BIOHIT OYJ

INNOVATING FOR HEALTH

Annual report 2018

Contents

Biohit Oyj carries out research and development work to improve the quality of life of patients and prevent diseases

Biohit in brief

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

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

Biohit serves healthcare organisations and patients by promoting gastric and colorectal health. The most recent innovation is Acetium®, which promotes smoking cessation.

Cost-effective innovations for healthcare

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

The numerous health-related problems caused by smoking are the most common preventable form of mortality in western countries. Biohit helps people to give up smoking with a new method that does not cause nicotine addiction. The Acetium® lozenge is a natural preparation containing L-cysteine which has already helped numerous smokers to stop smoking altogether or significantly reduce their smoking.

Biohit continuously develops its products and services to address society's needs. Our products and services are researched, cost-effective innovations for diagnosing and preventing diseases and associated risks.

Year 2018

We launched the Acetium® lozenge in a wide range of distribution channels. We also increased product awareness in the healthcare industry overall.

New products and patents

In September 2018 we launched Acetium® lozenge in Finland. Acetium® lozenge is effective and safe product which helps smokers to quit smoking without consuming addictive nicotine or incurring any of the potential side-effects of medicinal intervention methods. The lozenge also contains a small amount of xylitol, which improves overall oral hygiene.

Usage of Acetium® lozenge is started just before smoking and is continued during the duration of smoking the cigarette. Acetium® lozenge effectively binds carcinogenic acetaldehyde that dissolves in saliva during smoking. Also mouth microbes produce acetaldehyde from alcohol, which is removed by Acetium® lozenge. The product launch is ongoing in several distribution channels in Finland and will continue during 2019.

During the review period Acetium® lozenge was granted patents until 12 September 2028 in all nine Eurasian countries including Russia and Belarus. Acetium® lozenge has also been granted a European patent: EP 2 197 436 B1, Sucking tablet for use in reducing tobacco and/or alcohol dependence. In addition, patent has been granted in all African countries and Mexico. There are also several pending patent applications in other countries.

In 2018, we invested in various studies and a significant product launch, and we obtained new patents.

The new GastroPanel® quick test, intended for point-of-care testing, is conducted using a fingertip blood sample during a primary care appointment. The GastroPanel® quick test will be available in Europe as soon as the performance and clinical testing required for the CE mark are completed. We expect to have CE mark available during H2/2019.

We consider GastroPanel's® market position in China to be strong, and demand is expected to increase in the forthcoming years.

Our research projects are progressing

During 2018 we got positive study results of colorectal cancer screening tests in Brazil. The clinical state of migraine study was concluded at the end of June, however the results are not completed until end of H1/2019.

In the future we are selective regarding our investments on clinical studies and we shift our focus on commercialization of our excellent products.

Changes to our business operations in China

During the review period Biohit's distributor Biohit HealthCare (Hefei) Co. Ltd announced that it will make significant investment to expand its production capacity. According the latest estimate new capacity will be available until end of Q1/2020.

Biohit Healthcare (Hefei) Co. Ltd acquired from Biohit's main shareholder Osmo Suovaniemi and from his family 33.2% of total number of Biohit shares and 29.5% of the voting rights based on shares.

GastroPanel® market situation in China is strong and we expect the demand to grow in the coming years.

NET SALES
EUR
9.9 million

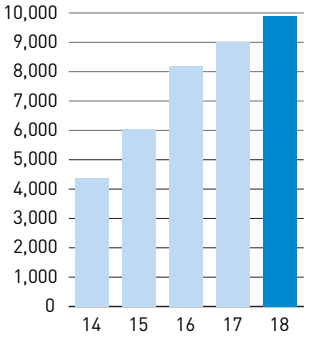
INCREASE IN NET SALES (%)
10.6%

OPERATIVE EBITDA
EUR
–0.1 million

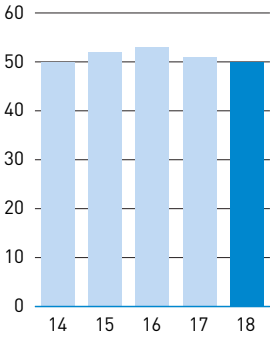
Biohit Group's key figures

	2018	2017
Net sales (EUR million)	**9.9**	9.0
EBITDA (EUR million)	**-0.2**	7.9
Operative EBITDA (EUR million)	**-0.1**	–0.4
Operating profit/loss (EUR million)	**-2.0**	6.4
Profit/loss before taxes (EUR million)	**-2.0**	6.4
Profit/loss for the period (EUR million)	**-2.1**	6.1
Average number of personnel	**50**	51
Number of personnel at the end of the period	**49**	51
Equity ratio (%)	**89.2%**	91.3%
Undiluted earnings per share (EUR)	**-0.14**	0.42
Diluted earnings per share (EUR)	**-0.14**	0.41
Shareholders' equity per share (EUR)	**1.06**	1.16
Average number of shares during the period	**14,901,904**	14,764,411
Number of shares at the end of the period	**14,952,041**	14,886,843

Net sales 2014–2018, EUR thousand



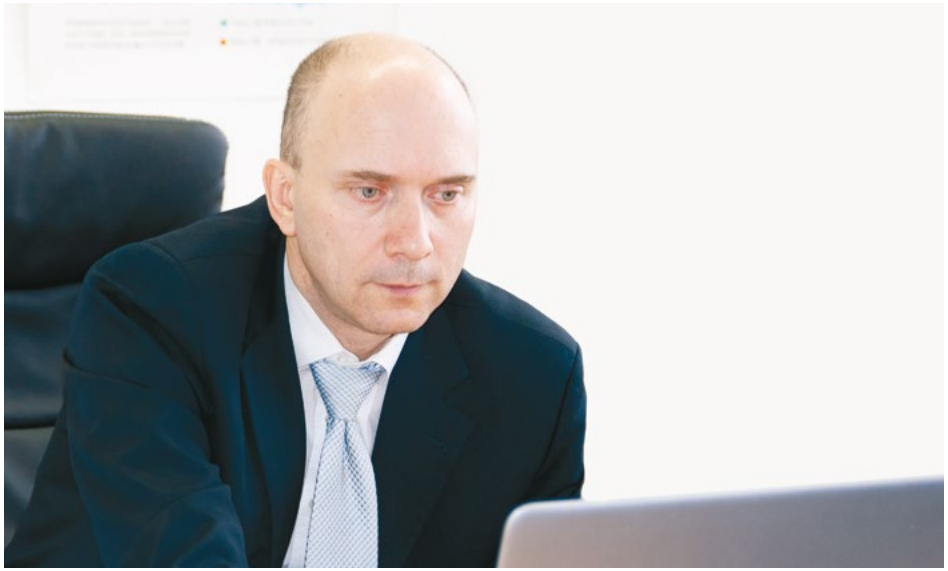
Personnel 2014–2018



OBJECTIVE: early detection and prevention of diseases

ACTIONS: commercialising new products and supporting international distribution channels

EFFECTS: enabling the correct and sufficient treatment, preventing serious diseases, and impacting public health



Review by the President & CEO

In 2018, we made progress in all strategically important areas

During 2018 our growth path continued and at the same time we improved our profitability and cash flow.

We launched the new Acetium® smoking cessation product, continued developing our existing products, renewed our management team and made good progress in our most critical studies.

Our Net Sales grew 11% compared to 2017 due to United Kingdom, Middle-East, Russia and Acetium® sales. During H2/2018 our growth was only 2% due to a delay in the re-registration of one of our GastroPanel® products in China. We expect to get registration completed by the end of H1/2019. Our Operative EBITDA adjusted for items affecting comparability was EUR -0.1 million (EUR -0.4 million), which represents an improvement of EUR 0.2 million compared to previous year. Our cash flow improved compared to 2017 and cash at the end of the period amounted to EUR 1.4 million (EUR 1.3 million).

We expect the growth to continue during 2019 despite of delay in China re-registration process regarding GastroPanel®.

