# BIOHIT HealthCare

Innovating for Health

ANNUAL REPORT 2019

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## BIOHIT OYJ IN BRIEF

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

# HIGHLIGHTS OF THE YEAR 2019

## SATYA ABADI PHARMA TO BECOME ACETIUM® LOZENGE'S DISTRIBUTOR IN INDONESIA

Satya Abadi Pharma, a well-known marketer and distributor of pharmaceuticals and medical devices, will begin to distribute Acetium® smoking cessation products throughout Indonesia. Smoking is a serious health problem in Indonesia with up to 60 million active smokers. More than 200,000 people die each year from smoking-related illnesses. Acetium® lozenge is needed to solve this problem.

## GASTROPANEL® 14 929 PEOPLE STUDY IN CHINA

Significant confirmation of the existing evidence on the predictive value of the GastroPanel® biomarkers in diagnosing gastric cancer has been obtained in recent Chinese multicenter trials. The nation-wide trials focused on a sample population with high risk of developing gastric cancer and were conducted by a research group led by Professor Cuancai Cai of Changhai Hospital, Naval Medical University, Shanghai, China. GastroPanel study in China included 14,929 people.

## ACETIUM® AVAILABLE IN THAILAND IN 2019

Biohit Oyj and Precision Health Co. Ltd have signed a distribution agreement for Acetium® lozenge in Thailand. There are over 13 million smokers in the country and over 5 million people planning or trying to quit smoking.

## NET SALES

EUR **10.1** MILLION

## EQUITY RATIO

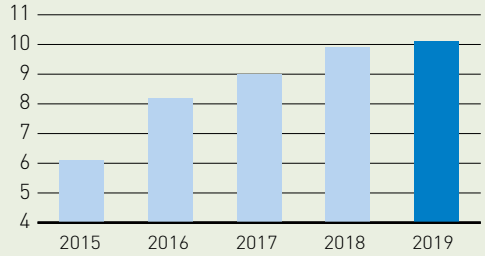
**83.9** %

## OPERATIVE EBITDA

EUR **+0.6** MILLION

| KEY FIGURES | 2019 | 2018 |
|---|---|---|
| Net sales (EUR million) | **10.1** | 9.9 |
| EBITDA (EUR million) | **0.6** | –0.2 |
| Operative EBITDA (EUR million) | **0.6** | –0.1 |
| Operating profit/loss (EUR million) | **-1.4** | –2.0 |
| Profit/loss before taxes (EUR million) | **-1.2** | –2.0 |
| Profit/loss for the period (EUR million) | **-1.4** | –2.1 |
| Average number of personnel | **46** | 50 |
| Number of personnel at the end of the period | **46** | 49 |
| Equity ratio (%) | **83.9** | 89.2 |
| Undiluted earnings per share (EUR) | **-0.09** | –0.14 |
| Diluted earnings per share (EUR) | **-0.09** | –0.14 |
| Shareholders' equity per share (EUR) | **0.97** | 1.06 |
| Average number of shares during the period | **15,005,253** | 14,901,904 |
| Number of shares at the end of the period | **15,045,593** | 14,952,041 |

## NET SALES 2015-2019, MEUR




## NET SALES FROM INTERNATIONAL OPERATIONS

**96** %

Review by the President & CEO

# OUR PROFITABILITY IMPROVED

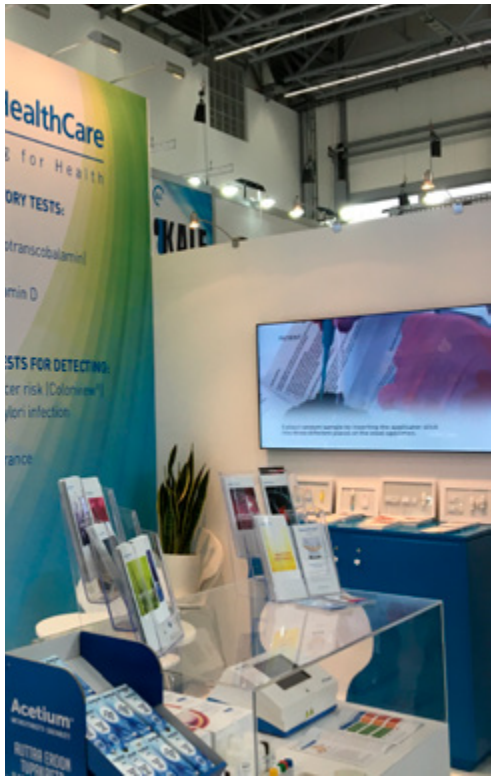
The year 2019 was exceptional for Biohit due to the completion of GastroPanel® product's re-registration only at the end of the year in China. Despite the delay of a delay in the registration our Net Sales grew slightly and the profitability improved.

Operative EBITDA improved to EUR +0.6 million (EUR -0.1 million) due to increased raw material deliveries to China and reduced fixed costs. The 2019 Operative EBITDA was 6 % of Net Sales. Our cash at the end of the period amounted to EUR 1.3 million (EUR 1.4 million). Our cash position was negatively impacted by the delay in customer payments worth of EUR 0.8 million. Payments were received in January 2020.

## WE INCREASED OUR DISTIBUTION NETWORK

We continued our domestic sales and marketing efforts for the Acetium® lozenge and as a result our distribution network expanded significantly for example inside SOK.

We made several international distribution agreements for Acetium® lozenge during the review period. PT Satya Abadi Pharma is our distributor in Indonesia. In Italy, Difar Distribuzione




S.r.l. received the exclusive distribution rights to the product. We also signed an agreement with Precision Health Co., Ltd over the distribution of Acetium® lozenge in Thailand. Towards the end of the year, we signed an agreement with Slim Pharmaceuticals ( Pvt ) Ltd concerning the distribution of both Acetium® capsules and lozenges in Sri Lanka.

During 2019, we also signed new agreements for the distribution of Biohit diagnostic test kits in Colombia with BioSystems & D-Diagnostica SAS and in Mexico with Uniparts SA DE CV.

## GASTROPANEL® QUICK TEST AND THE RESULTS OF THE CLINICAL STUDIES

Significant confirmatory evidence to the existing data on GastroPanel® biomarkers as predictors of gastric cancer was provided by a recently published nationwide multi-center study from China which included 14,929 people. This important study provides additional confirmatory evidence to the two previous studies, where GastroPanel® biomarkers were shown to be significant independent predictors of incidental gastric cancer.

The usability of the GastroPanel® Quick Test was initially evaluated at the world's largest medical event, MEDICA 2019, where the test was well received by international health tech and medical experts for its fast turn-around time and its ease of use. Also, the results of an external multi-center clinical study have been completed in one hospital. Starting the clinical studies, getting ethical approvals for the study and collecting study subjects has taken more time than anticipated. GastroPanel® Quick Test development continues and the target is to CE-mark the product during the first half of the 2020.

During the review period, we finished two clinical studies about the effectiveness of Acetium® capsules as an inhibitor for migraine-type headaches. Although the result of the study was not positive, the subgroup analysis revealed patients who clearly benefitted from the Acetium® lozenge capsules. We are considering the possibility of a new clinical study regarding said subgroup.

## CHINA, RUSSIA AND MIDDLE-EAST

In the beginning of 2020 we have been able to deliver GastroPanel® products to China as previously. According to the latest estimate our GastroPanel® distributor's new production facility will be operational at the end of the year 2020. GastroPanel® deliveries to China will grow in 2020 if the logistics problems created by coronavirus (SARS-CoV-2) don't continue.

The Ministry of Health of the Russian Federation gave recommendation for early detection of gastrointestinal diseases by using GastroPanel® biomarkers. This was a significant step in developing our business in Russia further. The recommendation increases Biohit's likelihood of winning tenders in Russia's national Healthcare project. Biohit also has national recommendations in Italy and China for the GastroPanel® product.

**SIGNIFICANT CONFIRMATORY EVIDENCE TO THE EXISTING DATA ON GASTROPANEL® BIOMARKERS AS PREDICTORS OF GASTRIC CANCER WAS PROVIDED.**

Our Middle-East business developed positively during the review period despite the increasing uncertainty regarding the region's political situation.

## OUTLOOK FOR 2020

Biohit expects its 2020 Net Sales growing comparing 2019 (previous year EUR 10.1 million).
In the outlook we have not taken into account possible prolonging coronavirus epidemic and its negative impact on our business in China.

I thank our employees, our customers, our owners and our partners for their confidence in Biohit and for their cooperation in 2019.

**Semi Korpela**
President & CEO

# STRATEGY 2019–2022

## OUR STRATEGIC DECISIONS

### SIMPLIFICATION AND STREAMLINING OF OPERATIONS AND SERVICES

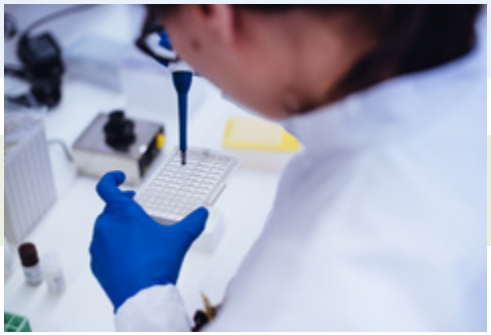
Supply chain as a competitive advantage: responsive, agile and cost efficient. Create a highly efficient process, together with continuous improvement and digitalisation, with high level of automation in operations.

### CUSTOMER PERSPECTIVE

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

### QUALITY FIRST

Continuous improvement: More preventive actions rather than corrective actions.



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

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

**B** Products that bind acetaldehyde in the gastrointestinal tract

**WE AIM TO INCREASE NET SALES PRIMARILY IN THE FOLLOWING AREAS:**

**1** China

**2** EU, Russia and Middle East

**MISSION:** INNOVATING FOR HEALTH

# INNOVATIVE PRODUCTS

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

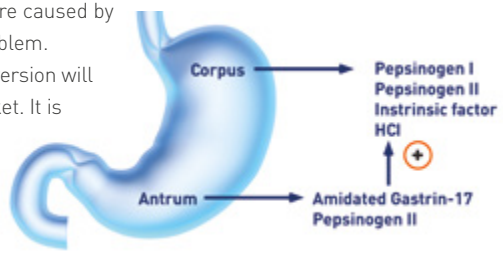
## GASTROPANEL® –A HEALTH TEST FOR YOUR STOMACH

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

GastroPanel is suitable for the diagnosis of atrophic gastritis and Helicobacter infections, and for the risk assessment of gastric cancer.

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

A GastroPanel rapid test version will also be released to the market. It is a finger-prick blood test and it provides results in only 20 minutes.




## ACETIUM® LOZENGE – QUIT SMOKING WITHOUT NICOTINE

In 2018, Biohit launched the Acetium® lozenge to help those wanting to quit smoking. The lozenge should be used regularly for an average of 3 to 6 months for optimal results. Acetium® reduces the pleasure received from smoking, making it easier to quit.

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

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

# HISTORY

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

Biohit's roots extend back to the 1970s, to two companies established by professor Osmo Suovaniemi, M.D., Ph.D (Labsystems Oyj in 1971 and Eflab Oy in 1978). They developed the first single and multichannel precision pipettes with adjustable volumes, and the first instruments based on vertical photometry. Next step was to develop diagnostic tests for the diagnosis of cancers and HIV among other things. From the beginning the companies were based on high technology, top knowhow of biotechnology and global thinking.

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/en/ path-to-success).

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

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

## 1988–1999

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

## 2000–2009

- Biohit Oyj commences service laboratory operations.
- GastroPanel is launched to diagnose and prevent diseases of the stomach and related risks.
- The Healthy Stomach Initiative (HSI) organisation is established in 2006 (www.gastropanel.com/news, www.hsinitiative.org).
- There is a large and growing need for GastroPanel and Acetium products as 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.

## 2011–2012

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

## 2013

- An Italian company focusing on gastrointestinal diagnostics becomes a subsidiary of Biohit Group.
- Biohit establishes Biohit HealthCare (Hefei) Co. Ltd, a joint venture in China.
- The quick test for lactose intolerance is joined by the UFT-300 quick test for Helicobacter and a quick test for 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 FIT test, which identifies faecal occult blood and can be used to screen for and diagnose colorectal cancer. Several countries are using the test around the world. (www.biohithealthcare.com/additional-information)

## 2016

- Biohit Oyj acquires a stake in Genetic Analysis AS, a Norwegian company.
- Biohit's joint venture in China begins manufacturing the GastroPanel product.
- Biohit launches the revolutionary GastroPanel® quick test. The GastroPanel® quick test will be available in Europe after for the CE mark have been completed.

## 2015

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

## 2017-2019

- A wide-ranging comparative study found Biohit's Acetium® lozenge to be effective in helping smokers to give up smoking (www.acetium.com). Sales of the product began and comprehensive distribution channels were established in Finland via pharmacies, as well at R-kioski shops and
- at grocery stores. The first few distribution agreements were also made for the product in other EU countries.
- Biohit Oyj's Acetium® was granted an important patent in Japan (Patent no: 6178657)
- Biohit's distributor, Biohit Healthcare (Hefei)
- Co. Ltd, announced that it was increasing it's investments in production capacity to 75 million tests annually. In the review period, Biohit Healthcare (Hefei) Co. Ltd also purchased 33.2.% of all of the shares in Biohit Oyj from the company's main owner. Osmo Suovaniemi and his family, acquiring 29.5% of the voting rights based on shares. Osmo Suovaniemi is still having over 50% of number of votes in the company.

# CORPORATE GOVERNANCE STATEMENT 2019

## INTRODUCTION

Biohit Oyj has prepared this Corporate Governance Statement on the basis of Section 54 of the Finnish Corporate Governance Code for listed companies issued by the Securities Market Association. Biohit Oyj has appended its remuneration statement for the 2019 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 17 February 2020.

The Report of the Board of Directors, the Auditor's Report and the full Corporate Governance Statement are available atww.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 six-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 2019

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 2019, Biohit Oyj held its Annual General Meeting on 24 April 2019 in Helsinki. 2,018,310 series A shares and 644,721 series B shares were represented at the meeting, corresponding to 17.80% of all of the shares in the company and 57.36% of the votes. The meeting was attended by four of the six members of the Board of Directors, the President & CEO and the principal auditor.

### Board of Directors

The Board of Directors, which comprises 5–7 members elected by the Annual General Meeting, is responsible for the administration and appropriate organisation of Biohit's business operations. Proposals concerning membership of the Board of Directors are prepared by the Board of Directors. Biohit has defined the principles applying to diversity within the Board of Directors in accordance with recommendation 9 of the corporate governance code. Biohit's objective is for both sexes to be represented on the company's Board of Directors. In line with this objective, the Board of Directors had members of both sexes starting from 2019 Annual General Meeting.

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

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

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

- Increasing shareholder value
- Ensuring the appropriate organisation of accounting and financial management
- Approving Biohit Oyj's financial statements, consolidated financial statements and the Report of the Board of Directors for the most recent financial period
- Approving the half year financial report annually for the period ending at the end of June
- Deciding on Biohit's business plan, budget and investment plan
- Deciding on Biohit's financing and risk management policies
- Approving the remuneration and incentive schemes for senior managers
- Appointing the President & CEO
- Deciding on Biohit's strategy, organisational structure, investments and other wide-reaching and significant issues

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

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

### Board of Directors in 2019

Until the Annual General Meeting held on 24 April 2019, the following five people were on the Board of Directors: Osmo Suovaniemi (chairman), Eero Lehti, Liu Feng, Franco Aiolfi and Matti Härkönen. At the Annual General Meeting on 24 April 2019, Osmo Suovaniemi (chairman), Eero Lehti, Liu Feng, Franco Aiolfi and Matti Härkönen were re-elected to the Board of Directors and Lea Paloheimo was elected as a new member to serve until the end of the Annual General Meeting in 2020. The Board of Directors elected Osmo Suovaniemi as its chairman.

Biohit Oyj's Board of Directors convened 8 times in 2019 (5 times in 2019). The average attendance was 91 per cent (91 per cent).

