	–3,122
Other operating expenses	6	–2,313	–3,442
EBITDA		**–727**	**–2,495**
Depreciation and amortization	7	–1,188	–211
Operating profit/loss		**–1,915**	**–2,706**
Financial income and expenses	9	8,858	125
Profit/loss before appropriations and taxes		**6,943**	**–2,581**
Withholding tax	10	–201	–
Profit/loss for the financial period		**6,742**	**–2,581**

Parent company's balance sheet (FAS)

1,000 €	Note	31.12.2017	31.12.2016
Assets			
Fixed assets			
Intangible assets	11	6,306	290
Tangible assets	12	643	634
Investments			
Shares in Group companies	13	232	232
Other investments	13	1	1
Total fixed assets		**7,182**	**1,157**
Current assets			
Inventories	14	549	732
Long-term receivables	15	–	255
Short-term receivables	15	1,960	1,667
Financial securities	16	7,363	7,122
Cash at bank and in hand	17	413	38
Total current assets		**10,286**	**9,814**
TOTAL ASSETS		**17,467**	**10,971**

1,000 €	Note	31.12.2017	31.12.2016
Liabilities and shareholders' equity			
Shareholders' equity			
Share capital	18	2,350	2,350
Fair value reserve	18	914	1,024
Invested unrestricted equity fund	18	3,681	3,252
Retained earnings	18	2,228	4,809
Profit/loss for the financial period	18	6,742	–2,581
Total shareholders' equity		**15,915**	**8,854**
Liabilities			
Long-term liabilities	19, 20	589	256
Short-term liabilities	21	964	1,862
Total liabilities		**1,552**	**2,117**
Total liabilities and shareholders' equity		**17,467**	**10,971**

Parent company's cash flow statement

1,000 €	Note	2017	2016
Cash flow from operating activities:			
Profit/loss before extraordinary items		6,943	–2,581
Adjustments:			
Planned depreciation		1,188	211
Unrealised exchange rate gains and losses		–1	–2
Other non-cash income and expences		–158	188
Financial income and expenses	9	–8,858	–125
Change in working capital:			
Increase (–)/decrease (+) in short-term interest-free trade receivables		–78	–1,049
Increase (–)/decrease (+) in inventories		183	–117
Increase (+)/decrease (–) in short-term interest-free liabilities		–594	760
Realised exchange rate gains and losses		–12	–31
Interest paid and payments on other operating financial expenses		–34	–125
Income and interest received from business activities		140	271
Cash flow from operating activities		**–1,282**	**–2,599**
Cash flow from investments:			
Investments in tangible and intangible assets		–159	–35
Proceeds from disposal of tangible and intangible assets		1,688	5
Investments in other instruments		–377	2,609
Cash flow from investments		**1,152**	**2,579**
Cash flow from financing activities:			
Paid share issue		429	–
Withdrawal of long-term loans		88	187
Repayment of short-term loans		–	–316
Repayment of long-term loans		–11	–
Cash flow from financing activities		**505**	**–128**
Increase (+)/decrease (–) in cash and cash equivalents		375	–149
Cash and cash equivalents at the beginning of the period		38	186
Cash and cash equivalents at the end of the period	17	413	38

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, planned depreciation and impairments. Planned depreciation is calculated using a straight-line model based on the useful life of the asset.

The planned depreciation periods are as follows:

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

Valuation of 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 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 fair value are recognised on the balance sheet in the fair value reserve and on the income statement under financial income and expenses in the period in which they are realised.

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 remained for 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 NET SALES BY BUSINESS SECTOR

1,000 €	2017	2016
Diagnostics	6,865	6,039
Total	6,865	6,039

NET SALES BY MARKET AREA

1,000 €	2017	2016
Finland	390	640
Europe, other	922	911
North and South America	223	252
Asia	4,562	3,635
Other countries	769	601
Total	6,865	6,039

3 OTHER OPERATING INCOME

1,000 €	2017	2016
From Group companies	159	224
Others	103	115
Total	262	339

4 MATERIALS AND SERVICES

1,000 €	2017	2016
Purchases during the financial period	2,540	2,427
Change in inventories	46	–79
Total materials and supplies	2,586	2,348
Total materials and services	2,586	2,348

5 PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

1,000 €	2017	2016
Salaries	2,413	2,665
Pension expenses	358	372
Other personnel expenses	47	85
Total personnel expenses	2,817	3,122

In the financial period, the parent company employed an average of	2017	2016
White collar	41	44
Average number of personnel	41	44
Number of personnel at the end of the financial period	42	40