We continued to expand our distributor network

We continued to expand our distributor network by making new agreements and rearranging existing agreements. We made the following agreements in 2018 concerning the distribution of Biohit's diagnostic products: BioVendor – Laboratorní medicína A.S. will sell our diagnostic tests in Czech Republic and Montebello AS in Norway. Trans

We expect the demand of GastroPanel® product to increase in China in the coming years

Continental Medical Products is our new distributor in the Caribbean Islands. Dow Biomedica was nominated as new distributor in the important South-Korean market. AJ Mirza Pharma is our new distributor in Pakistan. Diagnostics and Acetium® (Etium) distribution in Mexico has been discontinued for now and we are actively searching for the new distibutor.

During the review period, Save Health D.o.o in Serbia and Scientronics in Cyprus received exclusive right to sell Acetium®. In Greece we signed an agreement with Pharmathen Hellas S.A. for the distribution of the smoking cessation product Acetium® lozenge. Furthermore, we signed distribution agreement with Oriola Oyj regarding smoking cessation product Acetium® Lozenge. The product is distributed in the pharmacies and other Oriola's distribution channels. In September we signed contract with Retail Partner ApS for the distribution of the smoking cessation product Acetium® lozenge in Denmark and Sweden. At the end of the 2018 we signed contracts for Acetium® lozenge distribution with MHD Pharma in Vietnam and UAB Osteca in Lithuania.

Number of personnel

During the review period, the Biohit Group employed 50 (51 in 2017) people on average. 42 (41) of whom were employed by the parent company and 8 (10) by the subsidiaries. At the end of the year 2018, the Group employed 49 (51) personnel, of whom 41 (42) were employed by the parent company and 8 (9) by the subsidiaries.

Semi Korpela
President & CEO

Biohit's strategy 2018–2022

Our mission is "Innovating for Health"

We aim to become the world's leading biotechnology company in selected markets promoting gastrointestinal well-being:

A
Advanced and innovative in vitro diagnostic tests of the gastrointestinal tract and use of tests for screening

B
Products that bind acetaldehyde in the gastrointestinal tract

We aim to increase net sales primarily in the following areas:

1
China

2
EU, Russia and Middle East

Our strategic decisions

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

We will make our distribution chain and services simpler and more efficient

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

We always take the customer into consideration in our decisions

Whenever we make a decision, we consider how the decision will benefit customers and how it will enable innovation for customers.

Quality is the most important thing

Our target is to constantly improve quality. We monitor our operations and make all required improvements rapidly. We take more proactive measures than reactive measures.

Give up smoking – without nicotine

The Acetium® lozenge for smoking cessation was launched on the Finnish market in September 2018, accompanied by a large-scale advertising campaign. A comprehensive range of distribution channels was obtained, covering pharmacies, R-kioski shops, S Group and Kesko grocery stores, health food stores, Lidl, Minimani, Keskinen, Tokmanni and Halpahalli.

Launch campaigns continued throughout the autumns 2018 on TV channels, radio stations, billboards and online.

Our messages were pointed for both consumers and healthcare professionals, who have a key position in supporting and contributing smoking cessation. Co-operating with nurses and doctors is in a crucial position.

The Acetium® lozenge is a natural and effective product that helps smokers to give up without consuming addictive nicotine. It also has none of the potential side-effects of medical detoxification methods. The lozenge is used while smoking, and it effectively binds carcinogenic acetaldehyde that dissolves in saliva during smoking.

Acetium® has attracted widespread interest among consumers and healthcare professionals as a nicotine-free alternative is safer for the health and more natural.

The history of Biohit Oyj

Osmo Suovaniemi established Biohit Oy in 1988.

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, which revolutionised liquid handling in laboratories and also made it much safer. The same innovative team also developed the first instrument based on vertical photometry, the Titertek Multiskan, as well as diagnostic tests for the diagnosis of infections and cancers. When Suovaniemi left in 1986, these companies were the largest and fastest growing companies in the industry in Finland.

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)

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.

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.

2017–2018

- 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 2018

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 2018 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 18 February 2019.

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

RULES OBSERVED BY BIOHIT

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

Biohit's governance complies with applicable legislation, standards and recommendations concerning public listed companies, the regulations of Nasdaq Helsinki Ltd, and Biohit Oyj's Articles of Association. Biohit Oyj has administered its affairs in compliance with the corporate governance code for Finnish listed companies 2015, and this Statement has been prepared in accordance with the code. The Corporate Governance Code is available at www.cgfinland.fi.

One of the members of the five-person Board of Directors is independent of the company, so the company does not fulfil recommendation number 10 stating that the majority of the members of the Board of Directors must be independent of the company. The company strives to comply with high international standards of corporate governance and the key principles of corporate governance among Finnish listed companies.

BIOHIT'S ADMINISTRATIVE BODIES IN 2018

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 2018, Biohit Oyj held its Annual General Meeting on 25 April 2018 in Helsinki. 2,878,310 series A shares and 5,054,431 series B shares were represented at the meeting, corresponding to 53.28% of all of the shares in the company and 87.67% of the votes. The meeting was attended by three of the five members of the Board of Directors, the President & CEO and the principal auditor.

Extraordinary General Meeting

In 2018, Biohit Oyj held also its Extraordinary General Meeting on 16 August 2018 in Helsinki. 2,108,000 series A shares and 4,840,686 series B shares were represented at the meeting, corresponding to 46.64% of all of the shares in the company and 65.80% of the votes. The meeting was attended by two of the five members of the Board of Directors, the President & CEO and the principal auditor. Additionally new Board candidate which was elected was present.

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 until October 2018 resignation by Stina Syrjänen.

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 per month or once every two months, and the meeting schedule for the entire term is confirmed in advance. When necessary, Board meetings are held more frequently or by teleconference.

Board of Directors in 2018

Until the Annual General Meeting held on 25 April 2018, the following five people were on the Board of Directors: Osmo Suovaniemi (chairman), Eero Lehti, Stina Syrjänen, Franco Aiolfi and Matti Härkönen. At the Annual General Meeting on 25 April 2018, Osmo Suovaniemi (chairman), Eero Lehti, Stina Syrjänen, Franco Aiolfi and Matti Härkönen were re-elected to the Board of Directors until the end of the Annual General Meeting in 2019. The Board of Directors elected Osmo Suovaniemi as its chairman.

At the Extraordinary General Meeting on 16 August 2018 Liu Feng (Managing Director of Biohit Healthcare (Hefei) Co. Ltd) was elected as new member to serve until the end of the Annual General Meeting in 2019.

Stina Syrjänen resigned from the Board of Directors on 16 October 2018.

Biohit Oyj's Board of Directors convened 5 times in 2018 (6 times in 2017). The average attendance was 91 per cent (91 per cent).

Biohit Oyj's Board of Directors on 31 December 2018

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 5 Board meetings in 2018
- 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 5 Board meetings in 2018
- Direct shareholding: no Biohit shares
- Indirect shareholding: Managing Director of Euroclone S.p.A. (formerly Polyfin S.p.A.) and a majority shareholder in Euroclone S.p.A. and in Biobrick through Arsfin Consult Srl. Euroclone is the leading distributor of biotechnology application instruments on the Italian market. Euroclone S.p.A. owns 92,807 series B shares.

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 5 Board meetings in 2018
- Direct shareholding: series A shares: 57,200; series B shares: 267,965
- Indirect shareholding via Oy Tech Know Ltd, a company under his control: series A shares: 24,990; series B shares: 43,600

Eero Lehti (b. 1944), MSc (Soc. Sci.), holder of the Finnish honorary title of "kauppaneuvos", honorary doctor of economics
- Member of the Board since 2009
- Independent of the major shareholders and of the company
- Member of Parliament since 2007
- Founder of Taloustutkimus Oy and the Chairman of its Board
- Attended 3 Board meetings in 2018
- Direct shareholding: series B shares: 2,000

Liu Feng (b. 1972), General manager of Hefei Medicine Co., Ltd, Owner of Biohit Healthcare (Hefei) Co., Ltd.
- Member of the Board since 2018
- Independent of the major shareholders and non-independent 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
- Indirect shareholding via Biohit Healthcare (Hefei) Co., Ltd.: series A shares: 850 000, B shares: 4 095 415

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. (Molecular microbiology)
- R&D and Production Director
- With Biohit Oyj since 2018
- Previously: Work Package Manager and at the R&D department at Orion Diagnostica Oyj, R&D director at Mobidiag Oy 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.
- No direct shareholding

Management of subsidiaries

The Managing Directors of the subsidiaries are responsible for the management of subsidiary operations and report to the President & CEO of the parent company. The subsidiaries are responsible for the sales and marketing of Biohit's products in their market areas. The managers of subsidiaries operate under the management and supervision of Biohit's President & CEO. In 2018, 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 25 April 2018 to pay a fee of EUR 1,500 per meeting to the chairman and the other members of the Board of Directors.