### Biohit Oyj's Board of Directors on 31 December 2019

**Professor Osmo Suovaniemi (b. 1943),** MD, PhD
- Member of the Board since 1988 and Chairman since 2011
- Non-independent of major shareholders and of the company
- Founder of Biohit and its former President & CEO
- Attended 8 Board meetings in 2019
- Direct shareholding: series A shares: 2,018,310; series B shares: 0.

**Franco Aiolfi (b. 1947),** Degree in Pharmacy awarded by the University of Urbino
- Member of the Board since 2013
- Independent of the major shareholders but non-independent of the company
- Attended 8 Board meetings in 2019
- Direct shareholding: no Biohit shares
- Indirect shareholding: Managing Director of Euroclone S.p.A and a majority shareholder in Euroclone S.p.A. in 31.12.2019 and in Biobrick through Arsfin Consult Srl. Euroclone is the leading distributor of biotechnology application instruments on the Italian market. Euroclone S.p.A. owned 92,807 series B shares in 31.12.2019.

**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 8 Board meetings in 2019
- 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 between 2007-2019
- Founder of Taloustutkimus Oy and the Chairman of its Board
- Attended 6 Board meetings in 2019
- Direct shareholding: series B shares: 2,000

**Liu Feng (b. 1972),** General Manager of Hefei Medicine Co., Ltd, Owner of Biohit Healthcare Hefei.
- Member of the Board since 2018
- Non-independent of the major shareholders and of the company
- Special researcher at the Counselor's Office of Anhui Provincial People's Government
- The vice chairman of the Chinese National Early Gastrointestinal-Cancer Prevention & Treatment Center
- Alliance member of the council of the China Health Promotion Foundation
- Attended 6 Board meetings in 2019
- Indirect shareholding via Biohit Healthcare (Hefei) Co., Ltd.: series A shares: 850 000, B shares: 4 095 415

**Lea Paloheimo (b. 1951)**, PhD (clinical biochemistry), hospital chemist.
- Member of the Board since 2019
- Independent of the major shareholders but non-independent of the company
- Employed by Biohit Oyj during 2001-2019, recently working as a Production and Product Development Director and Business Development Director.
- Attended 7 Board meetings in 2019
- Direct shareholding: series B shares: 7,000

### 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: 14,746

### Group Management Team

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

**Jukka Kainulainen (b. 1982)**
- Msc (Econ.)
- Finance, HR, ICT
- With Biohit Oyj since 2018
- Previously: Business Controller at Capgemini and Tieto, Head of Group FP&A at Affecto and Controller team lead at CGI.
- No direct shareholding

**Ilari Patrakka, b.1980**
- MSc (Econ.)
- Sales and Marketing Director
- With Biohit Oyj since 2012
- Previously: retail sales channel manager at Marioff Corporation Oy, marketing and export manager at Gasmet Technologies Oy, sales manager at Gasmet Technologies (Asia) Ltd.
- Direct shareholding: series B shares: 4,116

**Minna Mäki (b. 1969)**
- Ph.D., Adjunct professor (Molecular microbiology)
- R&D and Production Director
- With Biohit Oyj since 2018
- Previously: At Orion Diagnostica Oyj. Before that, Product Development Director at Mobidiag Ltd and researcher at the University of Helsinki.
- No direct shareholding

**Daniela Söderström (b. 1987)**
- MSc (Tech.)
- Quality and Regulatory Affairs Director
- Daniela Söderström has been working for Biohit Oyj in the field of quality management since 2014.
- Direct shareholding: series B shares: 30,000

### Management of subsidiaries

The Managing Directors of the subsidiaries are responsible for the management of subsidiary operations and report to the President & CEO of the parent company. The subsidiaries are responsible for the sales and marketing of Biohit's products in their market areas. The managers of subsidiaries operate under the management and supervision of Biohit's President & CEO. In 2019, 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 24 April 2019 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 severance payment is not included in the President & CEO's terms of employment.

The Board approves the remuneration and terms of employment of members of the Management Team. Biohit'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 40% of annual salary. No bonus was paid to the President & CEO and Management Team members in 2019.

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.

In 2013, Biohit introduced an incentive system offering stock options to company managers and employees. A total of 93,552 new series B shares in the company were subscribed under stock options in 2019. The share subscription price under the stock options in question was EUR 2.2766 per share. The share subscription period with stock options I 2013 B began on 1 June 2015 and ended 31 May 2019.

No new stock option programmes are in effect for 2020. CEO and the management team members are covered by an incentive scheme, which is based on the reaching of annually set targets. The targets are mainly linked to the net sales and results of the whole company. The target levels of management's bonuses are 20% of the total compensation. The Board of Directors will set and approve the financial targets for the CEO and the Management Team members

### 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 2019

**Remuneration of members of the Board of Directors**

| Member of the Board of Directors | Position on the Board of Directors | Board of Directors' fees (1,000 EUR) | Other remuneration (1,000 EUR)) | Total remuneration (1,000 EUR) |
|---|---|---|---|---|
| Osmo Suovaniemi | Chairman | 9 | 200 | 209 |
| Matti Härkönen | Member | 9 | - | 9 |
| Eero Lehti | Member | 8 | - | 8 |
| Lea Paloheimo | Member | 8 | - | 8 |
| Franco Aiolfi | Member | 9 | 36 | 45 |
| Liu Feng | Member | 8 | - | 8 |
| **Total** | | **50** | **236** | **285** |

**Companies under the control of members of the Board of Directors**

| | 2019 | 2018 |
|---|---|---|
| Franco Aiolfi, Euroclone S.p.A | 77 | 66 |
| Matti Härkönen, Oy Tech Know Ltd. | 46 | 55 |
| Franco Aiolfi, Biobrick | 25 | 25 |
| **Total** | **148** | **146** |

During the financial period that ended on 31 December 2019, the remuneration paid to members of the parent company's Board of Directors totalled EUR 50,000 (EUR 36,000 in 2018). Osmo Suovaniemi was paid EUR 209,000 (EUR 213,000 in 2018) 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 45,000.

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 46,000 based on the work done by Matti Härkönen.

Biohit has agreements with Euroclone S.p.A and Biobrick, a companies controlled by Board member Franco Aiolfi in 2019. Companies deliver finance, IT, quality and premises services to Biohit Italy. On the basis of these agreements, Euroclone S.p.A and Biobrick was paid EUR 102,000 during the 2019 financial period.

**Remuneration for the President & CEO**

| Salary and benefits (1,000 EUR) | 2019 | 2018 |
|---|---|---|
| Salary | 204 | 202 |
| Short-term incentives | - | - |
| Long-term incentives | - | 86 |
| **Total** | **204** | **288** |

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

| Salary and benefits (1,000 EUR) | 2019 | 2018 |
|---|---|---|
| Salary | 393 | 524 |
| Short-term incentives | - | - |
| Long-term incentives | 20 | 11 |
| **Total** | **413** | **535** |

## 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 com-

munications 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 but Biohit's financial department has responsibility to implement it in practise.

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

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

## AUDIT 2019

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 2019 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 2019 Annual General Meeting decided to pay auditor's fees in accordance with the auditor's invoice. The Group's invoiced auditors' fees for the 2019 financial period totalled EUR 101,000 (EUR 118,000 in 2018). In addition to this, PricewaterhouseCoopers Oy was paid a total of EUR 9,000 for other services (EUR 29,000 in 2018).

## 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/en/investors.

# BOARD OF DIRECTORS

**OSMO SUOVANIEMI**

b. 1943
MD, PhD, Professor

Chairman of Biohit Oyj's Board of Directors

Non-independent of the major shareholder and of the company

**Other relevant experience:**
- The founder and previous President & CEO of Biohit Oyj
- The founder, main shareholder, chairman, and CEO of Labsystems Oy and Eflab Oy
- Received an award in 1992 for having most patents in FinlandA board member, vice-chairman, and chairman of the General Industry Group in Finland in 1978-1986
- A board member of the Confederation of Finnish Industry in 1986
- A member of the Academy of Technical Sciences from 2003

**EERO LEHTI**

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

Member of Biohit Oyj's Board of Directors since 2009

Independent of the major shareholder and company

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

**FRANCO AIOLFI**

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

Member of Biohit Oyj's Board of Directors since 2013

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

**Other relevant experience:**

- President of Euroclone S.p.A. (formerly Polyfin S.p.A.) of which he is the majority shareholder. Euroclone SpA is a leading distributor in the Italian market of consumables and instruments for biotechnological applications.

**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

**Other relevant experience:**
- Emeritus Professor of Clinical Chemistry at the University of Helsinki
- Medical Officer at Yhtyneet Laboratoriot Oy
- About 280 scientific publications Responsible for the clinical trials and related development work at Biohit Oyj and also acts as a scientific advisor to Biohit Oyj.

**LIU FENG**

b. 1972
Specialist researcher at Anhui Medical University hospital

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

Member of Biohit Oyj's Board of Directors since 2018

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

**Other relevant experience:**
- Special researcher at the Counselor's Office of Anhui Provincial People's Government
- The vice chairman of the Chinese National Early Gastrointestinal-Cancer Prevention & Treatment Center Alliance
- Member of the council of the China Health Promotion Foundation.

**LEA PALOHEIMO**

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

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

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

# MANAGEMENT TEAM

**SEMI KORPELA**

b. 1970
MSc (Econ.)
President & CEO

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

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

**ILARI PATRAKKA**

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

With Biohit Oyj since 2012

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

**DANIELA SÖDERSTRÖM**

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

With Biohit Oyj since 2014

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

**JUKKA KAINULAINEN**

b. 1982
M.Sc. (Econ)
Chief Financial Officer

With Biohit Oyj since 2018

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

**MINNA MÄKI**

b. 1969
Ph.D., Adjunct professor (Molecular microbiology)
Research and Production Director

With Biohit Oyj since 2018

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

# INFORMATION FOR SHAREHOLDERS

### GENERAL MEETING OF SHAREHOLDERS

The Board of Directors will call the General Meeting at a later date.

### BOARD OF DIRECTORS' PROPOSAL REGARDING THE DISTRIBUTION OF PROFITS:

On 31 December 2019, the parent company's distributable assets (unrestricted equity) amounted to EUR 10,420,384.40, including the loss for the financial period of EUR 1,116,686.74. The Board of Directors proposes to the Annual General Meeting that no dividend be distributed by the company for the most recent financial period.

### SHARES:

Total number of shares: 15,045,593 (14,952,041 in 2018)
Series A shares (20 votes per share): 2 975 500 (2,975,500 in 2018)
Series B shares (1 vote per share): 12 070 093 (11,976,541 in 2018)

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.biohithealtcare.com/investors.

### FINANCIAL COMMUNICATIONS

The financial reviews and other stock exchange releases published by Biohit are available on the company's website at www.biohithealtcare. 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 2020

Wednesday 12 August 2020.
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 AND MEDIA RELEASES IN 2019

## STOCK EXCHANGE RELEASES

| | |
|---|---|
| **31.01.2019** | Business Development Director Lea Paloheimo will retire from Biohit Oyj |
| **11.02.2019** | Biohit Oyj: Managers' Transactions |
| **20.02.2019** | BIOHIT GROUP FINANCIAL STATEMENT RELEASE 2018 |
| **27.02.2019** | Biohit Oyj B-shares Subscribed with Stock Options I 2013 |
| **29.03.2019** | NOTICE OF BIOHIT OYJ'S ANNUAL GENERAL MEETING |
| **29.03.2019** | Publication of Biohit Oyj Annual Report 2018 |
| **24.04.2019** | Decisions of the Annual General Meeting of Biohit Oyj |
| **25.04.2019** | Constitutive meeting of Biohit Oyj's Board of Directors |
| **03.06.2019** | Biohit Plc - Managers' transactions - Söderström |
| **12.06.2019** | Biohit Oyj B-shares Subscribed with Stock Options I 2013 |
| **09.08.2019** | Two clinical trials with Acetium® capsule for prevention of migraine-type headache have been concluded |
| | migreenityyppisten päänsärkykohtausten estäjänä ovat valmistuneet |
| **14.08.2019** | BIOHIT GROUP HALF YEAR FINANCIAL REPORT 2019 |
| **29.11.2019** | Biohit Oyj Financial Calendar, Biohit Oyj's Financial Reporting and Annual General Meeting in 2020 |

## MEDIA RELEASES

| | |
|---|---|
| **18.01.2019** | Biohit new-generation fecal immunochemical test (ColonView-FIT) is superior to traditional guaiac test in colorectal cancer screening |
| **28.01.2019** | Nicotine dependence is an increasing problem |
| **04.02.2019** | International group of experts revisits the value of traditional Helicobacter tests (13C urea breath test and stool antigen test) in their critical review |
| **04.04.2019** | Satya Abadi Pharma to distribute Acetium® lozenge in Indonesia |
| **09.04.2019** | Biohit GastroPanel® biomarkers validated as powerful predictors of gastric cancer risk in a multicenter study |
| **11.04.2019** | Acetium® lozenge for smoking intervention will be available in Thailand during the year 2019 |
| **17.4.2019** | Acetium® lozenge for smoking intervention will shortly be distributed in Italy within Difar Consumer Care® product division |
| **14.10.2019** | TREATMENT RECOMMENDATION IN RUSSIA: GastroPanel® biomarkers should be used for detection of gastrointestinal diseases |

# FINANCIAL STATEMENTS

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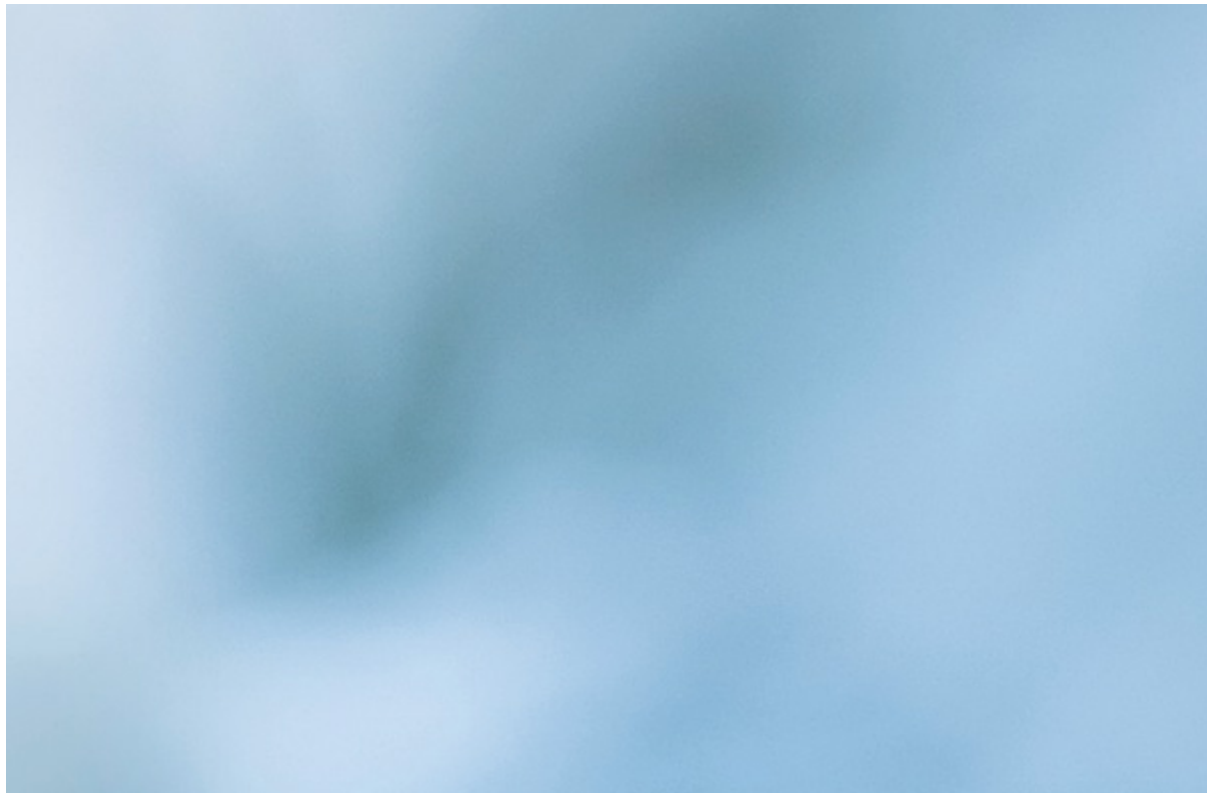

*part of the financial statements

# REPORT BY THE BOARD OF DIRECTORS 2019


**SUMMARY**

- Net sales EUR 10.1 million (EUR 9.9 million)
- Net sales grew by 1.2% compared to 2018
- Operative EBITDA EUR +0.6 million (EUR -0.1 million)*
- Cash at the end of the period EUR 1.3 million (EUR 1.4 million)
- Net sales from international operations 96.0% (95.6%) of total net sales
- Equity ratio 83.9% (89.2%)**

In 2019, Biohit's net sales increased by 1.2% compared to the previous year. Biohit's balance sheet provides a strong foundation for building the business and exploiting the great potential of the products. Our company's equity ratio at the end of 2019 was 83.9% (89.2%). At the end of the financial period, the company's financial assets amounted to EUR 5.6 million (EUR 5.5 million).