6 OTHER OPERATING EXPENSES

1,000 €	2017	2016
Travel expenses and other personnel expenses	254	298
Rents and maintenance expenses	305	298
Sales and marketing expenses	353	746
Other external services	868	1,167
Change in loss provision for trade receivables	41	199
Other operating expenses	491	734
Total	2,313	3,442

7 DEPRECIATION AND AMORTIZATION

1,000 €	2017	2016
Intangible assets	884	70
Plant and equipment	151	141
Impairment	153	–
Total	1,188	211

8 AUDITORS' FEES

1,000 €	2017	2016
Companies belonging to the PricewaterhouseCoopers chain		
Auditors' fees	45	38
Auditors' statements	6	4
Tax service	8	–
Other services	22	52
Total fees paid to the auditor	80	94

In the 2017 financial period, PricewaterhouseCoopers Oy provided Biohit Group with services unrelated to auditing at a total cost of EUR 22 thousand.

The services included expert services related to applying the new IFRS standards.

9 FINANCIAL INCOME AND EXPENSES

1,000 €	2017	2016
Other interest and financial income		
From Group companies	6	7
From others *	8,930	244
Other interest and financial income	8,936	251
Total financial income	8,936	251
Interest expenses and other financial expenses		
To Group companies	–5	–4
To others	–73	–122
Total financial expenses	–78	–126
Total financial income and expenses	8,858	125
Financial income and expenses include foreign exchange gains/losses (net)	–52	7

* Primarily consists of profit recognised from the disposal of shares in the joint venture.

The items above operating profit include foreign exchange losses/gains (net) or EUR –9 thousand (EUR –35 thousand)

10 INCOME TAXES

1,000 €	2017	2016
Withholding tax	201	–
Total	201	–

11 INTANGIBLE ASSETS

2017 1,000 €	Intangible rights	Other long-term expenses	Total
Acquisition cost at the beginning of the financial period	889	849	1,739
Increases	7,053	–	7,053
Acquisition cost at the end of the financial period	7,942	849	8,791
Accumulated depreciation and impairment in the financial period	–603	–845	–1,448
Depreciation and impairment in the financial period	–1,033	–4	–1,037
Accumulated depreciation at the end of the financial period	–1,636	–849	–2,485
Book value at the beginning of the financial period	286	4	290
Book value at the end of the financial period	6,306	0	6,306

2016 1,000 €	Intangible rights	Other long-term expenses	Total
Acquisition cost at the beginning of the financial period	889	849	1,739
Acquisition cost at the end of the financial period	889	849	1,739
Accumulated depreciation and impairment in the financial period	–544	–834	–1,378
Depreciation and impairment in the financial period	–59	–11	–70
Accumulated depreciation at the end of the financial period	–603	–845	–1,448
Book value at the beginning of the financial period	345	15	360
Book value at the end of the financial period	286	4	290

12 TANGIBLE ASSETS

2017

1,000 €	Plant and equipment	Total
Acquisition cost at the beginning of the financial period	1,412	1,412
Increases	170	170
Decreases	–13	–13
Acquisition cost at the end of the financial period	1,570	1,570
Accumulated depreciation and impairment in the financial period	–779	–779
Accumulated depreciation of decreases	3	3
Depreciation in the financial period	–151	–151
Accumulated depreciation at the end of the financial period	–927	–927
Book value at the beginning of the financial period	634	634
Book value at the end of the financial period	643	643

2016

1,000 €	Plant and equipment	Total
Acquisition cost at the beginning of the financial period	1,368	1,368
Increases	52	52
Decreases	–8	–8
Acquisition cost at the end of the financial period	1,412	1,412
Accumulated depreciation and impairment in the financial period	–644	–644
Accumulated depreciation of decreases	7	7
Depreciation in the financial period	–141	–141
Accumulated depreciation at the end of the financial period	–779	–779
Book value at the beginning of the financial period	724	724
Book value at the end of the financial period	634	634

13 INVESTMENTS

Shares 2017

1,000 €	Group companies	Others	Total
Book value at the beginning of the financial period	232	1	233
Book value at the end of the financial period	232	1	233

Shares 2016

1,000 €	Group companies	Others	Total
Book value at the beginning of the financial period	232	1	233
Book value at the end of the financial period	232	1	233

14 INVENTORIES

1,000 €	2017	2016
Materials and supplies	297	411
Work in progress	111	88
Finished products/goods	138	180
In transit	3	53
Total inventories	549	732