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

President & CEO and other company management

The Board approves the President & CEO's remuneration and terms of employment. The notice period of the President & CEO and the members of the Management Team and the remuneration for these parties during the notice period is determined in accordance with the Employment Contracts Act.

The President & CEO approves the remuneration and terms of employment of members of the Management Team. Biohit's Board of Directors approves the principles of the incentive schemes for Management Team members and the President & CEO. Bonuses are determined on the basis of the net sales and earnings trends in each person's area of responsibility. The maximum bonus that can be received depends on each person's monthly salary and can total no more than 40% of annual salary. No bonus was paid to the President & CEO and Management Team members in 2018.

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

In 2013, Biohit introduced an incentive system offering stock options to company managers and employees. A total of 65,198 new series B shares in the company were subscribed under stock options in 2018. The share subscription price under the stock options in question was EUR 2.2766 per share. On 31 December 2018, there were 113,552 stock options in circulation. The deadline for exercising stock options under the options programme is 31 May 2019. According to the terms and conditions of the stock option programme, stock options can be executed or sold on when they have been earned.

No new stock option programmes are in effect for 2019. 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 2018

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)	Other remuneration (€ 1,000)	Total remuneration (€ 1,000)
Osmo Suovaniemi	Chairman	8	205	213
Matti Härkönen	Member	8	–	8
Eero Lehti	Member	5	–	5
Stina Syrjänen	Member	5	–	5
Franco Aiolfi	Member	8	27	35
Liu Feng	Member	5	–	5
Total		36	232	268

Companies under the control of members of the Board of Directors

	2018	2017
Franco Aiolfi, Euroclone S.p.A	66	82
Matti Härkönen, Oy Tech Know Ltd.	55	53
Franco Aiolfi, Biobrick	25	25
Total	146	160

During the financial period that ended on 31 December 2018, the remuneration paid to members of the parent company's Board of Directors totalled EUR 36,000 (EUR 33,100 in 2017). Osmo Suovaniemi was paid EUR 213,000 (EUR 201,000 in 2017) for his services as a member of the scientific advisory board. Board member Franco Aiolfi is the Managing Director of Biohit Oyj's subsidiary, Biohit Healthcare S.r.l. and he received remuneration of EUR 35,000.

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 55,400 based on the work done by Matti Härkönen. Biohit has agreements with Euroclone S.p.A and Biobrick, and the companies are controlled by Board member Franco Aiolfi. Companies deliver finance, IT, quality and premises services to Biohit Italy. On the basis of these agreements, Euroclone S.p.A and Biobrick were paid EUR 91,000 during the 2018 financial period.

Remuneration for the President & CEO

Salary and benefits (€ 1,000)	2018	2017
Salary	202	202
Short-term incentives	–	–
Long-term incentives	86	291
Total	288	494

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

Salary and benefits (€ 1,000)	2018	2017
Salary	524	553
Short-term incentives	–	–
Long-term incentives	11	263
Total	535	816

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

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

Control environment

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

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

Risk assessment

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

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

Risk management is one of the areas covered by Biohit's internal control processes, which regularly

monitor the risks associated with the company's business operations, identify any changes and, if necessary, take appropriate action to hedge against them. Risk management focuses on ensuring the continuity of business operations and preventing financial misconduct.

Control measures

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

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

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

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

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

Disclosure policy

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

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

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

Monitoring

The efficiency of internal controls on financial reporting is overseen by the Board of Directors, the President & CEO, Management Team members, and the Managing Directors of subsidiaries. Control focuses on following weekly and monthly financial reports and forecasts, and analysing any deviations from business plans. Monitoring is performed at all Board and Management Team meetings where reports are reviewed. It is supported by regular

contact between Group Management and the company's auditor, and analysis of any deviations, which occurs at least once per quarter.

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

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

The Group's auditor and the auditors of each subsidiary evaluate the effectiveness of the internal control system both in connection with the external audit and through spot checks throughout the financial period.

AUDIT 2018

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 2018 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 2018 Annual General Meeting decided to pay auditor's fees in accordance with the auditor's invoice. The Group's invoiced auditors' fees for the 2018 financial period totalled EUR 110,000 (EUR 69,000 in 2017). In addition to this, PricewaterhouseCoopers Oy was paid a total of EUR 14,000 for other services (EUR 30,000 in 2017).

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.biohit.fi/investors.

Board of Directors

OSMO SUOVANIEMI, b. 1943
- MD, PhD, Professor
- Chairman of Biohit Oyj's Board of Directors
- Non-independent of the major shareholder and of the company

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

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

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

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

Management Team

SEMI KORPELA, b. 1970

- MSc (Econ.)
- President & CEO
- With Biohit Oyj since 2011 and from 2003 to 2006 as CFO

JUKKA KAINULAINEN, b. 1982

- MSc (Econ.)
- Chief Financial Officer
- Previously: Business Controller at Capgemini and Tieto. Head of FP&A at Affecto and Controller team leader at CGI.

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.

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.

MINNA MÄKI, b. 1969

- Adjunct Professor of molecular biology and IT engineer
- 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

Biohit Oyj's Annual General Meeting will be held at 5pm on Wednesday 24 April 2019 at the Crowne Plaza hotel, Mannerheimintie 50, 00260 Helsinki, Finland. Shareholders who are listed on the company's register of shareholders and who wish to attend the Annual General Meeting should register by 10am on Wednesday 17 April (the registration must arrive by this date).

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

Board of Directors' proposal regarding the distribution of profits:

On 31 December 2018, the parent company's distributable assets (unrestricted equity) amounted to EUR 11,324,090.66, including the loss for the financial period of EUR 1,515,586.40. The Board of Directors proposes to the Annual General Meeting that no dividend be distributed by the company for the most recent financial period.

Shares:

Total number of shares: 14,952,041 (14,886,843 in 2017)

Series A shares (20 votes per share): 2,975,500 (2,975,500 in 2017)
Series B shares (1 vote per share): 11,976,541 (11,911,343 in 2017)

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 2019

Wednesday 14 August 2019
Interim report, January–June (H1)

Silent period

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

Summary of stock exchange releases in 2018

5 January 2018	Biohit Oyj's comments on its Chinese distributor´s production capacity expanding
30 January 2018	Pharmathen Hellas S.A. to distribute Acetium® lozenge in Greece
15 February 2018	Dow BioMedica to distribute Biohit GastroPanel® in Korea
20 February 2018	Changes to Biohit Oyj's Management Team
22 February 2018	Biohit GastroPanel® test helps reducing unnecessary gastroscopies in pre-operative evaluation of the patients referred for bariatric surgery
23 February 2018	Montebello to distribute Biohit products in Norway
28 February 2018	Biohit Group Financial Statement Release 2017
12 March 2018	Oriola to distribute Acetium® lozenge in Finland
4 April 2018	NOTICE OF BIOHIT OYJ'S ANNUAL GENERAL MEETING
13 April 2018	BIOHIT OYJ'S OWNERSHIP IS EXPANDING
25 April 2018	Decisions of the Annual General Meeting of Biohit Oyj
30 April 2018	Changes to Biohit Oyj's management
31 May 2018	Biohit Oyj Stock release 31.5.2018 at 09:30 local time (EEST)
19 June 2018	Constitutive meeting of Biohit Oyj´s Board of Directors
2 July 2018	NOTICE OF BIOHIT OYJ'S EXTRAORDINARY GENERAL MEETING
30 July 2018	Changes to Biohit Oyj´s management
16 August 2018	Decisions of the Extraordinary General Meeting of Biohit Oyj
22 August 2018	Biohit group half year financial report 2018
3 September 2018	Retail Partner ApS to distribute Acetium® lozenge in Denmark and Sweden
5 September 2018	Biohit GastroPanel® accurately predicted the progression of atrophic gastritis and its transition to gastric cancer in a European multicenter trial
7 September 2018	The results of the migraine study will be delayed from the previously reported schedule
10 September 2018	A new chance for a smoke-free life - Acetium® lozenges available across Finland
16 October 2018	Stina Syrjänen resigns from Biohit Oyj's Board of Directors
30 November 2018	Biohit Oyj´s Financial Reporting and Annual General Meeting in 2019
31 December 2018	Chief Medical Director Kari Syrjänen will retire from Biohit Oyj