**BIOHIT GROUP KEY FIGURES**

| | 1–12/2019 | 1–12/2018 |
|---|---|---|
| Net sales (MEUR) | 10.1 | 9.9 |
| Operating profit/loss (MEUR) | -1.4 | -2.0 |
| Profit/loss before taxes (MEUR) | -1.2 | -2.0 |
| Profit/loss for the period (MEUR) | -1.4 | -2.1 |
| Average number of personnel | 46 | 50 |
| Number of personnel at the end of the period | 46 | 49 |
| Equity ratio (%) | 83.9 | 89.2 |
| Earnings per share (EUR) | -0.09 | -0.14 |
| Shareholders' equity per share (EUR) | 0.97 | 1.06 |
| Average number of shares during the period | 15,005,253 | 14,901,904 |
| Number of shares at the end of the period | 15,045,593 | 14,952,041 |

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

* Biohit Group implemented the IFRS 16 Leases -standard effective from 1 January 2019. This impacted on Operative EBITDA +0.2 million euros in 2019 due to reason that comparative amounts have not been restated.

** The Group's equity ratio without the impact of the implementation of the IFRS 16 -standard would have been 85.2%.

## 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 RESULTS

Net sales grew by 1.2% from the previous year. The proportion of international operations grew from the previous year and, in 2019 amounted to 96.0 % (95.6 %). The operational income was EUR -1.4 million (EUR -2.0 million).

### Consolidated net sales and operating income

| EUR million | 2019 | 2018 |
|---|---|---|
| Net sales | 10.1 | 9.9 |
| Operating income | -1.4 | –2.0 |

## BRIDGE CALCULATION OF ALTERNATIVE PERFORMANCE MEASURES

### Operative EBITDA

| € 1,000 | 2019 | 2018 |
|---|---|---|
| Operating profit/loss | -1,412 | –1,965 |
| Depreciation and amortization | 2,006 | 1,807 |
| Items affecting comparability | - | 20 |
| Operative EBITDA | 593 | –138 |

### Items affecting comparability

| € 1,000 | 2019 | 2018 |
|---|---|---|
| IFRS 2 Share based payments | - | –20 |
| Total | - | –20 |

## BALANCE SHEET

On the 31 December 2019, the balance sheet totaled EUR 17.4 million (EUR 17.9 million). Biohit's balance sheet provides the necessary foundation for building new business and for utilizing the significant potential of the company's products. At the end of the reporting period, our equity ratio stood at 83.9% (89.2%)

## FINANCIAL AND OPERATIONAL CONTINUITY

Biohit Oyj has a stable financial position, which allows for the necessary actions towards creating an international distributor network as well as the development and commercialization of the new products. At the end of the financial period, the company's financial assets totaled to EUR 5.6 million (EUR 5.5 million), which does not include Genetic Analysis AS shares.

Despite significant financial investments the company has managed to keep its working capital on a good level and the management believes that working capital will cover the operations for the next 12 months and the company is not dependent on external financing to be able to guarantee the continuity of its operations. Cash flow from operating activities was during the 1-12/2019 reporting period EUR +0.1 million. Company's management assessment is that company's ability to continue its operations is good and there are no indications towards events or circumstances that alone or together might give a significant reason to doubt the organization's ability to continue its operations.

## INVESTMENT

Gross investments during the 1-12/2019 reporting period totaled EUR 0.0 million (EUR 0.0 million).

## PERSONNEL

During the review period, the Biohit Group employed on average 46 (50) people, of whom 37 (42) were employed by the parent company and 9 (8) by the subsidiaries.

## SHORT-TERM RISKS AND UNCERTAINTY FACTORS

Biohit's key risks are related to the success of the selection and development of new market areas and distribution channels, product registrations and personnel recruitment. Significant short-term risks are associated with the success of product registration and successful selection of correct distribution channels. The recent increase in uncertainty factors associated with international politics may have an unfavourable impact on the company's business, examples include the Middle-East and Brexit. Spreading of coronavirus (SARS-CoV-2) might impact negatively on our business in China.

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

When investing liquid assets, the objective is to gain a return on investment with a minimum risk of equity loss. The investment portfolio consists of deposits, money market investments and corporate loans. A fundamental aspect in portfolio management is sufficient diversification across different asset classes, investment instruments and counterparties. The investment portfolio is subject to interest rate risk, which is managed by adjusting the duration of the portfolio. The rise of one percentage point in interest rates would have a negative impact of EUR 0.1 million on the fair value of the investment portfolio.

The Group's investment in Genetic Analysis AS unlisted shares is subject to changes in the terms of transactions involving the company's shares that take place between third parties. A negative change of 30% in the valuation of Genetic Analysis AS shares, would have a negative pre-tax impact of EUR 1.2 million on the Group comprehensive income. Investment in Genetic Analysis AS is also subject to changes in euro/NOK foreign exchange rate. In addition Genetic Analysis AS is dependent on securing external financing in its operations. Genetic Analysis AS valuation changes have no effect on company's cash flow.

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

## OUTLOOK FOR 2020

Biohit expects its 2020 Net Sales growing comparing 2019 (previous year EUR 10.1 million).
In the outlook we have not taken into account possible prolonging coronavirus epidemic and its negative impact on our business in China.

## MAIN EVENTS IN THE FINANCIAL PERIOD

### We increased our distibution network

We continued our domestic sales and marketing efforts for the Acetium® lozenge and as a result our distribution network expanded significantly for example inside SOK.

We made several international distribution agreements for Acetium® lozenge during the review period. PT Satya Abadi Pharma is our distributor in Indonesia. In Italy, Difar Distribuzione S.r.l. received the exclusive distribution rights to the product. We also signed an agreement with Precision Health Co., Ltd over the distribution of Acetium® lozenge in Thailand. Towards the end of the year, we signed an agreement with Slim Pharmaceuticals ( Pvt ) Ltd concerning the distribution of both Acetium® capsules and lozenges in Sri Lanka.

During 2019, we also signed new agreements for the distribution of Biohit diagnostic test kits in Colombia with BioSystems & D-Diagnostica SAS and in Mexico with Uniparts SA DE CV.

### GastroPanel® Quick Test and the results of the clinical studies

Significant confirmatory evidence to the existing data on GastroPanel® biomarkers as predictors of gastric cancer was provided by a recently published nationwide multi-center study from China which included 14,929 people. This important study provides additional confirmatory evidence to the two previous studies, where GastroPanel® biomarkers were shown to be significant independent predictors of incidental gastric cancer.

The usability of the GastroPanel® Quick Test was initially evaluated at the world's largest medical event, MEDICA 2019, where the test was well received by international health tech and medical experts for its fast turn-around time and its ease of use. Also, the results of an external multi-center clinical study have been completed in one hospital. Starting the clinical studies, getting ethical approvals for the study and collecting study subjects has taken more time than anticipated. GastroPanel® Quick Test development continues and the target is to CE-mark the product during the first half of the 2020.

During the review period, we finished two clinical studies about the effectiveness of Acetium® capsules as an inhibitor for migraine-type headaches. Although the result of the study was not positive, the subgroup analysis revealed patients who clearly benefitted from the Acetium® lozenge capsules. We are considering the possibility of a new clinical study regarding said subgroup.

### China, Russia and Middle-East

In the beginning of the 2020 we have been able to deliver GastroPanel® products to China as previously. According to the latest estimate our GastroPanel® distributor's new production facility will be available at the end of the year 2020. GastroPanel® deliveries to China will grow in 2020 if the logistics problems created by coronavirus (SARS-CoV-2) won't continue.

The Ministry of Health of the Russian Federation gave recommendation for early detection of gastrointestinal diseases by using GastroPanel® biomarkers. This was a significant step in developing our Russia business further. The recommendation increases Biohit probabilities to win tenders in Russia's national "Healthcare" project. Biohit also has national recommendations in Italy and China for GastroPanel® product.

Our Middle-East business developed positively during the review period despite the increasing uncertainty regarding the region's political situation.

## 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 expenditures have not been capitalized. Research and development expenditure during the 1-12/2019 reporting period amounted to EUR 1.2 million (EUR 1.3 million), of which the second half-year accounted for EUR 0.6 million (EUR 0.7 million).

The development of the GastroPanel® Quick Test, intended as the first-line diagnostic test for dyspeptic patients, has been advanced and the results of an external multi-center clinical study have been completed in one hospital where plasma samples collected from patients were analysed and their results were compared to those of the ELISA-based GastroPanel® test. After promising results, the external clinical performance study has been continued by extending the specimen types studied to finger-prick blood specimens and examining the usability of the test platform under point-of-care settings. The usability of the GastroPanel® Quick Test was also initially evaluated at the world's largest medical event MEDICA where the test was well received by international health tech and medical experts for its fast turn-around time and its ease of use. Our target is to CE-mark the product during the first half of the 2020

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

## CLINICAL RESEARCH

The randomized, double-blind clinical trials in patients suffering from migraine and cluster headache was completed in respect of data analysis. Data analysis showed that the results were not positive. According to the results, Acetium® capsule was not statistically significantly more effective than placebo in preventing migraine-type headaches when data analysis included all enrolled patients. However, patients who clearly benefitted from Acetium® and whose monthly headache days were reduced by more than 50% was found, and even more patients were found with a reduction of up to 25 % of their monthly migraine days. Because migraine is a complexed neurological disorder with diverse symptoms, it is important next to identify and define this subgroup responding to Acetium®. In addition, the open label experience has provided some evidence that a better treatment response could be achieved if the dosage of Acetium is 2 capsules 3 times a day administered after a meal, instead of 1 capsule twice a day as was administered in these clinical trials.

Preliminary data analysis has been initiated with patient data obtained from a clinical study conducted at GastroCenter and Internal Medicine Department of Oulu University Hospital. The study focuses on patients suffering from type 1 diabetes mellitus (DM1) or autoimmune thyroid disease (AITD) and known to be at increased risk of developing autoimmune atrophic gastritis. Based on the results of approximately 240 DM1 / AITD patients already enrolled in the study, it is decided whether there is a need for further patient enrollments or whether conclusions can be drawn on the prevalence of atrophic gastritis in these risk groups.

### Option programme and financial statements

In 2019 a total of 93,552 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 212,980.48 of the subscriptions was recognised in Biohit Oyj's invested unrestricted equity fund. The share subscription period with stock options I 2013 B began on 1 June 2015 and ended 31 May 2019.

Biohit Oyj publishes financial reviews twice per year. In 2020, the company will publish its interim report for January-June (H1) 2020 on Wednesday 12 August 2020 at 9.30am.

## MAJOR EVENTS AFTER THE CLOSE OF THE REVIEW PERIOD

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

## ADMINISTRATION

### Annual General Meeting 2019

The Annual General Meeting (AGM) held on 24 April 2019 decided in accordance with the proposal by the Board of Directors that no dividend would be paid for the financial period that ended 31 December 2018.

The AGM decided that the Board of Directors would have six (6) members and selected the following Board members until the end of the next AGM: members Professor (h.c.) Osmo Suovaniemi, Managing Director Franco Aiolfi, Professor Matti Härkönen, Commercial Counsellor Eero Lehti and Ph.D Lea Paloheimo and CEO Liu Feng.

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

### Biohit Oyj Management team

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

## SHARES AND SHAREHOLDERS

The number of Biohit Oyj's shares is 15,045,593 (14,952,041), of which 2,975,500 (2,975,500) are Series A shares and 12,070,093 (11,976,541) are Series B shares. The Series B shares are quoted on NASDAQ Helsinki in the Small cap/Healthcare group under the code BIOBV.

### BIOBV/NASDAQ OMX Helsinki

| | 1–12/2019 | 1–12/2018 |
|---|---|---|
| High (EUR) | 3.70 | 6.20 |
| Low (EUR) | 2.10 | 2.94 |
| Average (EUR) | 2.99 | 4.37 |
| End (EUR) | 3.36 | 2.96 |
| Turnover (EUR) | 10,047,336 | 37,690,324 |
| Turnover volume | 3,361,995 | 8,616,223 |

### Shareholders

At the end of the reporting period on 31 December 2019, the company had shareholders 6,980 (6,847 on 31 December 2018). Private households held 63.5% (63.3%). companies 7.5% (7.5%) and public sector organisations 0.0% (0.0%). Foreign ownership or nominee registrations accounted for 29.1% (29.2%) 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 DISTRIBUTIONS OF PROFIT

The parent company's distributable funds (unrestricted equity) on 31 December 2019 are EUR 10,420,384.40 of which the period net loss is EUR 1,116,686.74. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the fiscal year.