15 RECEIVABLES

1,000 €	2017	2016
Long-term receivables		
Receivables from Group companies		
Loan receivables	–	255
Total non-current receivables	–	255
Short-term receivables		
Receivables from Group companies		
Trade receivables	238	247
Loan receivables	255	–
Other receivables	53	49
Accrued income	6	7
Other receivables		
Trade receivables	1,105	1,076
Other receivables	192	209
Accrued income	112	80
Total current receivables	1,960	1,667

16 FINANCIAL SECURITIES

Assets measured at fair value

1,000 €	2017	Level 1	Level 2
Traded securities	7,363	4,291	3,072

Assets measured at fair value

1,000 €	2016	Level 1	Level 2
Traded securities	7,122	3,931	3,191

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

17 CASH AND CASH EQUIVALENTS

1,000 €	2017	2016
Cash in hand and at bank	413	38

18 SHAREHOLDERS' EQUITY

1,000 €	2017	2016
Share capital 1 Jan	2,350	2,350
Share capital 31 Dec	2,350	2,350
Fair value reserve 1 Jan	1,024	36
Increases	–	987
Decreases	–110	–
Fair value reserve 31 Dec	914	1,024
Invested unrestricted equity fund 1 Jan	3,252	1,271
Subscription of options	429	–
Directed share issue	–	1,981
Invested unrestricted equity fund 31 Dec	3,681	3,252
Retained earnings 1 Jan	2,228	4,809
Retained earnings 31 Dec	2,228	4,809
Reported profit/loss for the financial period	6,742	–2,581
Total shareholders' equity	15,915	8,854

Shares and voting rights

Biohit's shares are divided into Series A and Series B shares. The series 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 provision 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 Dec	2017	2016
Retained earnings	2,228	4,809
Profit/loss for the financial period	6,742	–2,581
Invested unrestricted equity fund	3,681	3,252
Total	12,650	5,480

Parent company's share capital structure	2017 number	% of shares	% of votes	2016 number
Series A shares (20 votes per share)	2,975,500	20.0	83.5	2,975,500
Series B shares (1 vote per share)	11,911,343	80.0	16.5	11,723,033
Total	14,886,843	100.0	100.0	14,698,533

The company's share capital is EUR 2,350,350.81. The company does not hold any treasury shares. Based on a resolution of the AGM held on 15 April 2016, 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 25.2% of all of the company's Series B shares. In 2017, the company did not issue any new shares on the basis of the share issue authorisation granted on 25 April 2016.

19 LONG-TERM LIABILITIES

1,000 €	2017	2016
Loans from Group companies	301	–
Loans from financial institutions	59	–
From others	229	256
Total	589	256

Long-term liabilities from others are deferred tax liabilities.

20 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax liabilities

1,000 €	2017	2016
Assets classified as available for sale	229	256
Total	229	256

The deferred tax assets due to confirmed losses have not been recognised on the balance sheet. Confirmed losses total EUR 18.4 million (2017: EUR 1.9 million, 2016: EUR 2.4 million, 2015: EUR 3.2 million, 2014: EUR 4.1 million, 2013: EUR 3.4 million and 2012: EUR 3.4 million).

21 SHORT-TERM LIABILITIES

1,000 €	2017	2016
Loans from financial institutions, current proportion	17	–
Advances received	–	33
Trade payables	317	906
Accruals and deferred income	509	488
Other liabilities	85	80
Liabilities to Group companies		
Loans from Group companies	–	301
Accruals and deferred income	35	54
Total short-term liabilities	964	1,862

The significant items of accruals and deferred income are salary-related deferred items valued at EUR 393 thousand (EUR 332 thousand).

22 PLEDGES, CONTINGENT LIABILITIES AND OTHER LIABILITIES

1,000 €	2017	2016
Debts for which mortgages have been pledged		
The company has not pledged any collateral.		
Leasing commitments		
Payable in the next financial period	24	37
Payable later	7	21
Total	30	57
Rental commitments		
Payable in the next financial period	170	169
Payable later	255	422
Total	425	591
Other contingent liabilities		
Guarantees	3	104

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 not contingent liabilities on behalf of Group companies.

Board of Director's proposal regarding the distribution of profits

On 31 December 2017, the parent company's distributable assets (unrestricted equity) amounted to EUR 12,650,376.26, including the profit for the financial period of EUR 6,741,893.94. 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, 26 February 2018

Osmo Suovaniemi
Chairman of the Board of Directors

Matti Härkönen
Member of the Board of Directors

Eero Lehti
Member of the Board of Directors

Stina Syrjänen
Member of the Board of Directors

Franco Aiolfi
Member of the Board of Directors

Semi Korpela
President & CEO

Auditor's note
A statement has been issued today on the completed audit.