Financial statements

Contents

*part of the official financial statements

Report by the Board of Directors 2018

SUMMARY

- Net sales EUR 9.9 million (EUR 9.0 million)
- Net sales grew by 10.6% compared to 2017
- Operative EBITDA EUR -0.1 million (EUR -0.4 million)
- Cash at the end of the period EUR 1.4 million (EUR 1.3 million)
- Net sales from international operations 95.6% (95.7%) of total net sales
- Equity ratio 89.2% (91.3%)

In 2018, Biohit's net sales increased by 10.6% over the previous year. Biohit's balance sheet provides a strong foundation for building the business and exploiting the great potential of the products. Our company's equity ratio at the end of 2018 was 89.2% (91.3%). At the end of the financial period, the company's financial assets amounted to EUR 5.5 million (EUR 5.6 million).

BIOHIT GROUP KEY FIGURES

	1–12/2018	1–12/2017
Net sales (MEUR)	9.9	9.0
Operating profit/loss (MEUR)	–2.0	6.4
Profit/loss before taxes (MEUR)	–2.0	6.4
Profit/loss for the period (MEUR)	–2.1	6.1
Average number of personnel	50	51
Number of personnel at the end of the period	49	51
Equity ratio (%)	89.2 %	91.3 %
Earnings per share (EUR), Undiluted	–0.14	0.42
Shareholders' equity per share (EUR)	1.06	1.16
Average number of shares during the period	14,901,904	14,764,411
Number of shares at the end of the period	14,952,041	14,886,843

*In 2017 we recognized EUR 8.4 million capital gain regarding divestment of Biohit Healtcare (Hefei) Co. Ltd, which is visible in the 2017 profit for the period. The patent worth of EUR 7.1 million was capitalized relating this transaction which is depreciated EUR 1.5 million annually until end of 2021.

REPORTING

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

NET SALES AND RESULT

Net sales grew by 10.6% from the previous year. The proportion of international operatorions of net sales decreased from the previous year and, in 2018, amounted to 95.6% (95.7%).

The operating loss was EUR 2.0 million (profit EUR 6.4 million).

Consolidated net sales and operating income

EUR million	2018	2017
Net sales	9.9	9.0
Operating income	–2.0	6.4

BRIDGE CALCULATION OF ALTERNATIVE PERFORMANCE MEASURES

Operative EBITDA

€ 1,000	2018	2017
Operating income	–1,965	6,356
Depreciation and amortization	1,807	1,589
Items affecting comparability	20	–8,313
Operating EBITDA	–138	–368

Items affecting comparability

€ 1,000	2018	2017
IFRS 2 share-based payments	–20	–85
Share of the profit/loss from Biohit HealthCare (Hefei) Co. Ltd		198
Share of the impact on profit/loss from the dissolution of Biohit HealthCare (Hefei) Co. Ltd *		–596
Biohit Healthcare (Hefei) Co. Ltd, capital gain on share		8,796
Total	–20	8,313

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

BALANCE SHEET

On the 31 December 2018, the balance sheet totalled EUR 17.9 million (EUR 18.9 million 31 Dec 2017). Biohit's balance sheet provides the necessary foundation for building new business and for utilising the significant potential of the company's products. At the end of the reporting period, our equity ratio stood at 89.2% (91.3%).

FINANCING AND OPERATIONAL CONTINUITY

Biohit Oyj has a stable financing position, which allows for the necessary actions towards creating an international distributor network as well as the development and commercialization of the new products. On 31 December 2018 company's financial assets totalled EUR 5.5 million (EUR 5.6 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 depended on external financing to be able to guarantee the continuity of its operations. Cash flow from operating activities was during the 1-12/2018 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 organisation's ability to continue its operations.

RESEARCH AND DEVELOPMENT

R&D operations focus on innovations, as well as product development and further improved usability. Biohit also employs external experts and subcontractors in its R&D operations. Development expenditure has not been capitalised. Research and development expenditure during the 1-12/2018 reporting period amounted to EUR 1.3 million (EUR 1.2 million), of which the second half-year accounted for EUR 0.7 million (EUR 0.5 million).

During the review period we completed CE marking and commercialization project for the Acetium® lozenge smoking cessation product. The product was launched in Finland in September 2018. In addition, we continued the development of the GastroPanel® Quick Test, intended as the first-line diagnostic test for dyspeptic patients, and the ColonView ELISA Test, intended for screening

of colorectal cancer and its precursors. The production processes of both test platforms were also standardized and stabilized in order to initiate external clinical validation studies and the CE marking process. Necessary ethical committee approvals have been sought for the initiation of external clinical validation studies in Finland.

INVESTMENTS

Gross investments during the 1-12/2018 reporting period totalled EUR 0.0 million (EUR 0.2 million).

PERSONNEL

During the review period, the Biohit Group employed 50 (51 in 2017) people on average. 42 (41) of whom were employed by the parent company and 8 (10) by the subsidiaries. At the end of the year 2018, the Group employed 49 (51) personnel, of whom 41 (42) were employed by the parent company and 8 (9) by the subsidiaries.

SHORT-TERM RISKS AND UNCERTAINTY FACTORS

Biohit's key risks are related to the success of registration processes, the selection and development of new market areas and distribution channels, personnel recruitment and political decision-making affecting the progress of screening programs. Significant short-term risks are associated with the successful selection of new market areas, the timing of expansion into selected markets and product success in these markets. The increase in uncertainty factors associated with international politics may have an unfavourable impact on the company's business.

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

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 unlisted shares of Genetic Analysis AS is subject to changes in the terms of transactions involving the company's shares that take place between third parties, which are used as input data in the valuation of Biohit's holding in the company. A negative change of 15% in the valuation of Genetic Analysis AS shares, would have a negative pre-tax impact of EUR 0.6 million on the Group comprehensive income. Market value change impact was +0.6 million in Group comprehensive income during the review period. Genetic Analysis AS valuation changes have no effect on cash flow.

Biohit's operation's customer base is widely diversified, with the exception of GastroPanel® sales in China, which currently represents a major single business for Biohit. Due to this reason, the company is dependent on the continuation of this business relationship. Otherwise, the company is not significantly dependent on individual customers or 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 2019

Biohit expects the growth to continue during 2019 despite of GastroPanel®'s re-registration delay in China.

"Biohit expects its 2019 Net Sales growing comparing 2018 (previous year EUR 9.9 million)."

Intangible asset depreciation relating divestment of Biohit Healtcare (Hefei) Co. Ltd. shares in 2017 impacts Biohit's result EUR 1.5 million annually until year 2021. Patent worth of 7.1 million was capitalized for the 2017 financial period relating this transaction.

MAIN EVENTS IN THE FINANCIAL PERIOD

New products and patents with increased social responsibility

Biohit has made several innovations in last 30 years and taken significant social responsibility in developing preventive healthcare. September

2018 we launched Acetium® lozenge in Finland. Acetium® lozenge is effective and safe product which helps smokers to quit smoking without consuming addictive nicotine or incurring any of the potential side-effects of medicinal intervention methods. The lozenge also contains a small amount of xylitol, which improves overall oral hygiene.

Usage of Acetium® lozenge is started just before smoking and is continued whole duration of smoking the cigarette. Acetium® lozenge effectively removes carcinogenic acetaldehyde that dissolves in saliva during smoking. Also mouth microbes produce acetaldehyde from alcohol, which is removed by Acetium® lozenge. The product launch is ongoing in several distribution channels in Finland and will continue in the rest of the Europe and Asia during 2019.

During the review period Acetium® lozenge was granted patents until 12 September 2028 in all nine Eurasian countries including Russia and Belarus. Acetium® lozenge has also been granted a European patent: EP 2 197 436 B1, Sucking tablet for use in reducing tobacco and/or alcohol dependence. In addition to this patent has been granted in all African countries and Mexico. There are several pending patent applications in other countries.