### Annual General Meeting in 2020

The Board of Directors will call the General Meeting at a later date

### Corporate Governance Statement

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

**Helsinki, 17 February 2020**

Biohit Oyj Board of Directors

# CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

| € 1,000 | Note | 1 Jan - 31 Dec 2019 | 1 Jan - 31 Dec 2018 |
|---|---|---|---|
| Net sales | 3 | 10,052 | 9,931 |
| Change in inventories of finished and unfinished products | | 143 | 147 |
| Other operating income | 5 | 41 | 18 |
| Materials and services | 6 | -3,528 | –3,637 |
| Expences arising from employment benefts | 7 | -3,291 | –3,333 |
| Other operating expenses | 8 | -2,824 | –3,283 |
| **EBITDA** | | **593** | **–157** |
| Depreciation and amortization | 10, 14, 15 | -2,006 | –1,807 |
| **Operating profit/loss** | | **-1,412** | **–1,965** |
| Financial income | 11 | 173 | 153 |
| Financial expenses | 11 | 12 | –212 |
| **Profit/loss before taxes** | | **-1,227** | **–2,024** |
| Income taxes | 12 | -189 | –120 |
| **Profit/loss for the financial period** | | **-1,417** | **–2,143** |
| | | | |
| **Other items of comprehensive income** | | | |
| Items that may later be reclassified through profit and loss | | | |
| Translation differences | | 60 | 0 |
| Items that will not be reclassified through profit and loss | | | |
| Changes in the fair value of equity instruments measured at fair value through other comprehensive income | | -110 | 632 |
| | | | |
| **Total comprehensive income for the period** | | **-1,467** | **–1,512** |
| | | | |
| **Distribution of profit/loss for the financial period** | | | |
| To the owners of the parent company | | -1,417 | –2,143 |
| Total | | -1,417 | –2,143 |
| | | | |
| **Distribution of comprehensive income for the financial period** | | | |
| To the owners of the parent company | | -1,467 | –1,512 |
| Total | | -1,467 | –1,512 |
| | | | |
| Earnings per share calculated from earnings attributable to the owners of the parent company | | | |
| Undiluted earnings per share (EUR) | 13 | -0.09 | –0.14 |
| Diluted earnings per share (EUR) | | -0.09 | –0.14 |

# CONSOLIDATED BALANCE SHEET

| € 1,000 | Note | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| Intangible assets | 14 | 3,401 | 5,045 |
| Property, plant and equipment | 15 | 389 | 557 |
| Right-of-use assets | 15, 16 | 283 | - |
| Other non-current financial assets | 17, 19 | 58 | 1 |
| Deferred tax assets | 20 | 28 | 54 |
| **Total non-current assets** | | 4,159 | 5,657 |
| **Current assets** | | | |
| Inventories | 21 | 990 | 826 |
| Trade and other receivables | 17, 22 | 2,902 | 2,025 |
| Other current financial assets | 17, 19 | 7,996 | 8,003 |
| Cash and cash equivalents | 17, 19, 23 | 1,325 | 1,375 |
| **Total current assets** | | **13,213** | **12,229** |
| **Total assets** | | **17,372** | **17,887** |

## CONSOLIDATED BALANCE SHEET

| € 1,000 | Note | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|---|
| SHAREHOLDERS' EQUITY AND LIABILITIES | | | |
| **Shareholders' equity** | | | |
| Share capital | 24 | 2,350 | 2,350 |
| Invested unrestricted equity fund | 24 | 5,138 | 4,925 |
| Translation differences | 24 | -84 | –143 |
| Retained earnings | | 7,175 | 8,760 |
| **Shareholders' equity attributable to shareholders of the parent company** | | **14,580** | **15,892** |
| **Total shareholders' equity** | | **14,580** | **15,892** |
| **Long-term liabilities** | | | |
| Lease liabilities | 16, 17, 26 | 59 | - |
| Deferred tax liabilities | 20 | 352 | 380 |
| Financial liabilities | 17, 19, 26 | - | 42 |
| Other liabilities | 19, 27 | 5 | 4 |
| **Total long-term liabilities** | | **415** | **425** |
| **Short-term liabilities** | | | |
| Trade payables | 17, 27 | 869 | 518 |
| Short-term interest-bearing liabilities | 17, 19, 26 | 228 | 17 |
| Tax liabilities | 17, 27 | 109 | 13 |
| Other liabiliteis | 17, 27 | 1,171 | 1,022 |
| **Total short-term liabilities** | | **2,377** | **1,569** |
| **Total shareholders' equity and liabilities** | | **17,372** | **17,887** |

# STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

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

| | Shareholders' equity attributable to shareholders of the parent company | | | | | |
|---|---|---|---|---|---|---|
| € 1,000 | Share capital | Invested unrestricted equity fund | Translation differences | Fair value reserve | Retained earnigns | Total shareholders' equity |
| Shareholders' equity 1 January 2018 | 2,350 | 4,777 | –143 | 914 | 9 ,345 | 17,243 |
| Change in accounting policies | – | – | – | –41 | 33 | –7 |
| Adjusted shareholders' equity 1 January 2018 | 2,350 | 4,777 | –143 | 873 | 9,378 | 17,235 |
| Incentive scheme for senior management | – | – | – | – | 20 | 20 |
| Subscription of options | – | 148 | – | – | - | 148 |
| Total comprehensive income for the period | – | – | 0 | 632 | –2,143 | –1,512 |
| **Shareholders' equity 31 December 2018** | **2,350** | **4,925** | **–143** | **1,505** | **7,255** | **15,892** |

# CONSOLIDATED CASH FLOW STATEMENT

| € 1,000 | Note | 2019 | 2018 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Profit/loss for the financial period | | –1,417 | –2,143 |
| Adjustments to profit for the financial period | | | |
| Business activies with no payment transactions | | –68 | 26 |
| Depreciation and impairment | 10 | 2,006 | 1,807 |
| Financial income and expenses | | –184 | 59 |
| Income taxes | 12 | 189 | 120 |
| Total adjustments to income for the financial period | | 1,943 | 2,012 |
| Change in working captial | | | |
| Increase (-)/ decrease (+) in short-term interest-free trade receivables | | –849 | –54 |
| Increase (-)/ decrease (+) in inventories | | –190 | –145 |
| Increase (-)/ decrease (+) in short-term interest-free liabilities | | 612 | 264 |
| Total change in working capital | | –427 | 65 |
| Interest paid | | –51 | –68 |
| Interest received | | 150 | 132 |
| Realised exchange rate gains and losses | | 9 | –13 |
| Income tax paid | | –123 | –78 |
| **Net cash flow from operating acitivies** | | **83** | **–93** |

| € 1,000 | Note | 2019 | 2018 |
|---|---|---|---|
| **Cash flow from investments** | | | |
| Investments in tangible and intangible assets | | –46 | –13 |
| Income from disposal of tangiable and intangible assets | | – | –2 |
| Investments in funds and deposits | | –1,497 | -2,112 |
| Profit from the sale of investments in funds and deposits | | 1,462 | 2,131 |
| Loans | | –57 | - |
| **Net cash flow from investments** | | **–138** | **4** |
| **Cash flow from financial acitivies** | | | |
| Paid share issue | | 213 | 148 |
| Withdrawal of loans | | 1 | – |
| Repayment of lease liabilities | | –224 | –17 |
| **Net cash flow from financial activities** | | **–10** | **131** |
| **Change in financial assets** | | **–65** | **43** |
| Cash and cash equivalents at the beginning of the period | | 1,375 | 1,339 |
| Effects of changes in exchange rates | | 15 | –7 |
| **Cash and cash equivalents at the end of the period** | 23 | **1,325** | **1,375** |

# NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 1 BASIC INFORMATION ON THE COMPANY

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

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

Biohit Oyj's Board of Directors approved the financial statements for publication on February 17th 2020. 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 2019 have been followed, as well as SIC and IFRIC interpretations. The IFRS refer to standards and interpretations thereof approved for application in the EU in compliance with the proceedings stipulated in Regulation (EC) 1606/2002, as referred to in the Finnish Accounting Act and subsequent regulations. The notes to the consolidated financial statements also comply with Finnish accounting and corporate legislation.

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

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

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

### Presentation method

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

### Consolidation principles

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

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

### Subsidiaries

Subsidiaries are consolidated into the financial statements from the moment that the Group gains control over them until this control ends. The consolidated financial statements have been prepared using the acquisition-cost method. The Group's share of assets, liabilities and contingent liabilities on the date of acqui-

sition is recognised at fair value and the amount in excess of the fair-value acquisition cost is recognised as goodwill. If the acquisition cost of a subsidiary is less than the value of the net assets on the date of acquisition, the difference is recognised in the income statement. Internal Group business transactions, receivables, liabilities and unrealised profits from internal sales are eliminated in the consolidated financial statements. Unrealised losses are also eliminated unless an internal business transaction demonstrates that an asset has become impaired. The share of a subsidiary owned by minority interest-holders is presented in the consolidated balance sheet under equity, separately from shareholders' equity. The accounting principles applied by subsidiaries have been adapted to correspond to the Group's principles. On 31 December 2019, the company had no goodwill on its balance sheet.

**Translating items denominated in foreign currencies**

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

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

**Business segments**

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

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

**Revenue recognition:**

The Group has adopted IFRS 15 Revenue from contracts with customers from 1 January 2018. The new standard establishes a five-step model for recognizing revenue from contracts with customers, and it replaced IAS 18 and IAS 11 and the related interpretations.

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

Some distribution agreements include the right to return the goods. In this case, Biohit recognises revenue at the amount that it expects to be entitled to, and recognises a refund liability within advance payments (Note 27) as well as an asset reflecting the right to the returned goods in tangible assets in the balance sheet (Note 20). At the end of each reporting period, Biohit updates its estimates relating to the sales involving a right to return and adjusts revenue, cost of goods sold and the related refund liability and asset accordingly.

Revenue for each good or service as well as royalty from license-based business is recognised as a distinct performance obligation, as those are separately identifiable and Biohit's customers can benefit from them individually. Revenue from goods sold is recognised at a point of time when control over them is transferred to the customer in accordance with the commercial terms of delivery "ex-works". For laboratory services, Biohit considers that control is transferred to the customer when the results of an analysis are delivered to the customer, and revenue is recognised at a point of time. Revenue from licence-based contracts is recognised based on a so-called subsequent sale, i.e. on the basis of revenue generated from the sales of the licenced goods by the customer or on the basis of the number of goods sold. Where Biohit is unable to receive from the customer the information regarding the amount of sales or the number of goods sold that forms the basis for royalty income, royalty income is estimated based on historical data. In the financial year 2019, royalty income is based on information submitted by the customers.

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

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

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

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

**Estimates made relating to revenue recognition**

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

**Property, plant and equipment**

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

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

Machinery and equipment: 3–10 years

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

**INTANGIBLE ASSETS**

**Research and development expenses**

Research expenditure is recognised as an expense in the balance sheet. Development expenditure related to designing new and more advanced products is capitalised in the balance sheet as an intangible asset when the product can be technically realised and commercially exploited, and the product is expected to generate a future financial benefit. Development expenditure that has previously been recognised as an expense cannot be capitalised at a later date. Depreciation is booked for an asset from the time it is ready for use. No development expenditure was capitalised on the balance sheet on 31 December 2019.

**Other intangible assets**

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

The depreciation periods are as follows:

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

**Impairments of tangible and intangible assets**

On the closing day of each financial period, the Group assesses whether there are indications of impairment in the value of a particular asset. If there are such indications, the recoverable amount from the said asset is estimated. Additionally, the recoverable amount is estimated annually for goodwill, regardless of whether there is any indication of impairment. The need for impairment is reviewed at the level of cash-generating units, that is, the lowest unit level that is largely independent of other units, and whose cash flow can be separated from other cash flows. The discount rate used is the interest rate that is determined before taxes and that describes the market's view of the time value of money and the risks incorporated in the tested asset.

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

**Inventories**

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

**Pension obligations**

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

**Share-based payments**

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 grant-

ed and entered as costs evenly throughout the period during which they were earned. The effect of the plans on profit or loss is presented under costs of employee benefits.

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

When option rights are exercised, the assets obtained from share subscriptions are entered into the invested unrestricted equity fund in accordance with the terms of the plan. The latest option program of Biohit ended 31st of May 2019.

### Provisions

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

### Taxes based on taxable income for the period and deferred taxes

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

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

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

### Financial Assets

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

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

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

Assets at fair value fair value through other comprehensive income consist from equity investments to unlisted Genetic Analysis AS shares. All fair value changes in this category are recognised in equity and any potential future gain or loss from sale of assets will lead to transfer between equity to retained earnings without impact to the profit and loss statement. Dividends from equity investments are recognized at profit and loss statement. The consideration and estimates relating to the fair value assessment of the shares is described in note 18.

### Financial Liabilities

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

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

### Impairment

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

Realised loss levels are adjusted based on history, so that they represent the current and future information and macroeconomic factors, that influence the customers ability to make the payments for receivables. Financial items based on trade receivables and contracts are recognized off the balance sheet as final credit loss., when it is not plausible to expect to receive payment e.g. in the process of bankruptcy.

The impairment or credit loss is recognized in the consolidated statement of income within other expenses.

Maturity analyses for trade receivables, movement in allowance account and general provisioning matrix is presented at note 28 under section credit risk. The Other financial assets at amortized cost consist from cash at banks. The impairment has not been recognised from these assets, as the impact is immaterial to the group's figures due the low credit risk.

### 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, depreci-

ation and potential impairment losses, as well as other operating expenses. All other items, including discontinued operations, are presented beneath operating profit or loss. Exchange differences and changes in the fair value of derivatives are included in operating profit or loss providing they arise from business-related items. Otherwise, they are recognised as financial items. Exchange differences related to the Group's internal receivables and liabilities are recognised as financial items.

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

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

**Impairment testing**

The Group conducts impairment tests as required on 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 assets at fair value fair value through other comprehensive income where senior managers' judgement is required**

Insofar as quoted valuations cannot be obtained from securities markets for liquid assets measured at fair value through other comprehensive income, the fair values are based on data that can be obtained for the assets or liabilities in question either directly (as a price) or indirectly (as a derivative of the price). The Group uses generally accepted valuation models to determine the fair values of these instruments, and the input data for these models are based in significant part on observable market data. The discounted cash flow model has been used in the valuation of Genetic Analysis AS. The DCF model was based on the budgets prepared by the management of Genetic Analysis AS. The comparison periods assessment was based on exercised transactions, but because there were no transactions during the financial period, the company has used the discounted cash flow model at balance sheet date. The company classifies the shares in Genetic Analysis AS as equity investments recognised at fair value fair value through other comprehensive income. On the balance sheet date, the fair value of the shares was EUR 3.7 million.

**Application of new or amended IFRS standards and IFRIC interpretations**

Biohit will begin applying new or amended IFRS standards and interpretations as of the date on which they enter into force or when they are approved for adoption in the EU. The consolidated financial statements were prepared in compliance with the same principles used in 2018, except for IFRS 16, which was adopted on 1 January 2019. See the section "IFRS 16 Leases" below.

**IFRS 16 Leases**

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

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

Due to adopting IFRS 16 -standard, the balance sheet on December 31 2019 increased by EUR 0.2 million. Biohit has evaluated that the most significant impact of adopting the standard is that Biohit recognises new liabilities and right-of-use assets, relating to office premises and company cars from lease contracts currently classified as operating leases. Furthermore, the nature of expenses relating to such lease contracts changes when the rent expense is removed and depreciation of the right-of-use asset and interest expense (included in financial expenses) on the lease liability will be recognised. Biohit applies the simplified transition method and does not restate comparative amounts for the year prior to first adoption.

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

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

**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 changes to IAS 1 "Presentation of Financial Statements" and IAS 8 "Accounting policies, changes in accounting estimates and errors". The changes will take effect as of 1 January 2020.

## 3 NET SALES AND 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 (1,000 €) | 2019 | 2018 |
|---|---|---|
| Finland | 405 | 438 |
| Europe, Other | 3,977 | 3,648 |
| North and South America | 213 | 164 |
| Asia | 3,897 | 4,689 |
| Other Countries | 1,561 | 992 |
| Net Sales from contracts with customers total | 10,052 | 9,931 |

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

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

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

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

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

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

| 1,000 € | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Contract Assets | 34 | 27 |
| Trade receivables | 2,595 | 1,655 |
| Contract assets and receivables total | 2,629 | 1,681 |

| 1,000 € | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|
| Contract liabilities | 2 | 12 |
| Contract liabilities total | 2 | 12 |

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

## 4 ACQUIRED BUSIENSSES

No businesses were acquired in the 2018 and 2019 financial periods.

## 5 OTHER OPERATION INCOME

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Subsidies | 38 | 17 |
| Loss from sales of property, plant and equipment | – | –2 |
| Others | 3 | 3 |
| Total | 41 | 18 |

## 6 MATERIALS AND SERVICES

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Materials, supplies and goods | 2,576 | 2,867 |
| External manufacturing services | 952 | 770 |
| Total | 3,528 | 3,637 |

## 7 EXPENSES ARISING FROM EMPLOYMENT BENEFITS

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Salaries | 2,813 | 2,842 |
| Pension expenses - defined-contribution plans | 409 | 412 |
| Options and share bonuses realised and paid in shares | – | 20 |
| Other pesonnel expenses | 68 | 59 |
| Total | 3,291 | 3,333 |

| Average number of Group employees in the financial period | 2019 | 2018 |
|---|---|---|
| Group total | 46 | 50 |

Details of the employment benefits enjoyed by senior managers are presented in note 29 (related-party transactions).

## 8 OTHER OPERATING EXPENCES

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Travel expenses and other personnel expenses | 284 | 379 |
| Rents and maintenance expenses | 142 | 384 |
| Sales and marketing expenses | 857 | 932 |
| Other external services | 1,148 | 1,189 |
| Other operating expenses | 392 | 399 |
| Total | 2,824 | 3,283 |

Other operating expenses include research and development expenses of EUR 1,232 thousand (EUR 1,290 thousand).