Helsinki, March 9, 2018

PricewaterhouseCoopers Oy
Firm of auditors

Pasi Karppinen
Authorised Public Accountant

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 2017. The financial statements comprise:

- the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, statement of cash flows and notes, 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 2.10 to the Financial Statements.

Our Audit Approach

Overview

Materiality:

- Overall group materiality: € 120 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
- Disposal of Chinese joint venture Biohit HealthCare (Hefei) Co. Ltd.

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	€ 120 thousand
How we determined it	We used the combination of total assets and certain income statement balances (total revenues and total expenses) to determine overall group materiality.
Rationale for the materiality benchmark applied	Biohit group's business has been clearly loss making, excluding disposal gain on Chinese joint venture in 2017, since 2011 when it divested its liquid handling business. Based on our assessment total assets and a combination of income statement balances provide a more solid base for determining the materiality than the commonly used 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 which was performed by the group audit team. Audit was performed for the parent company. For the remaining group companies we performed selected audit procedures on specified account balances as well as analytical procedures.

By performing the procedures above at reporting components, combined with additional procedures at the Group level, 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 carcinogen acetaldehyde in 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. Distribution agreements determine when the related material risks and rewards have been transferred to the purchaser as to whether the economic benefits of the transactions have been transferred to the company. Relating to revenue recognition there is a risk that timing of revenue recognition is incorrect due to error or fraud in the financial statements. This matter is a significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014.	We performed audit procedures relating to revenue recognition cut-off, to ensure revenue is recorded in correct period. We performed control testing relating to controls that are relevant to timing of revenue recognition. Additionally we performed different substantive audit procedures relating to timing of revenue recognition. 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.

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 2.18 In January 2016 the company signed a share exchange agreement with Norwegian company Genetic Analysis AS and through the agreement gained 18% ownership of the company. In return Biohit issued 350,000 of its' own B-shares. At the financial year end 2017 the value of the shares is 3,1 million euro. Based on management's judgement Genetic Analysis AS shares are classified as financial assets valued at fair value through other comprehensive income in line with the true nature of the investment. As Genetic Analysis AS is an unlisted entity the fair value is measured using alternative information available in the market. Due to the estimation uncertainty and significance of the investment in the financial statements we have determined valuation of the Genetic Analysis AS investment to be key audit matter for the audit of the financial statements.	At the time of the initial valuation in 2016 we assessed the valuation model itself and the assumptions used in the valuation by preparing our independent valuation calculation at the time of the share exchange. For independent valuation we used PwC's own experts when assessing the valuation of Genetic Analysis shares. During 2017 we have assessed the appropriateness of the information used in determining the fair value of Genetic Analysis AS shares, specifically at the year end. These procedures included: • We obtained the supporting evidence that was used to evaluate the shares and agreed the valuation to the supporting documentation. • We have discussed with the Genetic Analysis AS management in order to confirm certain Biohit Oyj management's assumptions used in the valuation.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Disposal of Chinese joint venture Biohit HealthCare (Hefei) Co. Ltd. Reference to the financial statements accounting principles and the financial statement note 2.5, 2.9 and 2.17 On January 2, 2017 Biohit Oyj made an announcement regarding the share capital reduction of its joint venture Biohit HealthCare (Hefei) Co. Ltd thereby assigning ownership in the company. In May 2017 the transaction received the necessary approval from the authority and the company's share capital was reduced by an amount equal to Biohit Oyj's shareholding. As a result from the transaction, a profit of approximately 8,4 million euro was booked as a Biohit Oyj's operating result. Out of this profit, 7,1 million was booked to the balance sheet as intellectual property rights and additionally a cash payment 1,7 million was received as part of the transaction. As a result of this transaction Biohit HealthCare (Hefei) Co. Ltd. is no longer Biohit Oyj's joint venture and it is no longer consolidated to the group balance sheet starting from June 1, 2017. The intellectual property rights booked to the balance sheet were initially evaluated based on the future cash flows from Biohit Healthcare (Hefei) Ltd. that is based on estimated raw material purchases and royalties. These future cash flows are monitored to assess whether there is an indication for impairment. Due to the size, complexity and the judgment related to the accounting of joint venture disposal and valuation of the intellectual property rights received as part of the exit we consider this to be key audit matter for the audit of the financial statements.	We have gained an understanding of the joint venture exit agreement and terms and conditions within and performed audit procedures in order to assess whether the company has accounted the disposal of the joint venture correctly in their financial statement. We have used PwC's own experts when assessing the valuation of the intellectual property rights received. At the time of the initial valuation we assessed the valuation model itself and the assumption used in the valuation by preparing our independent valuation calculation at the time of the transaction. We have assessed the appropriateness of the valuation of intellectual property rights at the year end. As part of the valuation assessment we have evaluated the asset impairment test calculation prepared by the management and 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 derived from the forecast model • comparing the intellectual property rights recoverable amount to its carrying value in the financial statements. Furthermore we have focused on the adequacy of the disclosures in the note for the arrangement.