The new GastroPanel® quick test, intended for point-of-care testing (POCT), can be conducted using a fingertip blood sample during a primary care appointment. The GastroPanel® quick test will be available in Europe as soon as the performance and clinical testing required for the CE mark are completed. We expect to have CE mark available during H2/2019.

Expansion of our distribution network continued

We continued to expand our distributor network by making new agreements and rearranging existing agreements. We made the following agreements in 2018 concerning the distribution of Biohit's diagnostic products: BioVendor – Laboratorní medicína A.S. will sell our diagnostic tests in Czech Republic and Montebello AS in Norway. Trans Continental Medical Products is our new distributor in the Caribbean Islands. Dow Biomedica was nominated as new distributor in the important South-Korean market. AJ Mirza Pharma is our new distributor in Pakistan. Diagnostics and Acetium® (Etium) distribution in Mexico has been stopped for now and we are actively searching for the distibutors for both products.

During the review period, Save Health D.o.o in Serbia and Scientronics in Cyprus received exclusive right to sell Acetium®. In Greece we signed an agreement with Pharmathen Hellas S.A. for the distribution of the smoking cessation product Acetium® lozenge. Furthermore, we signed distribution agreement with Oriola Oyj regarding smoking cessation product Acetium® Lozenge. The product will be distributed in the pharmacies and other Oriola's distribution channels. In September we signed contract with Retail Partner ApS for the distribution of the smoking cessation product Acetium® lozenge in Denmark and Sweden. At the end of the 2018 we signed contracts for Acetium® lozenge distribution with MHD Pharma in Vietnam and UAB Osteca in Lithuania.

Changes regarding China

During the review period Biohit's distributor Biohit HealthCare (Hefei) Co. Ltd announced that it will make significant investment to expand its production capacity. According the latest estimate new capacity will be available until end of Q1/2020.

Biohit Healthcare (Hefei) Co. Ltd acquired from Biohit's main shareholder Osmo Suovaniemi and from his family 33.2% of total number of Biohit shares and 29.5% of the voting rights based on shares.

GastroPanel® market situation in China is strong and we expect demand to grow in coming years.

Our research projects

During 2018 we got positive study results of colorectal cancer screening tests in Brazil. The clinical state of migraine study was concluded at the end of June. However the results are not completed until end of H1/2019.

In the future we are selective regarding our investments on clinical studies and we shift our focus on commercialization of our excellent products.

Clinical studies progressed and some were completed

During the first half of 2018, we elaborated the final results of an international study continued in Brazil since 2014, comparing the diagnostic tests for colorectal cancer (CRC) screening. The design of this study was similar as the comparison study published in 2015, where the sensitivity and specificity of Biohit ColonView®-FIT test (specific to

human blood) was compared with the conventional guaiac-based test in detection of fecal occult blood (FOB). ColonView®-FIT-test, which like all other equivalent tests on the market, is based on the invention made by Biohit Oyj's founder in the early 1980's, represents the top among the new generation immunochemical (FIT) tests. The research group at Barretos Cancer Hospital (BCH) together with the Biohit Clinical Research Department analysed the results and completed the scientific communication reporting the final results of this new comparison study. These results further confirm the results of the previously reported comparison study, and in fact, the difference in favor of Biohit's ColonView®-FIT test compared with the conventional guaiac-based FOB test is even more significant than in the previous study. ColonView®-FIT is both of its performance (sensitivity and specificity) and with regard to patient safety, at a completely different level as the conventional guaiac-FOB test, which has now been confirmed in two independent clinical studies.

As reported previously, the clinical part of the double-blind, randomized trial for migraine patients run with a substantial delay, was finally concluded during the first half of 2018. The checking and reporting of the results are completed until June 2019. To increase the cohort size of the migraine trial, the study was decided to be extended by including two additional centers from Estonia. Both centers agreed to enroll 80 new patients to the study, using the same study protocol as the 6 centers in Finland. Patient enrollment in Tartu progressed well, whereas in Tallin was delayed.

Randomized clinical trial on cluster headache was concluded during the 2018. The checking and reporting of the results are completed until June 2019 like in migraine study.

The previously completed and reported GastroPanel® studies of Biohit is complemented by a new study initiated in 2017, targeted to two specific high-risk groups of patients. These are patients with type 1 diabetes mellitus (DM1) and those with autoimmune thyroid disease (AITD), both known to have a markedly increased risk of contracting autoimmune atrophic gastritis (AG). This study is conducted at GastroCenter and Internal Medice Department (Oulu University Hospital), where all consenting DM1 and AITD patients will be selected among the patients attending the outpatient departments and subjected to GastroPanel® examination. All those with GastroPanel® result suggesting atrophic gastritis will be invited to gastroscopy to clarify eg. the prevalence of the major risk factor of gastric cancer, AG, in these high-risk patients. At this moment, more than 200 DM1/AITD patents have been enrolled, with their GastroPanel® samples delivered to analysis at Biohit laboratory.

Option programme and financial communications

In 2018, 65,198 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 148,429.78 of the subscriptions was recognised in Biohit Oyj's invested unrestricted equity fund.

Biohit Oyj publishes financial reviews twice per year. In 2019, the company will publish its interim report for January-June (H1) 2019 on Wednesday, 14 August 2019 at 9:30 am.

MAIN EVENTS AFTER THE CLOSE OF THE REVIEW PERIOD

Biohit new-generation fecal immunochemical test (ColonView-FIT) is superior to traditional guaiac test in colorectal cancer screening

This new study had a similar design as the ColonView-FIT comparison study conducted in St. Petersburg and published in 2015. Also the results of the two studies are very similar, confirming the superior sensitivity of ColonView-FIT as compared with the traditional guaiac test (HemoccultSENSA). Interestingly, the difference between the two tests was even more striking in the Barretos study than in the first study.

Business Development Director Lea Paloheimo retired from Biohit Oyj

Biohit's management team member Business Development Director Lea Paloheimo retired as planned 31st of January 2019.

International group of experts revisited the value of traditional Helicobacter tests (13C urea breath test and stool antigen test) in their critical review

International group of multidisciplinary experts from China, Italy, Estonia and Finland, wrote a comprehensive and critical review on advantages and limitations of the Helicobacter tests as screening tools of gastric cancer.

ADMINISTRATION

Annual General Meeting in 2018

The Annual General Meeting (AGM) held on 25 April 2018 decided in accordance with the proposal by the Board of Directors that no dividend would be paid for the financial period that ended on 31 December 2018.

The AGM decided that the Board of Directors would have five (5) members and selected the following Board members until the end of the next AGM: members Professor (h.c.) Osmo Suovaniemi, Professor Stina Syrjänen, Professor Matti Härkönen, Commercial Counsellor Eero Lehti and managing director Franco Aiolfi.

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

Extraordinary General Meeting in 2018

The Extraordinary General Meeting (EGM) of Biohit Oyj held on Thursday August 16, 2018 decided to accept the propose to increase the number of Board members. The number shall be six (6).

Shareholders of Biohit Oyj decided that Managing Director of Biohit HealthCare (Hefei) Co., Ltd Liu Feng is elected as new member until the end of the next Annual General Meeting on addition of the Board members, which were elected in Annual General Meeting.

Stina Syrjänen resigned from the Board of Directors on 16 October 2018.

Biohit Oyj's 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 14,952,041 (14,886,843), of which 2,975,500 (2,975,500) are Series A shares and 11,976,541 (11,911,343) are Series B shares. The Series B shares are quoted on NASDAQ Helsinki in the Small cap/Healthcare group under the code BIOBV.

Supposing that the market capitalisation for series A and B shares is equal, the total market capitalisation at the end of the period was EUR 44.3 million (EUR 56.1 million on 31 December 2017).