## 9 AUDITORS' FEES

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Companies belonging to the PricewaterhouseCoopers chain | | |
| Auditors' fees | 101 | 118 |
| Assignments according Auditing Act 1.1,2 § | 5 | 10 |
| Other services | 4 | 19 |
| Total fees paid to the auditor | 110 | 147 |

Assignments relating Auditing Act 1.1,2 § included for example statements regarding option program and mergers.
Other services in 2019 included expert services regarding IFRS 16 implementation and other consulting services.
Other services in 2018 included expert services related to amending the articles of association and the effects of adopting IFRS 16, IFRS 15 and IFRS 9 implementation and other consulting services.

## 10 DEPRECIATION AND IMPAIRMENT

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Intangible assets | 1,644 | 1,643 |
| Right-of-use assets | 216 | – |
| Plant and equipment | 145 | 164 |
| Total | 2,006 | 1,807 |

## 11 FINANCIAL INCOME AND EXPENSES

| 1,000 € | 2019 | 2018 |
|---|---|---|
| **Financial income** | | |
| Net profit on investments recognised at fair value through profit or loss | 159 | 153 |
| Other financial income | 14 | – |
| Total | 173 | 153 |
| | | |
| **Financial expenses** | | |
| Interest expenses on financial liabilities | – | –3 |
| Net loss on investments recognised at fair value through profit or loss | –12 | –184 |
| Exchange rate losses from financial assets and liabilities | 0 | – |
| Other financial expences | 24 | –25 |
| Total | 12 | –212 |
| | | |
| Total financial income and expences | 185 | –59 |

## 12 INCOME TAXES

**Direct taxes**

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Tax based on taxable income for the financial period | –45 | –104 |
| Deferred taxes | –145 | –16 |
| Total Direct taxes | –189 | –120 |

**Reconciliation of tax expenses on the income statement**

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Profit before taxes | –1,227 | –2,024 |
| Taxes calculated at domestic rates 20% | 246 | 405 |
| Effect of differing tax bases applying to foreign subsidiaries | –77 | –104 |
| Tax-free income and non-deductible expenses | 27 | –30 |
| Non-recognised deferred tax assets from taxable loss | –272 | –375 |
| Other items | –113 | –16 |
| Taxes on the income statement | –189 | –120 |

## 13 EARNINGS PER SHARE

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

| | 2019 | 2018 |
|---|---|---|
| Profit for the period attributable to the owners of the parent company (EUR thousand)" | –1,417 | –2,143 |
| Average number of shares, undiluted | 15,005,253 | 14,901,904 |
| Effect of share options | – | 113,552 |
| Average number of shares, diluted | 15,005,253 | 15,015,456 |
| Earnings per share, undiluted (EUR) | –0.09 | –0.14 |
| Earnings per share, diluted (EUR) | –0.09 | –0.14 |

## 14 INTANGIBLE ASSETS

**2019**

| 1,000 € | Intangible rights | Other intangible assets | Total |
|---|---|---|---|
| Acquisition cost 1 January 2019 | 8,986 | 712 | 9,698 |
| Acquisition cost 31 December 2019 | 8,986 | 712 | 9,698 |
| Accumulated depreciation and impairment 1 January 2019 | –3,941 | –712 | –4,653 |
| Depreciation | –1,644 | - | –1,644 |
| Accumulated depreciation and impairment 31 December 2019 | –5,585 | –712 | –6,298 |
| Book value 1 January 2019 | 5,045 | – | 5,045 |
| Book value 31 December 2019 | 3,401 | – | 3,401 |

**2018**

| 1,000 € | Intangible rights | Other intangible assets | Total |
|---|---|---|---|
| Acquisition cost 1 January 2018 | 9,062 | 712 | 9,774 |
| Decreases | –76 | – | –76 |
| Acquisition cost 31 December 2018 | 8,986 | 712 | 9,698 |
| Accumulated depreciation and impairment 1 January 2018 | –2,300 | –711 | –3,011 |
| Depreciation | –1,641 | –2 | –1,643 |
| Accumulated depreciation and impairment 31 December 2018 | –3,941 | –712 | –4,653 |
| Book value 1 January 2018 | 6,762 | 2 | 6,764 |
| Book value 31 December 2018 | 5,045 | – | 5,045 |

Intangible rights consist of patents.

## 15 TANGIBLE ASSETS

**2019**

| 1,000 € | Right-of-use assets | Plant and equipment | Total |
|---|---|---|---|
| Acquisition cost 1 January 2019 | 448 | 1,635* | 2,083 |
| Increases | 51 | 47 | 98 |
| Acquisition cost 31 December 2019 | 499 | 1,682 | 2,181 |
| Accumulated depreciation and impairment 1 January 2019 | – | –1,147 | –1,147 |
| Depreciation | –216 | -145 | –362 |
| Accumulated depreciation and impairment 31 December 2019 | –216 | –1,293 | –1,509 |
| Book value 1 January 2019 | 448 | 488* | 936 |
| Book value 31 December 2019 | 283 | 389 | 672 |

* 1 January 2019 69 thousand euros has been transferred from the Plant and equipment to Right-of-use assets in connection with transition to IFRS16

**2018**

| 1,000 € | Plant and equipment | Total |
|---|---|---|
| Acquisition cost 1 January 2018 | 1,752 | 1,752 |
| Increases | 35 | 35 |
| Decreases | –83 | –83 |
| Acquisition cost 31 December 2018 | 1,704 | 1,704 |
| Accumulated depreciation and impairment 1 January 2018 | –1,044 | –1,044 |
| Depreciation | –165 | –165 |
| Depreciation of decreases | 61 | 61 |
| Accumulated depreciation and impairment 31 December 2018 | –1,147 | –1,147 |
| Book value 1 January 2018 | 708 | 708 |
| Book value 31 December 2018 | 557 | 557 |

## 16 LEASES

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

| Right-of-use assets<br>1,000 € | 31 Dec 2019 | 1 Jan 2019 |
|---|---|---|
| Buildings | 181 | 361 |
| Equipment | 45 | 65 |
| Vehicles | 57 | 22 |
| | 283 | 448 |

| Lease liabilities<br>1,000 € | 31 Dec 2019 | 1 Jan 2019 |
|---|---|---|
| Current | 228 | 208 |
| Non-current | 59 | 240 |
| | 287 | 448 |

*In the previous year, the group only recognized lease assets and lease liabilities in relation to the leases which were classified as "finance leases" under IAS 17 Leases. The assets were presented in property, plant and equipment and the liabilities as a part of the Group's borrowings.

| Depreciation charge of right-of-use assets<br>1,000 € | 31 Dec 2019 | 1 Jan 2019 |
|---|---|---|
| Buildings | 181 | – |
| Equipment | 19 | – |
| Vehicles | 16 | – |
| | 216 | – |
| | | |
| Interest expense (included in finance costs) | 12 | |

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

Until the 2018 financial year, leases of property, land and equipment were classified as either finance leases or operating leases. From 1st of January 2019, leases are recognized as a right-of-use asset and corresponding liability at the date at which the leased asset is available for use by the group.

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

-fixed payments

-variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date

-the exercise price of a purchase option if the group is reasonably certain to exercise that option

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

The lease payments are discounted using the Biohit's incremental borrowing rate.

According to the standard, the incremental borrowing rate is defined as the interest that the lessee would have to pay when borrowing for a similar term and with similar security to obtain an asset of an equivalent value to the right-of-use asset in similar economic environment.

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

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

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

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

| 1,000 € | 31 Dec 2019 ((before IFRS 16 impact) | IFRS 16 impact | 31 Dec 2019 (after IFRS 16 impact) |
|---|---|---|---|
| EBITDA | 400 | 194 | 593 |
| Operative EBITDA | 400 | 194 | 593 |
| Operating profit/loss | –1,401 | –12 | –1,412 |
| Profit/loss before taxes | –1,207 | –21 | –1,227 |
| | | | |
| Total assets | 17,147 | 225 | 17,372 |
| Total shareholders' equity and liabilities | 17,147 | 225 | 17,372 |
| Equity ratio | 85.2% | –1.4% | 83.9% |

## 17 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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

* Genetic Analysis AS 3 724 thousand euros and single corporate loan worth of 99 thousand euros is categorized on the level 3. Genetic Analysis AS investment was valuated on fair value, 3,7 MEUR, by using discounted cash flow model due to reason that there was no transaction between 3rd parties in 2019 like in 2018.

The fair value in Norwegian ground was at the same level than in 2018 and valuation change in 2019 was mainly driven by euro's strengthening.

| The Group categorised its financial assets and liabilities into the following categories on 31 December 2018: | Amortized cost 1,000 € | Fair value through profit and loss 1,000 € | Fair value through OCI 1,000 € | Hierarchical level |
|---|---|---|---|---|
| **Non-current assets** | | | | |
| Other non-current assets | 1 | – | – | Level 2 |
| **Current assets** | | | | |
| Other current financial assets | – | 4,141 | – | Level 2 |
| Other current financial assets | – | – | 3,862 | Level 3 |
| Trade receivables | 1,655 | – | – | |
| Other receivables | 371 | – | – | |
| Cash and cash equivalents | 1,375 | – | – | |

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 groups**

| 1,000 € | **Book value 2019** | **Fair value 2019** | Book value 2018 | Fair value 2018 |
|---|---|---|---|---|
| **Long-term financial liabilities valued at amortised cost** | | | | |
| Other liabilities | 5 | 5 | 4 | 4 |
| Lease liabilities | 59 | 59 | – | – |
| Financial leasing liabilities | – | – | 42 | 42 |
| Total | 64 | 64 | 46 | 46 |
| **Short-term financial liabilities valued at amortised cost** | | | | |
| Trade receivables | 869 | 869 | 518 | 518 |
| Tax liabilities | 109 | 109 | 13 | 13 |
| Lease liabilities | 228 | 228 | – | – |
| Other liabilities | 1,171 | 1,171 | 1,022 | 1,022 |
| Principal payments for financial leasing liabilities | – | – | 17 | 17 |
| Total | 2,377 | 2,377 | 1,569 | 1,569 |
| Total financial liabilities | 2,441 | 2,441 | 1,615 | 1,615 |

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

## 18 SENSITIVITY ANALYSIS OF THE CALCULATION OF THE FAIR VALUE

### PRINCIPLES OF FAIR VALUE MEASUREMENT REGARDING INVESTMENT CATEGORIZED AS FAIR VALUE TROUGH OTHER COMPREHENSIVE INCOME

The investment in unlisted Gentic Analysis AS (GA) is valuated based on discounted cash flow model. The basis of discounted cash flow model has been budget data prepared by Genetic Analysis AS's management.

The previous year valuation was based on the actual transaction but because there was no transactions during the review period the company used discounted cash flow model in balance sheet date valuation. The fair value calculation includes significant management judgment and estimation and the investment is categorized on the hierarchical level 3 in the fair value categorisation.

GA's future operations is dependent on external financing. The fair value has been calculated based on the assumption that company receives external financing in the next 12 months period. This is significant management judgement. The valuation also includes significant amount of management estimation relating the development of the GA's future revenue and the profit.

The most significant estimation on the level 3 input data and related sensitivity analysis is described in the table below.

| | 2019 |
|---|---|
| Fair value of the investment (1,000 €) | 3,724 |
| WACC, % | 15% |
| Termainal growth, % | 2% |

The company has used the cutter for the budget prepared by GA's management which has reduced forecasted revenue and operating profit accordingly.
When the cutter is between 0-62% and all the other factors are unchanged, investment value is higher than its current value on the balance sheet 31 December 2019.

## GENETIC ANALYSIS AS SENSITIVITY ANALYSIS

| 1,000 € | Impact on the fair value | Updated fair value 31 Dec 2019 |
|---|---|---|
| WACC -2%-units, impact on investment's value | +1,003 | 4,727 |
| WACC +2%-units, impact on investment's value | –644 | 3,080 |
| | | |
| Terminal growth - 2%-units | –350 | 3,374 |
| Terminal growth + 2%-units | +581 | 4,305 |

## SENSITIVITY ANALYSIS OF THE CHINA PATENTS FAIR VALUE

| 1,000 € | 2019 |
|---|---|

In 2019 financial statements value of Hefei patent is 3.0 million euros. The patent is depreciated on a straight-line basis until the end of the year 2021.
Impairment testing will be performed on the value of patents whenever there is an indication of impairment.
An impairment test was conducted in conjunction with the 2019 financial statements. No impairment was recognised based on the impairment test.
There is uncertainty concerning the future cash flows used for impairment testing as illustrated by the sensitivity analysis below for the one factor:

| | |
|---|---|
| Decrease in demand for GastroPanel® by 20% and impact on the value of patents | –400 |
| Decrease in demand for GastroPanel® by 40% and impact on the value of patents | -1,100 |

Royalty-based cash flow is dependent on the growth of the Chinese market, successful sales work by the distributor and building up the brand.

The patent is depreciated on a straight-line basis until the end of the year 2021.

## 19 NET LIABILITIES

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Cash and cash equivalents | 1,325 | 1,375 |
| Other investments | 8,054 | 8,004 |
| Current liabilities | – | –17 |
| Non-current liabilities | –5 | –46 |
| Lease liabilities | –287 | – |
| Net liabilities | 9,088 | 9,317 |
| | | |
| Liquid assets and other financial assets | 9,380 | 9,379 |
| Gross liabilities - fixed interest | –292 | –63 |
| Net liabilities | 9,088 | 9,317 |

Other investments are short-term money market investments that are traded on active markets and that are measured at fair value through profit and loss.
In addition, the other investments include shares in Genetic Analysis AS, which are measured at fair value through comprehensive income.

| 1,000 € | | Other financial assets | Lease contracts maturing within less than one year | Lease contracts maturing in more than one year | Loans maturing within less than one year | Loans maturing in more than one year | Total |
|---|---|---|---|---|---|---|---|
| **Net liabilities 1 January 2018** | 1,339 | 7,377 | – | – | –17 | –63 | 8,636 |
| Cash flow | 43 | –20 | – | – | – | 17 | 40 |
| Changes in exchange rates | –7 | – | – | – | – | – | –7 |
| Other changes not based on cash flow | – | 647 | – | – | – | – | 647 |
| | | | | | | | |
| **Net liabilities 31 December 2018** | 1,375 | 8,004 | – | – | –17 | –46 | 9,317 |
| Impact of IFRS 16 implementation (see note 16) | - | - | –232 | –267 | 17 | 42 | –440 |
| | 1,375 | 8,004 | –232 | –267 | 0 | –4 | 8,877 |
| Cash flow | –65 | 92 | – | – | – | –1 | 26 |
| Purchases, lease contracts | – | – | 3 | 209 | – | – | 212 |
| Changes in exchange rates | 15 | – | – | – | – | – | 15 |
| Other changes not based on cash flow | – | –42 | – | – | – | – | –42 |
| | | | | | | | |
| **Net liabilities 31 December 2019** | 1,325 | 8,054 | –228 | –59 | 0 | –5 | 9,088 |

## 20 DEFERRED TAXES

**Deferred tax assets**

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

**Deferred tax liabilities**

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

**Deferred tax assets**

| 1,000 € | 1 Jan 2018 | Recognised through profit and loss | Recognised under other items of comprehensive income | Businesses purchased/sold | 31 Dec 2018 |
|---|---|---|---|---|---|
| Internal inventory margin | 6 | 0 | – | – | 6 |
| Other items | 61 | – | – | –13 | 48 |
| Total | 67 | 0 | – | –13 | 54 |

**Deferred tax liabilities**

| 1,000 € | 1 Jan 2018 | Recognised through profit and loss | Recognised under other items of comprehensive income | Businesses purchased/sold | 31 Dec 2018 |
|---|---|---|---|---|---|
| Capitalisation of intangible assets | 76 | – | – | –76 | – |
| Capitalisation of tangible assets | 6 | – | – | –3 | 3 |
| Financial securities measured via the fair value reserve | 229 | –11 | 158 | – | 376 |
| Total | 311 | –11 | 158 | –79 | 380 |

The Group has tax-deductible losses of EUR 21.6 million for the periods from 2009 to 2019 for which no deferred tax assets have been recognised. EUR 21.2 million of the loss is in Finland (2019: EUR 1.4 million, 2018: EUR 2.2 million, 2009-2017: EUR 17.5 million) and EUR 0.4 million is in Italy. The losses expire in 10 years in Finland.