We have no key audit matters to report with respect to our audit of the parent company financial statements.

There are no significant risks of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 with respect to the parent company financial statements.

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 4 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

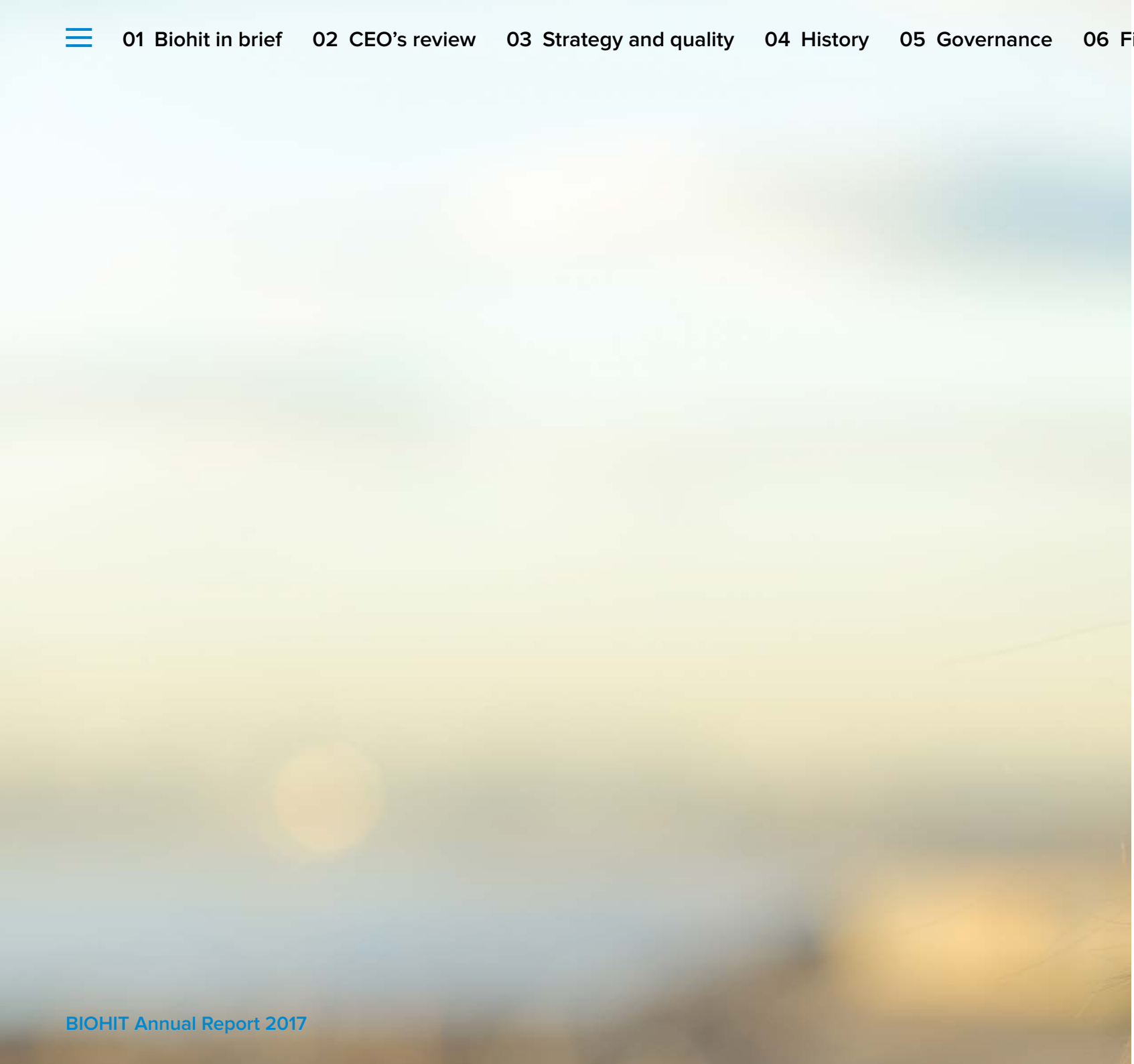
- the information in the report of the Board of Directors is consistent with the information in the financial statements
- the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

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 9 March 2018

PricewaterhouseCoopers Oy
Authorised Public Accountants

Pasi Karppinen
Authorised Public Accountant (KHT)



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