BIOBV/NASDAQ OMX Helsinki

	1–12/2018	1–12/2017
High (EUR)	6.20	6.85
Low (EUR)	2.94	3.74
Average (EUR)	4.37	5.44
End (EUR)	2.96	3.77
Turnover (EUR)	37,690,324	17,264,322
Turnover volume	8,616,223	3,301,644

Shareholders

At the end of the reporting period on 31 December 2018, the company had 6,847 shareholders (6,660 on 31 December 2017). Private households held 63.3% (77.2%). companies 7.5% (19.1%) and public sector organisations 0.0% (0.0%). Foreign ownership or nominee registrations accounted for 29.2% (3.6%) 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 2018 are EUR 11,324,090.66 of which the period net loss is EUR 1,515,586.40. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the fiscal year.

Biohit's financial reporting and Annual General

Annual General Meeting in 2019

Biohit Oyj's Annual General Meeting has been planned to be held at 5.00 pm on Wednesday 24 April 2019 in Helsinki. The Board of Directors will call the General Meeting at a later date.

Corporate Governance Statement

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

Helsinki, 18 February 2019

Biohit Oyj Board of Directors

Consolidated comprehensive income statement

€ 1,000	Note	1 Jan – 31 Dec 2018	1 Jan – 31 Dec 2017
Net sales	3	9,931	8,979
Change in inventories of finished and unfinished products		147	–133
Other operating income	5	18	8,256
Materials and services	6	–3,637	–3,206
Expenses arising from employment benefits	7	–3,333	–3,442
Other operating expenses	8	–3,283	–2,706
Share of the profit/loss of joint ventures	9	-	198
EBITDA		**–157**	**7,946**
Depreciation and amortization	11, 15, 16	–1,807	–1,589
Operating profit/loss		**–1,965**	**6,356**
Financial income	12	153	143
Financial expenses	12	–212	–94
Profit/loss before taxes		**–2,024**	**6,405**
Income taxes	13	–120	–267
Profit/loss for the financial period		**–2,143**	**6,139**
Other items of comprehensive income			
Items that may later be reclassified through profit and loss			
Translation differences		0	–49
Items that will not be classified through profit and loss			
Changes in the fair value of equity instruments measured at fair value through other comprehensive income		632	–110
Total comprehensive income for the period		**–1,512**	**5,980**
Distribution of profit/loss for the financial period			
To the owners of the parent company		–2,143	6,139
Total		–2,143	6,139
Distribution of comprehensive income for the financial period			
To the owners of the parent company		–1,512	5,980
Total		–1,512	5,980
Earnings per share calculated from earnings attributable to the owners of the parent company			
Undiluted earnings per share (EUR)	14	–0.14	0.42
Diluted earnings per share (EUR)		–0.14	0.41

Consolidated balance sheet

€ 1,000	Note	31 Dec 2018	31 Dec 2017
ASSETS			
Non-current assets			
Intangible assets	15	5,045	6,764
Property, plant and equipment	16	557	708
Other non-current financial assets	17.18	1	2
Deferred tax assets	19	54	67
Total non-current assets		5,657	7,541
Current assets			
Inventories	20	826	681
Trade and other receivables	17, 21	2,025	1,960
Other current financial assets	17, 18	8,003	7,375
Cash and cash equivalents	17, 18, 23	1,375	1,339
Total current assets		**12,229**	**11,354**
Total assets		**17,887**	**18,895**

Consolidated balance sheet

€ 1,000	Note	31 Dec 2018	31 Dec 2017
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	24	2,350	2,350
Invested unrestricted equity fund	24	4,925	4,777
Translation differences	24	–143	–143
Retained earnings	24	8,760	10,259
Shareholders' equity attributable to shareholders of the parent company		**15,892**	**17,243**
Total shareholders' equity		**15,892**	**17,243**
Long-term liabilities			
Deferred tax liabilities	19	380	311
Financial liabilities	17, 18, 26	42	59
Other liabilities	17, 18, 27	4	4
Total long-term liabilities		**425**	**374**
Short-term liabilities			
Trade payables	17, 27	518	414
Short-term interest-bearing liabilities	17, 18, 26	17	17
Tax liabilities	17, 27	13	8
Other liabilities	17, 27	1,022	839
Total short-term liabilities		**1,569**	**1,278**
Total shareholders' equity and liabilities		**17,887**	**18,895**

Statement of changes in consolidated shareholders' equity

		Shareholders' equity attributable to shareholders of the parent company					
€ 1,000	Note	Share capital	Invested unrestricted equity fund	Translation differences	Fair value reserve	Retained earnings	Total shareholders' equity
Shareholders' equity 1 January 2018		2,350	4,777	–143	914	9,345	17,243
Change in accounting policies	24	-	-	-	–41	33	–7
Adjusted shareholders' equity 1 January 2018		2,350	4,777	–143	873	9,379	17,236
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**

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

Consolidated cash flow statement

€1,000	Note	2018	2017
Cash flow from operating activities			
Profit/loss for the financial period		–2,143	6,139
Adjustments to profit for the financial period			
Business activities with no payment transactions		26	–6,757
Depreciation and impairment	11	1,807	1,589
Unrealised exchange rate gains and losses			1
Financial income and expenses		59	–40
Other adjustments			–1,744
Income taxes	13	120	267
Total adjustments to income for the financial period	22	2,012	–6,684
Change in working capital			
Increase (-)/decrease (+) in short-term interest-free trade receivables		–54	12
Increase (-)/decrease (+) in inventories		–145	183
Increase (+)/decrease (-) in short-term interest-free liabilities		264	–495
Total change in working capital		65	–300
Interest paid		–68	–40
Interest received		132	131
Realised exchange rate gains and losses		–13	–61
Income taxes paid		–78	–127
Net cash flow from operating activities		**–93**	**–943**

€1,000	Note	2018	2017
Cash flow from investments			
Investments in tangible and intangible assets		–13	–170
Income from disposal of tangible and intangible assets		–2	-
Cash received from divestment of joint venture		-	1,743
Investments in funds and deposits		–2,112	–877
Profit from the sale of investments in funds and deposits		2,131	500
Net cash flow from investments		**4**	**1,196**
Cash flow from financing activities			
Paid share issue		148	429
Withdrawal of loans		-	88
Payments for financial leasing liabilities		–17	–13
Net cash flow from financing activities		**131**	**504**
Change in financial assets		**43**	**757**
Cash and cash equivalents at the beginning of the period		1,339	597
Effect of changes in exchange rates		–7	–15
Cash and cash equivalents at the end of the period	23	**1,375**	**1,339**

Notes to the consolidated financial statements

1 BASIC INFORMATION ABOUT THE COMPANY

Biohit Oyj is a Finnish public limited company that manufactures products that bind acetaldehyde, diagnostic products and systems for diagnostic analysis for the use of research institutions, 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 20 February 2019. 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 2018 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.

Consolidation principles

The consolidated financial statements include the parent company, Biohit Oyj, and all of its subsidiaries. Subsidiaries are companies over which the Group exercises control. The Group has

a controlling interest in a company if, by being involved in the company, it is exposed to fluctuating returns or is entitled to such fluctuating returns and it is able to influence these returns by exercising its control over the company.

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

Subsidiaries

Subsidiaries are consolidated into the financial statements from the moment that the Group gains control over them until this control ends. The consolidated financial statements have been prepared using the acquisition-cost method. The Group's share of assets, liabilities and contingent liabilities on the date of acquisition is recognised at fair value and the amount in excess of the fair-value acquisition cost is recognised as goodwill. If the acquisition cost of a subsidiary is less than the value of the net assets on the date of acquisition, the difference is recognised in the income statement. Internal Group business transactions, receivables, liabilities and unrealised profits from internal sales are eliminated in the consolidated financial statements. Unrealised losses are also eliminated unless an internal business transaction demonstrates that an asset has become impaired. The share of a subsidiary owned by minority interest-holders is presented in the consolidated balance sheet under equity, separately from shareholders' equity. The accounting principles applied by subsidiaries have been adapted to correspond to the Group's principles. On 31 December 2018, the company had no goodwill on its balance sheet.

Joint arrangements

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

Translating items denominated in foreign currencies

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

Foreign currency business transactions are recorded in the functional currency at the exchange rate on the date of transaction. Monetary receivables and liabilities are translated at the

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

Business segments

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

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

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.