## 21 INVENTORIES

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Materials and supplies | 409 | 296 |
| Work in progress | 19 | 90 |
| Finished products/goods | 562 | 440 |
| Total inventories | 990 | 826 |

## 22 TRADE AND OTHER RECEIVABLES

**Long-term receivables**

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Long-term interest-free receivables | 30 | 56 |
| Total | 30 | 56 |

**Short-term receivables**

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Trade receivables | 2,595 | 1,655 |
| Accrued income | 263 | 317 |
| Other receivables | 44 | 54 |
| Total | 2,902 | 2,025 |

The age analysis of the trade receivables is presented in note 28

## 23 CASH AND CASH EQUIVALENTS

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Cash and cash equivalents | 1,325 | 1,375 |

## 24 NOTES RELATED TO SHAREHOLDERS' EQUITY

Biohit Oyj's share capital is EUR 2,350,350.81 (EUR 2,350,350.81) and there are 15,045,593 (14,952,041) shares, of which 2,975,500 (2,975,500) belong to Series A and 12,070,093 (11,976,541) belong to Series B. Series B is listed on the stock exchange.

The shares have no nominal value. Shares in Series A and B differ from each other in that each Series A share entitles its holder to twenty (20) votes at general meetings, while each Series B share carries one (1) vote.

The dividend paid for Series B shares is, however, two (2) per cent of the nominal value higher than that paid for Series A shares. When this regulation is applied, the nominal value of the shares is taken to be EUR 0.17, which was the nominal value of the company's shares when it decided to discontinue using nominal values for shares.

The shareholders' equity has been paid in full.

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

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

## 25 SHARE-BASED PAYMENTS

Subscription period for the share options I 2013 ended 31.5.2019 and the company currently does not have any ongoing option programs.

**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 June 2013 | 19 June 2013 |
| Number of instruments granted | 500,000 | 420,000 |
| Subscription price | EUR 3.00 | EUR 3.00 |
| Share price at the time of granting | EUR 5.36 - 7.35 | EUR 5.36 |
| Period of validity (years)" | 6 | 2 |
| Realisation | In shares | In shares |

The share options lapse if they 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.

**Options in circulation**

| Number of options | 2019 | 2018 |
|---|---|---|
| Options in circulation at the beginning of the financial period | 113,552 | 178,750 |
| Options exercised | 93,552 | 65,198 |
| Options expired | 20,000 | - |
| Options in circulation at the end of the financial period | 0 | 113,552 |
| Exercisable options at the end of the financial period | 0 | 113,552 |
| Weighted average strike price per share (EUR) | 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 2019, 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 |
|---|---|---|---|
| 2019 | – | – | – |
| 2018 | 0.0 | 0.4 | 113,552 |

**Determining fair value**

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

**Presumptions used to determine fair value during the 2019 financial period**

| Scheme | I 2013 | II 2013 |
|---|---|---|
| Anticipated volatility | 45% - 88% | 70% |
| Anticipated average period of validity of options on the issue date (years) | 6 | 2 |
| Risk-free rate (%) | 0.40% - 1.12% | 0.39% |
| Anticipated dividends (dividend yield) | subtracted from the subscription value | subtracted from the subscription value |
| Fair value of the instrument defined on the date of issue (EUR) | 5.36 - 7.35 | 5.36 |

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

## 26 INTEREST-BEARING LIABILITIES

**Balance sheet values of interest-bearing liabilities**

| 1,000 € | 2019 | 2018 |
|---|---|---|
| **Non-current interest-bearing liabilities** | | |
| Financial leasing liabilities | – | 42 |
| Lease liabilities | 59 | – |
| Total interest-bearing non-current liabilities | 59 | 42 |
| | | |
| **Current interest-bearing liabilities** | | |
| Principal payments for financial leasing liabilities | – | 17 |
| Lease liabilities | 228 | – |
| Total interest-bearing current liabilities | 228 | 17 |
| Total interest-bearing current liabilities | 287 | 59 |

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

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

**Subordinated loans**
The company has no subordinated loans.

## 27 TRADE PAYABLES AND OTHER LIABILITIES

**Non-current interest-free liabilities**

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Deferred tax liabilities | 352 | 380 |
| Other non-current liabilities | 5 | 4 |
| Total | 357 | 383 |

**Current interest-free liabilities**

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Trade payables | 869 | 518 |
| Advances received | 2 | 73 |
| Tax liabilities | 109 | 13 |
| Accurrals and deferred income | 1,169 | 949 |
| Total | 2,149 | 1,552 |
| | | |
| Total interest-free liabilities | 2,506 | 1,935 |

The most substantial item included in accruals and deferred income is the deferral of employment benefits 602 thousand euros (355 thousand euros).

## 28 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**

**2019**

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

**2018**

| 1,000 € | GBP | USD | CNY |
|---|---|---|---|
| Non-current liabilities | – | – | – |
| Open position | – | – | – |
| | | | |
| Current assets | | | |
| Trade and other receivables | 244 | – | – |
| Current liabilities | | | |
| Interest-free liabilities | –253 | – | – |
| Open position | –9 | – | – |
| | | | |
| Net position | –9 | – | – |

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

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

**Liquidity risk**
Liquidity risk management aims to safeguard the Group's finances under all circumstances. The Group's current financial assets on the balance sheet date amounted to EUR 5.6 million (EUR 5.5 million). The company also holds shares in Genetic Analysis AS worth EUR 3.7 million (EUR 3.9 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 83.9% (89.2%).

**Analysis of the maturities of financial liabilities in 2019**

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

**Analysis of the maturities of financial liabilities in 2018**

| 1,000 € | <1 year | 1-5 year | >5 year | Total |
|---|---|---|---|---|
| Accounts payable and other interest-free liabilities | 518 | – | – | 518 |
| Principal payments for financial leasing liabilities | 17 | 42 | – | 59 |
| Interest expenses for financial leasing liabilities | 3 | 8 | – | 11 |
| Total | 538 | 50 | – | 588 |

**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 19% of the investment portfolio is cash, low-risk money market fund investments and investment-grade investments. Approximately 34% of the portfolio is investments rated BB-B, while investments without credit ratings account for 47%.

On 31 December 2019, trade receivables totalled EUR 2.6 million (EUR 1.7 million). The majority of the trade receivable balance is due to be paid 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 € | **2019** | **Impairment loss** | **Net 2019** | 2018 | Impairment loss | Net 2018 |
|---|---|---|---|---|---|---|
| Not yet at maturity | 1,070 | 0 | 1,070 | 1,101 | –3 | 1,098 |
| Less than 30 days overdue | 1,313 | –1 | 1,312 | 283 | –2 | 281 |
| 30–60 days overdue | 60 | 0 | 60 | 182 | –8 | 174 |
| 61–90 days overdue | 43 | 0 | 43 | 51 | –7 | 44 |
| More than 90 days overdue | 110 | 0 | 110 | 78 | –20 | 57 |
| Total | 2,596 | –1 | 2,595 | 1,696 | –40 | 1,655 |

EUR 1 thousand was recognised in credit losses for 2019 and at the same time 39 thousand euros earlier credit losses was reversed. EUR 33 thousand was recognised in credit losses for 2018.

**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 € | **2019** | 2018 |
|---|---|---|
| Total shareholders' equity | 14,580 | 15,892 |
| Balance sheet total | 17,372 | 17,887 |
| Advances received | –2 | –73 |
| Equity ratio | 83.9% | 89.2% |

## 29 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 € | 2019 | 2018 |
|---|---|---|
| **Parent company** | | |
| Management teams | 393 | 524 |
| President & CEO | 204 | 202 |
| Members of the scientific advisory board | 209 | 223 |

Osmo Suovaniemi has been employed by the company as a member of the scientific advisory board by the Board of Directors' decision. The compensation, including fringe benefits, is EUR 209 thousand (EUR 205 thousand)

| 1,000 € | 2019 | 2018 |
|---|---|---|
| **Subsidiaries** | | |
| Managing Directors | 115 | 106 |

**Board of Directors' remuneration**

| 1,000 € | | 2019 | 2018 |
|---|---|---|---|
| **Parent company** | | | |
| Osmo Suovaniemi | Chairman | 9 | 8 |
| Franco Aiolfi | Member | 9 | 8 |
| Matti Härkönen | Member | 9 | 8 |
| Eero Lehti | Member | 8 | 5 |
| Stina Syrjänen | Member | – | 5 |
| Liu Feng | Member | 8 | 5 |
| Lea Paloheimo | Member | 8 | – |
| Total board remuneration | | 50 | 36 |

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

**Share-based payments**

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Parent company | | |
| Management Teams | 20 | 11 |
| President & CEO | – | 86 |
| Key sales personnel | – | 11 |

On 31 December 2019, the members of the Board of Directors and President & CEO owned a total of 2,950,500 Series A shares and 4,653,533 Series B shares, either directly or through companies under their control.

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These correspond to 50.5% of all of the shares in the company and 88.9% of all of the votes.

Franco Aiolfi, a member of the Board of Directors, was the majority owner of Euroclone S.p.A 31.12.2019 via a company called Arsfin Consult S.r.l. Euroclone S.p.A. owned 92,807 series B shares. .

**The Group's parent company and subsidiaries**

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

**Sales of goods and services to related party companies**

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Sales of goods | | |
| Biohit HealthCare (Hefei) Co. Ltd | 2,537 | 2,751 |
| Sales of services | | |
| Biohit HealthCare (Hefei) Co. Ltd | 1,018 | 201 |
| Total | 3,555 | 2,953 |

In 2018, Biohit HealthCare (Hefei) Co. Ltd purchased 33.2% of all of the shares in Biohit Oyj, acquiring 29.5% of the voting rights based on shares. The transaction took place on 8 June 2018 and it resulted in Biohit HealthCare (Hefei) Co. Ltd obtaining substantial control over Biohit Oyj as per the IAS 28 standard. As a consequence, the transactions between 8 June 2018 and 31 December 2018 are classified as related party transactions and, as such, the sales of EUR 3.0 million for 2018 as referred to above are calculated according to this

**Other operating expenses**

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Consultancy, administration and logistics fees (companies under the control of members of the Board of Directors) | | |
| Euroclone S.p.A., Franco Aiolfi | 77 | 66 |
| Biobrick, Franco Aiolfi | 25 | 25 |
| Oy Tech Know Ltd, Matti Härkönen | 46 | 55 |
| Total | 148 | 146 |

## 30 COLLATERAL AND CONTINGENT LIABILITIES

| 1,000 € | 2019 | 2018 |
|---|---|---|
| **Collateral pledged on the company's own behalf** | | |
| Guarantees | 4 | 4 |
| | | |
| **Other liabilities** | – | |
| Leasing commitments: | | |
| Due for payment in one year | | 26 |
| Due for payment in more than one year but less than five years | | 14 |
| Due for payment in more than five years | – | – |
| Total | – | 40 |
| | – | |
| Other lease commitments: | – | |
| Due for payment in one year | | 178 |
| Due for payment in more than one year but less than five years | – | 86 |
| Due for payment in more than five years | – | – |
| Total | – | 264 |
| | – | |
| **Total other liabilities** | | 304 |
| | – | |
| **Total collateral and contingent liabilities** | 4 | 307 |

## 31 EVENTS AFTER THE FINANCIAL PERIOD

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

# 3 KEY INDICATORS

## 3.1 INDICATORS OF FINANCIAL TRENDS

| | IFRS 2015 | IFRS 2016 | IFRS 2017 | IFRS 2018 | **IFRS 2019** |
|---|---|---|---|---|---|
| Net sales, 1,000 € | 6,051 | 8,195 | 8,979 | 9,931 | 10,052 |
| Change in net sales % | 38.7 | 35.4 | 9.6 | 10.6 | 1.2 |
| Operating profit/loss 1,000 € | –2,900 | –3,356 | 6,356 | –1,965 | –1,412 |
| Proportion of net sales (%) | –47.9 | –41.0 | 70.8 | –19.8 | –14.0 |
| Profit/loss before extraordinary items and taxes, 1,000 € | –2,903 | –3,275 | 6,405 | –2,024 | –1,227 |
| Proportion of net sales (%) | –48.0 | –40.0 | 71.3 | –20.4 | –12.2 |
| Profit/loss before taxes, 1,000 € | –2,903 | –3,275 | 6,405 | –2,024 | –1,227 |
| Proportion of net sales (%) | –48.0 | –40.0 | 71.3 | –20.4 | –12.2 |
| Return on equity (%) | –25.3 | –31.1 | 45.8 | –12.2 | –8.1 |
| Return on investments (%) | –22.8 | –29.4 | 46.3 | –10.9 | –8.0 |
| Equity ratio (%) | 87.9 | 83.0 | 91.3 | 89.2 | 83.9 |
| Investments in fixed assets , 1,000 € | 832 | 115 | 7,232 | 13 | 48 |
| Proportion of net sales (%) | 13.8 | 1.4 | 80.6 | 0.1 | 0.5 |
| Research and development expenditure, 1,000 € | 1,914 | 1,852 | 1,209 | 1,290 | 1,232 |
| Proportion of net sales (%) | 31.6 | 22.6 | 13.5 | 13.0 | 12.3 |
| Balance sheet total, 1,000 € | 11,728 | 12,989 | 18,895 | 17,887 | 17,372 |
| Average number of personnel | 52 | 53 | 51 | 50 | 46 |

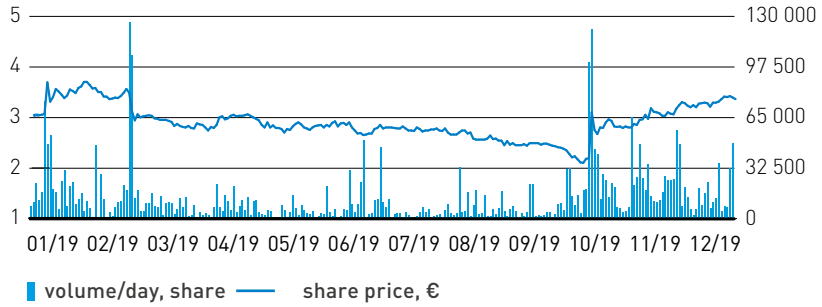
## 3.2 SHARE-SPECIFIC INDICATORS

| | IFRS 2015 | IFRS 2016 | IFRS 2017 | IFRS 2018 | **IFRS 2019** |
|---|---|---|---|---|---|
| Earnings per share, undiluted (EUR) | –0.20 | –0.22 | 0.42 | –0.14 | –0.09 |
| Shareholders' equity attributable to the owners of the parent company (EUR per share) | 0.72 | 0.73 | 1.16 | 1.06 | 0.97 |
| Price-to-earnings ratio (P/E) | 0.0 | 0.0 | 9.0 | –21.1 | –37.3 |
| Dividend per share) | | | | | |
| Repayment of capital per share | | | | | |
| Dividend payout ratio (%) | | | | | |
| Effective dividend yield (%) | 0.00 | 0.00 | 0.00 | 0.00 | 0.00 |
| Series B share price trend (EUR) | | | | | |
| - average | 5.45 | 5.57 | 5.44 | 4.37 | 2.99 |
| - low | 4.22 | 4.71 | 3.74 | 2.94 | 2.10 |
| - high | 7.14 | 6.42 | 6.85 | 6.20 | 3.70 |
| - Prince 31 December | 5.61 | 6.05 | 3.77 | 2.96 | 3.36 |
| Market capitalisation EUR 1,000 | | | | | |
| (presuming the same market value for Series A shares as for Series B shares) | 80,495 | 88,926 | 56,123 | 44,258 | 50,553 |
| Turnover of Series B shares EUR 1,000 | 4,014 | 2,159 | 3,302 | 8,616 | 3,362 |
| - proportion of the total (%) | 37.0 | 19.9 | 27.7 | 71.9 | 27.9 |
| Average ex-rights adjusted number of shares | 14,276,519 | 14,685,071 | 14,764,411 | 14,901,904 | 15,005,253 |
| - taking into consideration the diluting effect of options and convertible bonds | 14,703,579 | 15,052,131 | 14,943,161 | 15,015,256 | 15,005,253 |
| Ex-rights adjusted number of shares at the end of the financial period | 14,348,533 | 14,698,533 | 14,886,843 | 14,952,041 | 15,045,593 |
| - taking into consideration the diluting effect of options and convertible bonds | 14,775,593 | 15,065,593 | 15,065,593 | 15,065,593 | 15,045,593 |

- taking into consideration the diluting effect of options and convertible bonds

# 4 SHARES AND SHAREHODLERS

## SHARE PRICE AND VOLUME 2019




### SHAREHOLDINGS BY OWNER GROUP 31 DECEMBER 2019

| Series A shares | Number of owners | % | Number of shares | % |
|---|---|---|---|---|
| 1. Companies | 1 | 11.1 | 24,990 | 0.8 |
| 2. Households | 8 | 88.9 | 2,950,510 | 99.2 |
| Shares on the waiting list | | | 0 | 0.0 |
| Total number of Series A shares | 9 | 100.0 | 2,975,500 | 100.0 |

| Series B shares | Number of owners | % | Number of shares | % |
|---|---|---|---|---|
| 1. Households | 6,732 | 96.6 | 6,058,326 | 50.2 |
| 2. Financial and insurance institutions | 13 | 0.2 | 362,100 | 3.0 |
| 3. Companies and housing companies | 188 | 2.7 | 667,203 | 5.5 |
| 4. Non-profit organisations | 8 | 0.1 | 3,481 | 0.0 |
| 5. Public corporations | 0 | 0.0 | 0 | 0.0 |
| 6. Nominees and foreign owners | 30 | 0.4 | 4,123,391 | 34.2 |
| In joint and clearing accounts | | 0.0 | 855,592 | 7.1 |
| Total number of Series B shares | 6,971 | 100.0 | 12,070,093 | 100.0 |
| Total number of Series A and Series B shares | 6,980 | | 15,045,593 | |

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

| Series B shares | Number of owners | % | Number of shares | % |
|---|---|---|---|---|
| 1–1,000 | 5,949 | 85.3 | 1,535,963 | 12.7 |
| 1,001–10,000 | 893 | 12.8 | 2,644,265 | 21.9 |
| 10,001–100,000 | 125 | 1.8 | 3,024,822 | 25.1 |
| More than 100,001 | 4 | 0.1 | 4,009,451 | 33.2 |
| Shares in joint and clearing accounts | 0 | 0.0 | 855,592 | 7.1 |
| Total number of Series B shares | 6,971 | 100.0 | 12,070,093 | 100.0 |
| Total number of Series A and Series B shares | 6,980 | | 15,045,593 | |

# LARGEST REGISTERED SHAREHOLDERS 31 DECEMBER 2019

| 10 largest owners in terms of the number of shares | Series A shares | Series B shares | Total number of shares | % |
|---|---|---|---|---|
| Biohit Healthcare (Hefei) Co., Ltd. | 850,000 | 4,095,415 | 4,945,415 | 32.9 |
| Suovaniemi Osmo Antero | 2,018,310 | 0 | 2,018,310 | 13.4 |
| Härkönen Matti | 57,200 | 267,965 | 325,165 | 2.2 |
| Oy Etra Invest Ab | 0 | 200,000 | 200,000 | 1.3 |
| Interlab Oy | 0 | 130,000 | 130,000 | 0.9 |
| Suovaniemi Vesa Jukka Markku | 0 | 85,353 | 85,353 | 0.6 |
| Syrjälä Pekka | 0 | 79,100 | 79,100 | 0.5 |
| Harmes Arjo | 0 | 74,500 | 74,500 | 0.5 |
| Jaakkola Sami Juhani | 0 | 72,883 | 72,883 | 0.5 |
| Ruusila Ari Tapio | 0 | 70,000 | 70,000 | 0.5 |

| 10 largest owners in terms of the number of votes | Series A shares | Series B shares | Total number of shares | % |
|---|---|---|---|---|
| Suovaniemi Osmo Antero | 2,018,310 | 0 | 40,366,200 | 56.4 |
| Biohit Healthcare (Hefei) Co., Ltd. | 850,000 | 4,095,415 | 21,095,415 | 29.5 |
| Härkönen Matti | 57,200 | 267,965 | 1,411,965 | 2.0 |
| Oy Tech Know Ltd | 24,990 | 43,600 | 543,400 | 0.8 |
| Oy Etra Invest Ab | 0 | 200,000 | 200,000 | 0.3 |
| Interlab Oy | 0 | 130,000 | 130,000 | 0.2 |
| Suovaniemi Vesa Jukka Markku | 0 | 85,353 | 85,353 | 0.1 |
| Syrjälä Pekka | 0 | 79,100 | 79,100 | 0.1 |
| Harmes Arjo | 0 | 74,500 | 74,500 | 0.1 |
| Jaakkola Sami Juhani | 0 | 72,883 | 72,883 | 0.1 |

**Senior management ownership 31 December 2019**
On 31 December 2019, the members of the Board of Directors and President & CEO owned a total of 2,950,500 Series A shares and 4,653,533 Series B shares, either directly or through companies under their control. These correspond to 50.5 per cent of all of the shares in the company and 88.9 per cent of all of the votes.

Franco Aiolfi, a member of the Board of Directors, was the majority owner of Euroclone S.p.A. via a company called Arsfin Consult Euroclone S.p.A. owned 92,807 series B shares on 31 December 2019.

# 5 FORMULAE FOR CALCULATING KEY INDICATORS

| | | |
|---|---|---|
| Return on equity, % | Return on equity, % / 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) | Earnings per share (EUR) / average number of ex-rights shares during the period | |
| Shareholders' equity per share (EUR) | shareholders' equity on the balance sheet / number of shares on the balance sheet date | |
| Dividend per share | dividend distributed for the financial period / number of shares on the balance sheet date | |
| Dividend payout ratio, % | Dividend per share / Dividend per share | × 100 |
| Effective dividend yield , % | Dividend per share / last transaction rate in the financial period | × 100 |
| Price-to-earnings ratio (P/E) | last transaction rate in the financial period / earnings per share | |

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 IFRS 2

In addition, Biohit Oyj presents the following APMs:

EBITDA (EUR) =
operating profit + depreciation and impairment

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

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

# PARENT COMPANY'S INCOME STATEMENT (FAS)

| € 1,000 | Note | 01 Jan - 31 Dec 2019 | 01 Jan - 31 Dec 2018 |
|---|---|---|---|
| **Net sales** | 2 | **7,422** | 7 427 |
| Change in inventories of finished and unfinished products | | 70 | 151 |
| Other operating income | 3 | 495 | 205 |
| Materials and services | 4 | –2,410 | –2,728 |
| Personnel expenses | 5 | –2,725 | –2,780 |
| Other operating expenses | 6 | –2,649 | –2,911 |
| **EBITDA** | | **202** | –635 |
| Depreciation and amortization | 7 | –1,711 | –1,715 |
| **Operating profit/loss** | | **–1,509** | –2,350 |
| Financial income and expenses | 9 | 511 | 849 |
| **Profit/loss before appropriations and taxes** | | **–998** | –1,502 |
| Withholding tax | 10 | –119 | –14 |
| **Profit/loss for the financial period** | | **–1,117** | –1,516 |

# PARENT COMPANY'S BALANCE SHEET (FAS)

| € 1,000 | Notes | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 11 | 3,163 | 4,736 |
| Tangible assets | 12 | 410 | 508 |
| Investments | | | |
| Shares in Group companies | 13 | 31 | 232 |
| Other investments | 13 | 2 | 1 |
| **Total fixed assets** | | **3,606** | 5,477 |
| **Current assets** | | | |
| Inventories | 14 | 783 | 699 |
| Long-term receivables | 15 | 312 | 255 |
| Short-term receivables | 15 | 2,584 | 1,822 |
| Financial securities | 16 | 7,984 | 7,992 |
| Cash at bank and in hand | 18 | 998 | 912 |
| **Total current assets** | | **12,662** | 11,680 |
| **TOTAL ASSETS** | | **16,267** | 17,157 |

| € 1,000 | Notes | 31 Dec 2019 | 31 Dec 2018 |
|---|---|---|---|
| **Liabilities and shareholders' equity** | | | |
| **Shareholders' equity** | | | |
| Share capital | 19 | 2,350 | 2,350 |
| Fair value reserve | 19 | 1,395 | 1,505 |
| Invested unrestricted equity found | 19 | 4,042 | 3,829 |
| Retained earnings | 19 | 7,495 | 9,011 |
| Profit/loss for the financial period | 19 | –1,117 | –1,516 |
| **Total shareholders' equity** | | **14,165** | 15,179 |
| **Liabilities** | | | |
| Long-term liabilities | 20 | 373 | 719 |
| Short-term liabilities | 22 | 1,729 | 1,259 |
| **Total liabilities** | | **2,102** | 1,978 |
| **TOTAL LIABILTIES AND SHAREHOLDERS' EQUITY** | | **16,267** | 17,157 |

# PARENT COMPANY'S CASH FLOW STATEMENT

| 1,000 € | Note | 2019 | 2018 |
|---|---|---|---|
| **Cash flow from operating activities:** | | | |
| Profit/loss before appropriations and taxes | | –998 | –1,502 |
| Adjustments: | | | |
| Planned depreciation | | 1,711 | 1,715 |
| Unrealised exchange rate gains and losses | | – | –1 |
| Other income and expenses unconnected to payment | | –148 | 1 |
| Financial income and expenses | 9 | –511 | –849 |
| | | | |
| Change in working capital: | | | |
| Increase (-)/decrease (+) in short-term interest-free trade receivables | | –843 | –106 |
| Increase (-)/decrease (+) in inventories | | –84 | –150 |
| Increase (+)/decrease (-) in short-term interest-free liabilities | | 416 | 292 |
| Interest paid and payments on other operating financial expenses | | –71 | –71 |
| Dividends received | | 321 | 895 |
| Income and interest received from business activities | | 175 | 136 |
| **Cash flow from operating activities** | | **–31** | **361** |
| | | | |
| **Cash flow from operating activities** | | | |
| Investments in tangible and intangible assets | | –40 | –10 |
| Revenue from disposal of tangible and intangible assets | | – | –2 |
| Investments in other instruments | | –1,497 | -2,112 |
| Revenue from disposal of other investments | | 1,462 | 2,131 |
| Loans | | –57 | – |
| **Cash flow from investments** | | **–132** | 7 |
| | | | |
| **Cash flow from financing activities:** | | | |
| Paid share issue | | 213 | 148 |
| Repayment of long-term loans | | –17 | –17 |
| **Cash flow from financing activities** | | **196** | 131 |
| | | | |
| Increase (+)/decrease (-) in cash and cash equivalents | | 33 | 500 |
| | | | |
| Cash and cash equivalents at the beginning of the period | | 912 | 413 |
| Cash and cash equivalents transferred with the merger | | 53 | – |
| Cash and cash equivalents at the end of the period | 18 | 998 | 912 |

# 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 |
| Other long-term expenses | 5–10 years |
| Plant and equipment | 3–10 years |

### Valuation on inventories

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

### Valuation of financial securities

Financial securities, which belong to current assets, are measured at fair value in accordance with section 5.2a of the Finnish Accounting Act. The fair value of investments is determined based on price quotations on active markets, i.e., the buy quotation on the closing date of the financial period. Unrealised profits and losses due to changes in the fair value of money market investments are recognised in the income statement under financial income and expenses in accordance with the Group's updated accounting policies, which took effect at the beginning of 2018. In the comparison period (2017), they were recognised on the balance sheet in the fair value reserve and on the income statement under financial income and expenses in the period when they were realised. Investments recognised via the fair value reserve consist solely of the equity investment in the unlisted shares in Genetic Analysis AS.

### 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 AREA

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Diagnostics | 7,422 | 7,427 |
| Total | 7,422 | 7,427 |

## NET SALES BY MARKET AREA

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Finland | 405 | 438 |
| Europe, other | 1,351 | 1,153 |
| North and South America | 209 | 158 |
| Asia | 3,897 | 4,682 |
| Other countries | 1,561 | 996 |
| Total | 7,422 | 7,427 |

## 3 OTHER OPERATING INCOME

| 1,000 € | 2019 | 2018 |
|---|---|---|
| From Group companies | 306 | 188 |
| Others | 189 | 17 |
| Total | 495 | 205 |

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

## 4 MATERIALS AND SERVICES

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Purchases during the financial period | 2,424 | 2,726 |
| Change in inventories | –13 | 2 |
| Total materials and supplies | 2,410 | 2,728 |
| Total materials and services | 2,410 | 2,728 |

## 5 PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Salaries | 2,339 | 2,404 |
| Pension expenses | 353 | 345 |
| Other personnel expenses | 33 | 32 |
| Total personnel expenses | 2,725 | 2,780 |

| In the financial period, the parent company employed an average of | 2019 | 2018 |
|---|---|---|
| Office personnel | 38 | 42 |
| Average number of personnel | 38 | 42 |
| Number of personnel at the end of the financial period | 38 | 41 |

## 6 MATERIALS AND SERVICES

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Travel expenses and other personnel expenses | 230 | 320 |
| Rents and maintenance expenses | 285 | 299 |
| Sales and marketing expenses | 718 | 852 |
| Other external services | 895 | 942 |
| Change in value of trade receivables | 12 | 13 |
| Other operating expenses | 510 | 486 |
| Total | 2,649 | 2 911 |

## 7 DEPRECIATION AND IMPAIRMENT

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Intangible assets | 1,573 | 1 570 |
| Plant and equipment | 138 | 145 |
| Total | 1,711 | 1 715 |

## 8 AUDITORS' FEES

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Companies belonging to the PricewaterhouseCoopers chain | | |
| Auditors' fees | 75 | 85 |
| Assignments according Auditing Act 1.1,2 § | 5 | 10 |
| Other services | 4 | 9 |
| Total fees paid to the auditor | 84 | 104 |

Assignments relating Auditing Act 1.1,2 § included for example statements regarding option program and mergers.
Other services in 2019 included expert services regarding IFRS 16 implementation and other consulting services.
Other services in 2018 included expert services related to amending the articles of association and the effects of adopting IFRS 16, IFRS 15 and IFRS 9 implementation and other consulting services.