In the implementation of IFRS 15, Biohit applied a modified retrospective approach, whereby the effect of contracts involving goods or services not yet transferred as of the date of the initial application, is recognised in retained earnings in the opening balance sheet at the date of initial application. As a result of the modified transition approach, comparative information was not adjusted. Before the implementation of the standard, Biohit estimated that the implementation may have an effect for contracts where revenue is expected to be recognised when the customer sells products for which Biohit earns a contractual royalty. The adoption of the standard did not affect Biohit's equity nor revenue recognition practices.

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, i.e. when the goods leave the warehouse

in accordance with "ex-works". For laboratory services, Biohit considers that control is transferred to the customer when the results of an analysis are delivered to the customer, and revenue is recognised at a point of time. Revenue from licence-based contracts is recognised based on a so-called subsequent sale, i.e. on the basis of revenue generated from the sales of the licenced goods by the customer or on the basis of the number of goods sold. Where Biohit is unable to receive from the customer the information regarding the amount of sales or the number of goods sold that forms the basis for royalty income, royalty income is estimated based on historical data. In the financial year 2018, 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.

Revenue recognition in the comparative period

Revenue from sales of goods and services is recognised, when the related material risks and benefits have been transferred to the purchaser and there is no significant uncertainty regarding payment or cost or any return of goods. The amount of revenue to be recognised consists of the fair value of the consideration to be received for the good or service, less sales tax and volume and other discounts, and adjusted for foreign exchange gains or losses relating to sales.

The goods sold by the Group comprise diagnostic tests, products that bind acetaldehyde, analysis systems and monoclonal antibodies. The sale of goods is recognised when the goods have been delivered to the customer and the risk relating to the goods has been transferred to the customer. Services sold by the Group comprise analysis of samples in the service laboratory. Revenue from services is recognised when the samples have been analysed. Consolidated net sales include contractual royalties whereby Biohit receives a proportion of the sales made by a contractual partner. Royalties are recognised as net sales on an accrual basis in accordance with the contents of the related contracts. Royalties are recognises as

income when the income can be determined reliably and the economic benefits related to the transaction are likely to flow to the Group.

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 2018.

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

Impairment of tangible and intangible assets

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

The recoverable amount is the asset's fair value, less costs arising from transfer or a higher utility value. Value in use is the estimated future net cash flow from the asset or cash-generating unit, which is discounted to its present value. Impairment loss is recognised if the book value of the asset is higher than the recoverable amount. Impairment loss is recognised immediately in the income statement. If the impairment loss is allocated to a cash-generating unit, it is first allocated to reduce the goodwill of the cash-generating unit and then to reduce the other assets of the unit pro rata. The impairment loss is cancelled if there is a change in the conditions and the recoverable amount from the asset has changed since the impairment loss was booked. However, the impairment loss may not be reversed in excess of what the asset's book value

would be without the recognition of the impairment loss. Impairment losses recognised for goodwill are never reversed.

Inventories

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

Pension obligations

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

Share-based payments

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

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

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

Provisions

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

Taxes based on taxable income for the period and deferred taxes

The tax expense in the income statement consists of the current tax expense and deferred tax. The amount of tax based on the taxable profit for the period is calculated from the taxable profit based on the applicable tax rate in each country. The tax is adjusted by possible taxes related to previous periods.

Deferred taxes are calculated from all temporary differences between the book value and tax base. The biggest temporary differences arise from the depreciation of property, plant and equipment, deferred tax assets and internal margins on inventory.

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

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

IFRS 9 Financial Instruments

The group applies IFRS 9 standard for the first time for the financial year starting 1 January 2018. The group applies the new rules retrospectively but the comparatives are not restated. IFRS 9 addresses the classification, measurement, recognition and derecognition of financial assets and financial liabilities, introduces new rules for hedge accounting and a new impairment model for financial assets. The comparative financial information has been prepared according to IAS 39 Financial instruments: Recognition and Measurement.

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 consist 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. In year 2017 these items were classified as loans and receivables when applying IAS 39 for the comparable period.

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. Equity investments and investment in funds were classified as available for sale -category when applying IAS 39 for the comparable period.

Assets at fair value fair value through other comprehensive income consist from equity investments to unlisted Genetic Analysis AS shares. These shares were reported as available for sale during comparative reporting period. The group hold these shares as long-term strategic investments which are not expected to be sold at short or medium term period. All fair value changes in this category are recognised in equity and any potential future gain or loss from sale of assets will lead to transfer between equity to retained earnings without impact to the profit and loss statement. Dividends from equity investments are recognized at profit and loss statement.

Financial Liabilities

Group's financial liabilities are classified as amortized cost and measured at fair value net of transaction cost at settlement date. Financial liabilities are subsequently measured at amortized cost using the effective interest method. Financial liabilities at amortized cost consist from loans from financial institutions, bank overdrafts and from other financial liabilities. 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. The impairment or credit loss is recognized in the consolidated statement of income within other expenses. In 2017 the provision for impairment was recognized for receivables over 90 days overdue. 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, depreciation and potential impairment losses, as well as other operating expenses. All other items, including discontinued operations, are presented beneath operating profit or loss. Exchange differences and changes in the fair value of derivatives are included in operating profit or loss providing they arise from business-related items. Otherwise, they are recognised as financial items. Exchange differences related to the Group's internal receivables and liabilities are recognised as financial items.

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

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

Impairment testing

The Group conducts impairment tests as required on 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. For the valuation of Genetic Analysis AS, the input data consists of transactions involving the company's shares on market terms between third parties. The company classifies 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 3.9 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 2017, except for IFRS 15 and IFRS 9, which were adopted on 1 January 2018. See the sections "Revenue recognition" and "IFRS 9 Financial Instruments" in the accounting principles.

New standards and interpretations that have not yet been adopted

Biohit has not yet applied the following new and amended standards and interpretations, which have already been published but have not been approved by the European Union or will not take effect until after the financial period. The Group intends to apply these on the date on which they enter into force or from the beginning of the following financial period if this date is not the first day of the financial period.

The International Accounting Standards Board has published a new standard: IFRS 16 Leases. The standard must be applied as of 1 January 2019.

IFRS 16

Biohit applies 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 lessees 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 prepared an analysis for IFRS 16 impacts on the financial statements. Due to adopting IFRS 16 standard, the opening balance sheet on January 1 2019 will increase by EUR 0.3 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. Instead, the cumulative effect of applying the standard is recognized as an adjustment to the opening balance of retained earnings at the date of initial application.

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 (EUR THOUSAND)	2018	2017
Finland	438	390
Europe, other	3,648	3,035
North and South America	164	223
Asia	4,689	4,562
Other countries	992	769
Net Sales from contracts with customers total	9,931	8,979

The majority of Biohit's net sales is generated from the diagnostic products. In the year 2017 India was part of the other countries in 2018 part of the Asia.

The majority of Biohit's net sales is generated from distributor agreements. Biohit's customers, i.e. the distributors, buy and resell the products. Biohit has no post-sales rights or obligations relating to the control over the products, except for a right of return relating to some distribution agreements. The goods that are sold include several various tests for diagnostics of diseases in the gastrointestinal tract, such as celiac quick test, lactose intolerance test, Vitamin D test, GastroPanel® test for the first-line diagnosis of dyspepsia measured on simple blood test. Furthermore, the product portfolio includes Acetium® lozenge and Acetium® capsule, which are acetaldehyde-binding products sold under the trade mark 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 2018	1 Jan 2018
Contract Assets	27	8
Trade receivables	1,655	1,617
Contract assets and receivables total	**1,681**	**1,626**

€ 1,000	31 Dec 2018	1 Jan 2018
Contract liabilities	12	0
Contract liabilities total	**12**	**0**

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

4 ACQUIRED BUSINESSES

No businesses were acquired in the 2017 and 2018 financial periods.