## 9 FINANCIAL INCOME AND EXPENSES

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Dividend income | | |
| From Group companies | 321 | 895 |
| Total dividend income | 321 | 895 |
| Total dividend income | | |
| From Group companies | 6 | 6 |
| From others* | 159 | 152 |
| Other interest and financial income | 166 | 158 |
| Total financial income | 486 | 1,053 |
| Interest expenses and other financial expenses | | |
| To Group companies | – | –2 |
| To others | 24 | –202 |
| Total financial expenses | 24 | –204 |
| Total financial income and expenses | 511 | 849 |
| Financial income and expenses include foreign exchange gains/losses (net) | 0 | 0 |

The items above operating profit include foreign exchange losses/gains (net) or EUR 14 thousand (EUR -5 thousand)

## 10 INCOME TAXES

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Withholding tax | 119 | 14 |
| Total | 119 | 14 |

## 11 INTANGIBLE ASSETS

**2019**

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

**2018**

| 1,000 € | Intangible rights | Total |
|---|---|---|
| Acquisition cost at the beginning of the financial period | 7,942 | 7,942 |
| Acquisition cost at the end of the financial period | 7,942 | 7,942 |
| Accumulated depreciation and impairment in the financial period | –1,636 | –1,636 |
| Depreciation and impairment in the financial period | –1,570 | –1,570 |
| Accumulated depreciation at the end of the financial period | –3,205 | –3,205 |
| Book value at the beginning of the financial period | 6,306 | 6,306 |
| Book value at the end of the financial period | 4,736 | 4,736 |

## 12 TANGIBLE ASSETS

**2019**

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

**2018**

| 1,000 € | Plant,and equipment | Total |
|---|---|---|
| Acquisition cost at the beginning of the financial period | 1,570 | 1,570 |
| Increases | 32 | 32 |
| Decreases | –83 | –83 |
| Acquisition cost at the end of the financial period | 1,519 | 1,519 |
| Accumulated depreciation and impairment in the financial period | –927 | –927 |
| Accumulated depreciation of decreases | 61 | 61 |
| Depreciation in the financial period | –145 | –145 |
| Accumulated depreciation at the end of the financial period | –1,011 | –1,011 |
| Book value at the beginning of the financial period | 643 | 643 |
| Book value at the end of the financial period | 508 | 508 |

## 13 INVESTMENTS

**Shares 2019**

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

**Shares 2018**

| 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 € | 2019 | 2018 |
|---|---|---|
| Materials and supplies | 409 | 296 |
| Work in progress | 19 | 90 |
| Finished products/goods | 355 | 314 |
| Total inventories | 783 | 699 |

## 15 RECEIVABLES

| 1,000 € | 2019 | 2018 |
|---|---|---|
| **Long-term receivables** | | |
| Receivables from Group companies | | |
| Loan receivables | 255 | 255 |
| Other receivables | | |
| Loan receivables | 57 | – |
| Total non-current receivables | 312 | 255 |
| | | |
| **Short-term receivables** | | |
| Receivables from Group companies | | |
| Trade receivables | 323 | 172 |
| Other receivables | – | 57 |
| Accured income | 6 | 6 |
| Other receivables | | |
| Trade receivables | 1,986 | 1,244 |
| Other receivables | 145 | 208 |
| Accured income | 123 | 134 |
| Total curret receivables | 2,584 | 1,822 |

## 16 FINANCIAL SECURITIES

**Assets measured at fair value**

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

* Genetic Analysis AS 3 724 thousand euros and one of the corporate loans 99 thousand euros on the level 3

**Assets measured at fair value**

| 1,000 € | 2018 | Level 1 | Level 2 | Level 3 |
|---|---|---|---|---|
| Traded securities and investment to unlisted company* | 7,992 | 0 | 4,130 | 3,862 |

* Genetic Analysis AS 3 862 thousand euros on the level 3

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

## 17 SENSITIVITY ANALYSIS OF THE CALCULATION OF THE FAIR VALUE

### PRINCIPLES OF FAIR VALUE MEASUREMENT REGARDING INVESTMENT CATEGORIZED AS FAIR VALUE TROUGH OTHER COMPREHENSIVE INCOME

The investment in unlisted Gentic Analysis AS (GA) is valuated based on discounted cash flow model. The basis of discounted cash flow model has been budget data prepared by Genetic Analysis AS's management.

The previous year valuation was based on the actual transaction but because there was no transactions during the review period the company used discounted cash flow model in balance sheet date valuation. The fair value calculation includes significant management judgment and estimation and the investment is categorized on the hierarchical level 3 in the fair value categorisation.

GA's future operations is dependent on external financing. The fair value has been calculated based on the assumption that company receives external financing in the next 12 months period. This is significant management judgement. The valuation also includes significant amount of management estimation relating the development of the GA's future revenue and the profit.

The most significant estimation on the level 3 input data and related sensitivity analysis is described in the table below.

| | 2019 |
|---|---|
| Fair value of the investment (1,000 €) | 3,724 |
| WACC, % | 15 |
| Termainal growth, % | 2 |

The company has used the cutter for the budget prepared by GA's management which has reduced forecasted revenue and operating profit accordingly.

When the cutter is between 0-62% and all the other factors are unchanged, investment value is higher than its current value on the balance sheet 31.12.2019.

## GENETIC ANALYSIS AS SENSITIVITY ANALYSIS

| 1,000 € | Impact on the fair value | Updated fair value 31 Dec 2019 |
|---|---|---|
| WACC -2 %-units, impact on investment's value | +1,003 | 4,727 |
| WACC +2 %-units, impact on investment's value | –644 | 3,080 |
| | | |
| Terminal growth - 2 %-units | –350 | 3,374 |
| Terminal growth + 2 %-units | +581 | 4,305 |

## SENSITIVITY ANALYSIS OF THE CHINA PATENTS FAIR VALUE

| 1,000 € | 2019 |
|---|---|

In 2019 financial statements value of Hefei patent is 3.0 million euros. The patent is depreciated on a straight-line basis until the end of the year 2021.
Impairment testing will be performed on the value of patents whenever there is an indication of impairment.
An impairment test was conducted in conjunction with the 2019 financial statements. No impairment was recognised based on the impairment test.
There is uncertainty concerning the future cash flows used for impairment testing as illustrated by the sensitivity analysis below for the one factor:

| | |
|---|---|
| Decrease in demand for GastroPanel® by 20% and impact on the value of patents | –400 |
| Decrease in demand for GastroPanel® by 40% and impact on the value of patents | –1,100 |

Royalty-based cash flow is dependent on the growth of the Chinese market, successful sales work by the distributor and building up the brand.
The patent is depreciated on a straight-line basis until the end of the year 2021.

## 18 CASH AND CASH EQUIVALENTS

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Cash in hand and at bank | 998 | 912 |

## 19 SHAREHOLDERS' EQUITY

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Share capital 1 January | 2,350 | 2,350 |
| Share capital 31 December | 2,350 | 2,350 |
| | | |
| Fair value reserve 1 January | 1,505 | 914 |
| Increases | – | 632 |
| Change in accounting policies, investments | – | –41 |
| Decreases | –110 | – |
| Fair value reserve 31 December | 1,395 | 1,505 |
| | | |
| Invested unrestricted equity fund 1 January | 3,829 | 3,681 |
| Subscription of options | 213 | 148 |
| Invested unrestricted equity fund 31 December | 4,042 | 3,829 |
| | | |
| Retained earnings 1 January | 7,495 | 8,970 |
| Change in accounting policies, investments | – | 41 |
| Retained earnings 31 December | 7,495 | 9,011 |
| | | |
| Reported profit/loss for the financial period | –1,117 | –1,516 |
| Total shareholders' equity | 14,165 | 15,179 |

**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 regulation is applied, the nominal value of the shares is taken to be EUR 0.17, which was the nominal value of the company's shares when it decided to discontinue using nominal values for shares.

| Calculation of distributable equity 31 December | 2019 | 2018 |
|---|---|---|
| Retained earnings | 7,495 | 9,011 |
| Profit/loss for the financial period | –1,117 | –1,516 |
| Invested unrestricted equity fund | 4,042 | 3,829 |
| Total | 10,420 | 11,324 |

| Parent company's share capital structure | 2019 shares | % of shares | % of votes | 2018 shares |
|---|---|---|---|---|
| Series A shares (20 votes per share) | 2,975,500 | 19.8 | 83.1 | 2,975,500 |
| Series B shares (1 vote per share) | 12,070,093 | 80.2 | 16.9 | 11,976,541 |
| Total | 15,045,593 | 100.0 | 100.0 | 14,952,041 |

The company's share capital is EUR 2,350,350.81. The company does not hold any of its own shares. Based on a resolution of the AGM held on 25 April 2018, 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 25.0% of all of the company's Series B shares. In 2018, the company did not issue any new shares under the authorisation granted on 25 April 2018.

## 20 LONG-TERM LIABILITIES

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Loans from Group companies | – | 301 |
| Loans from financial institutions | 25 | 42 |
| From others | 349 | 376 |
| Total | 373 | 719 |

Long-term liabilities from others are deferred tax liabilities.

## 21 DEFERRED TAX ASSETS AND LIABILITIES

**Deferred tax liabilities**

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Assets classed as available for sale | 349 | 376 |
| Total | 349 | 376 |

The company only recognises fair value changes in Genetic Analysis AS in the fair value reserve, and the deferred tax related to this is presented on the balance sheet.

The deferred tax assets due to confirmed losses have not been recognised on the balance sheet. Confirmed losses, including the loss for the 2019 financial period, total EUR 21.2 million of the loss is in Finland (2019: EUR 1.4 million, 2018: EUR 2.2 million, 2009-2017: EUR 17.5 million)

## 22 SHORT-TERM LIABILITIES

| 1,000 € | 2019 | 2018 |
|---|---|---|
| Loans from financial institutions, current proportion | 17 | 17 |
| Advances received | 2 | 73 |
| Trade payables | 746 | 433 |
| Accruals and deferred income | 760 | 536 |
| Other liabilities | 204 | 164 |
| Liabilities to Group companies | | |
| Accruals and deferred income | – | 37 |
| Total short-term liabilities | 1,729 | 1,259 |

The significant items of accruals and deferred income are salary-related deferred items valued at EUR 602 thousand (EUR 355 thousand).

## 23 PLEDGES, CONTINGENT LIABILITIES AND OTHER LIABILITIES

| 1,000 € | 2019 | 2018 |
|---|---|---|
| **Debts for which mortgages have been pledged** | | |
| The company has not pledged any collateral. | | |
| **Leasing commitments** | | |
| Payable in the next financial period | 18 | 8 |
| Payable later | 24 | 2 |
| Total | 42 | 10 |
| **Rental commitments** | | |
| Payable in the next financial period | 87 | 171 |
| Payable later | – | 86 |
| Total | 87 | 257 |
| **Other contingent liabilities** | | |
| Guarantees | 4 | 4 |

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

**Leasing and rental fees mainly consist of fixed-term leasing and rental agreements lasting longer than one year.**
The company has no contingent liabilities on behalf of Group companies.

# BOARD OF DIRECTOR'S PROPOSAL REGARDING THE DISTRIBUTION OF PROFITS

On 31 December 2019, the parent company's distributable assets (unrestricted equity) amounted to EUR 10,420,384.40, including the loss for the financial period of EUR 1,116,686.74. 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, 17 February 2020

Osmo Suovaniemi
Chairman of the Board of Directors

Franco Aiolfi
Member of the Board of Directors

Liu Feng
Member of the Board of Directors

Matti Härkönen
Member of the Board of Directors

Eero Lehti
Member of the Board of Directors

Lea Paloheimo
Member of the Board of Directors

Semi Korpela
President & CEO

**Auditor's statement**

A statement has been issued today on the completed audit.

Helsinki, 21 February 2020

PricewaterhouseCoopers Oy
Firm of auditors

Pasi Karppinen
Authorised Public Accountant

# AUDITOR'S REPORT

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 2019. The financial statements comprise:

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

### BASIS FOR OPINION

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

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

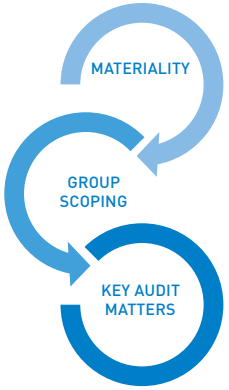
### Independence

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

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

### OUR AUDIT APPROACH

#### Summary




Materiality:

- Overall group materiality: € 180 thousand

Audit scope:

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

Key audit matters:

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

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

### Materiality

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

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

| | |
|---|---|
| **Overall group materiality** | € 180 thousand (€ 179 thousand in 2018) |
| **How we determined it** | We used total assets as benchmark and 1 % rule of thumb to determine overall group materiality. |
| **Rationale for the materiality benchmark applied** | Biohit group's business has been clearly loss making, excluding disposal gain on Chinese joint venture in 2017. Based on our assessment the total assets provide a more solid base for determining the materiality than the commonly used income statement based benchmarks. |

### How we tailored our group audit scope

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

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

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

## KEY AUDIT MATTERS

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

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

| Key audit matter in the audit of the group | How our audit addressed the key audit matter |
|---|---|
| **CUT-OFF OF REVENUE RECOGNITION**<br>Refer to the financial statements accounting principles and the financial statements note 2.3<br><br>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.<br>Revenue from distribution agreement-based product sales are recognized at a point of time when the control has transferred to a distributor in accordance with delivery terms.<br>For other sources of revenue there is no material risk of misstatement associated with the timing of revenue recognition.<br>In revenue recognition there is a risk that revenue in the financial statements is recognized in an incorrect period due to either errors or fraud. | We gained an understanding of the revenue recognition process and we performed substantive audit procedures to ensure revenue is recorded in the correct period. Our substantive audit procedures included:<br>• testing a sample of selected distribution agreements in order to ensure the correctness of revenue recognition criteria applied<br>• testing revenue transaction that occurred close to the year end<br>• testing certain revenue related balances recognised in the balance sheet<br>• Testing a sample of revenue transactions occurred during the year<br>• Testing the basis for selected manual journal entries posted in revenue accounts |

| Key audit matter in the audit of the group | How our audit addressed the key audit matter |
|---|---|
| **VALUATION OF GENETIC ANALYSIS AS SHARES**<br>Reference to the accounting principles and the financial statements note 2.17 and 2.18.<br><br>As per December 31, 2019, the value of Genetic Analysis shares amounts to 3,7 million euros both in the parent company's and in the group's balance sheet. Genetic Analysis AS shares are classified as short term financial assets. The shares are valued at fair value through other comprehensive income<br>As Genetic Analysis AS is an unlisted entity, the fair value is measured using alternative information available. In previous years the value was based on marked-based transactions between third parties. As sufficiently recent transactions in 2019 were not available, the company used discounted cashflow method in order to determine the value of the shares in 2019 financial statements. The valuation involves significant management judgement in terms of future revenue, future profit development and financing, among other things.<br>Due to the estimation uncertainty and significance of the investment, we have determined valuation of the Genetic Analysis AS investment to be key audit matter in the audit of the financial statements.<br>This matter is a significant risk of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014. | We have assessed the appropriateness of the valuation of the Genetic Analysis AS shares. Our substantive audit procedures included:<br>• we discussed with the management of Genetic Analysis AS their view on the future developments and possible factors impacting the valuation of their shares<br>• we obtained the supporting evidence that Biohit used in valuation of the shares and agreed the Company´s valuation calculation to the supporting documentation.<br>• we used our own auditor's expert and with his assistance, we generated our own comparative calculation of the value of the shares, which we compared to the client's calculation results<br>• we assessed the contents of the Notes disclosures relating to the valuation of Genetic Analysis AS shares |

| Key audit matter in the audit of the group | How our audit addressed the key audit matter |
|---|---|
| **VALUATION OF INTANGIBLE ASSETS (PATENTS)**<br>Reference to the financial statements accounting principles and the financial statement notes 2.14 and 2.18.<br><br>As part of disposal of Biohit HealthCare (Hefei) Co. Ltd in 2017, certain intellectual property rights (patents) were recognized on the balance sheet as a result of the transaction. Balance sheet value of those patents amounts to 3,0 million euros as per December 31, 2019. The patents are amortized straight-line by the end of 2021.<br>The value of patents is subject to impairment testing always when there is indication of impairment. An impairment test was performed in connection with preparation of 2019 financial statements. Based on the impairment test no impairment was recognized.<br>In the valuation of the patents there is significant management judgement involved relating to the future royalties from Biohit Healtcare Hefei. Due to the management judgement and estimation uncertainty related to the valuation of the patents, we consider this as a key audit matter for the audit of the financial statements. | We have assessed the appropriateness of the valuation of the patents at the year-end. As part of the valuation assessment we have performed the following audit procedures:<br>• we evaluated the reliability of estimates used by management by comparing forecasts made in prior years to actual outcomes<br>• we assessed key inputs in the calculations such as revenue growth, EBITDA and discount rate, by reference to management's forecasts<br>• we tested the mathematical accuracy of the calculations<br>• we compared the recoverable amount of the patents to its carrying value in the financial statements. |

The above-mentioned Key audit matters Valuation of intangible assets (patents) and Valuation of Genetic Analysis AS shares and are also key audit matters with respect to our audit of the parent company financial statements. The value of patents amounted to 3,0 million euros and the value of Genetic Analysis shares amounted to 3,7 million euros in the parent company's balance sheet as of December 31, 2019. Our audit procedures were aligned with the ones presented above.

The valuation of Genetic Analysis shares is a significant risk of material misstatement referred to in Article 10(2c) of Regulation (EU) No 537/2014 also in 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 6 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, 21 February 2020

**PricewaterhouseCoopers Oy**
Authorised Public Accountants

Pasi Karppinen
Authorised Public Accountant (KHT)

**BIOHIT OYJ**

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