5 OTHER OPERATING INCOME

€ 1,000	2018	2017
Biohit Healthcare (Hefei) Co. Ltd, capital gain *	-	8,200
Subsidies	17	39
Loss from sales of property, plant and equipment	–2	–6
Others	3	23
Total	18	8,256

* On 2 January 2017, Biohit Oyj announced an arrangement to reduce the share capital in Biohit HealthCare (Hefei) Co. Ltd, a joint venture operating in Hefei, China, leading to Biohit Oyj giving up its holding in the company. In H1/2017, the transaction was granted the requisite approval by the authorities and the share capital in the joint venture was reduced by an amount corresponding to Biohit Oyj's holding. A capital gain amounting to approximately EUR 8.4 million was recognised during the first half of the 2017 financial period, and this affected the comparability of the operating profit. The amount recognised under intangible rights on the balance sheet was approximately EUR 7.1 million. In addition, a proportion of the transaction was paid in cash in the amount of EUR 1.7 million. After direct taxes and exchange rate fluctuations, the net effect was approximately EUR 1.5 million. Biohit HealthCare (Hefei) Co. Ltd is no longer a joint venture of Biohit Oyj, nor has it been included in the consolidated balance sheet as of 1 June 2017.

6 MATERIALS AND SERVICES

€ 1,000	2018	2017
Materials, supplies and goods	2,867	2,741
External manufacturing services	770	465
Total	3,637	3,206

7 EXPENSES ARISING FROM EMPLOYMENT BENEFITS

€ 1,000	2018	2017
Salaries	2,842	2,860
Pension expenses – defined-contribution plans	412	421
Options and share bonuses realised and paid in shares	20	85
Other personnel expenses	59	75
Total	3,333	3,442

Average number of Group employees in the financial period	**2018**	2017
Group total	50	51

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

8 OTHER OPERATING EXPENSES

€ 1,000	2018	2017
Travel expenses and other personnel expenses	379	336
Rents and maintenance expenses	384	387
Sales and marketing expenses	932	454
Other external services	1,189	1,138
Other operating expenses	399	390
Total	3,283	2,706

Other operating expenses include research and development expenses of EUR 1,290 thousand (EUR 1,211 thousand).

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

€ 1,000	2018	2017
Consolidation of the profit form Biohit HealthCare (Hefei) Co. Ltd in the financial period *	-	198

* See note 5

10 AUDITORS' FEES

€ 1,000	2018	2017
Companies belonging to the PricewaterhouseCoopers chain		
Auditors' fees	100	63
Auditors' statements	10	6
Tax service	-	8
Other services	14	22
Total fees paid to the auditor	124	99

In the 2018 financial period, PricewaterhouseCoopers Oy provided Biohit Group with services unrelated to auditing at a total cost of EUR 14 thousand (2017: EUR 22 thousand).

These other services included expert services related to amending the articles of association and the effects of adopting IFRS 16.

11 DEPRECIATION AND IMPAIRMENT

€ 1,000	2018	2017
Intangible assets	1,643	1,002
Buildings	-	4
Plant and equipment	164	175
Impairment depreciation	-	409
Total	1,807	1,589

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

SENSITIVITY ANALYSIS OF THE CALCULATION OF THE FAIR VALUE OF THE PATENTS IN CHINA

In the 2018 financial statements, the balance sheet value of patents related to the 2017 sale of Biohit HealthCare (Hefei) Co. Ltd was EUR 4.6 million. The patents will be subject to straight-line depreciation until the end of 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 2018 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 three factors:

€ 1,000	2018
WACC (%) increased by 1% and impact on the value of patents	–60
WACC (%) increased by 5% and impact on the value of patents	–300

The required return on capital depends on the interest environment and the risk level of equities.

One-year delay to the initiation of production in China and impact on the value of patents	–500
Two-year delay to the initiation of production in China and impact on the value of patents	–1 700

Royalty-based cash flow is dependent on the readiness of Biohit HealthCare (Hefei) Co. Ltd's production facilities in terms of sufficient production quality and ready production capacity. According to the latest estimate, the expanded production capacity will become available by the end of Q1/2020 when the distributor has received all of the permits from the authorities to allow production to begin.

Decrease in demand for GastroPanel® by 20% and impact on the value of patents	–100
Decrease in demand for GastroPanel® by 40% and impact on the value of patents	–1 200

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

12 FINANCIAL INCOME AND EXPENSES

€ 1,000	2018	2017
Financial income		
Net profit on investments recognised at fair value through profit or loss	153	143
Total	153	143
Financial expenses		
Interest expenses on financial liabilities	–3	–6
Net loss on investments recognised at fair value through profit or loss	–184	-
Exchange rate losses from financial assets and liabilities	-	–70
Other financial expenses	–25	–18
Total	–212	–94
Total financial income and expenses	–59	49

In the 2017 financial statements, the item for financial income and expenses was classified in a different manner. The break-down reclassifies the figures for the comparison period so they correspond to the figures for 2018.

13 INCOME TAXES

Direct taxes

€ 1,000	2018	2017
Tax based on taxable income for the financial period	–104	–267
Deferred taxes	–16	0
Total direct taxes	–120	–267

Reconciliation of tax expenses on the income statement

€ 1,000	2018	2017
Profit before taxes	–2,024	6,405
Taxes calculated at domestic rates 20%	405	–1,281
Effect of differing tax bases applying to foreign subsidiaries	–104	–65
Tax-free income and non-deductible expenses	–30	1,759
Non-recognised deferred tax assets from taxable loss	–375	–478
Other items	–16	–201
Taxes on the income statement	–120	–267

14 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.

	2018	2017
Profit for the period attributable to the owners of the parent company (EUR thousand)	–2 143	6 139
Average number of shares, undiluted	14,901,904	14,764,411
Effect of share options	113,552	178,750
Average number of shares, diluted	15,015,456	14,943,161
Earnings per share, undiluted (EUR)	–0.14	0.42
Earnings per share, diluted (EUR)	–0.14	0.41

15 INTANGIBLE ASSETS

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

2017

€ 1,000	Intangible rights	Other intangible assets	Total
Acquisition cost 1 January 2017	2,084	712	2,796
Increases	7,053	-	7,053
Decreases	–75	-	–75
Acquisition cost 31 December 2017	9,062	712	9,774
Accumulated depreciation and impairment 1 January 2017	–892	–708	–1,600
Depreciation	–999	–3	–1,002
Impairment	–409	-	-
Accumulated depreciation and impairment 31 December 2017	–2,300	–711	–3,011
Book value 1 January 2017	1,394	2	1,396
Book value 31 December 2017	6,762	2	6,764

Intangible rights consist of patents.

16 TANGIBLE ASSETS

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

2017

€ 1,000	Plant and equipment	Total
Acquisition cost 1 January 2017	1,600	1,600
Increases	180	180
Decreases	–28	–28
Acquisition cost 31 December 2017	1,752	1,752
Accumulated depreciation and impairment 1 January 2017	–888	–888
Depreciation	–175	–175
Depreciation of decreases	18	18
Accumulated depreciation and impairment 31 December 2017	–1,044	–1,044
Book value 1 January 2017	712	712
Book value 31 December 2017	708	708

17 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

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 trough OCI € 1,000	Hierarchical level
Non-current assets				
Other non-current financial 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.

The standard was applied first time at 1 January 2018. The financial instruments of the Group were following:

Financial Instruments reclassification followed by IFRS 9 adoption	IAS 39 Measurement Category	IFRS 9 Measurement Category	Carrying amount (EUR 1,000) IAS 39	Carrying amount (EUR 1,000) IFRS 9	Change
Current assets					
Other current financial assets	Investments available for sale	Fair value through profit and loss	4,302	4,302	
Other current financial assets	Investments available for sale	Fair value through other comprehensive income	3,072	3,072	
Trade receivables	Loans and other receivables	Amortised cost	1,617	1,617	-0.0
Other receivables	Loans and other receivables	Amortised cost	342	342	
Cash and cash equivalents	Loans and other receivables	Amortised cost	1,339	1,339	

Balance sheet values of financial assets by category 31 December 2017

€ 1,000	Loans and other receivables	Financial securities measured via the fair value reserve	Total book value	Fair value	Fair value hierarchy
Non-current financial assets					
Other non-current financial assets	2	-	2	2	2
Total	2	-	2	2	
Current financial assets					
Trade and other receivables	1,960	-	1,960	1,960	
Other current financial assets	-	4,302	4,302	4,302	2
Other current financial assets	-	3,072	3,072	3,072	2
Cash and cash equivalents	1,339	-	1,339	1,339	
Total	3,299	7,375	10,674	10,674	
Total financial assets	3,301	7,375	10,676	10,676	

Financial liabilities by category

€ 1,000	**Book value 2018**	**Fair value 2018**	Book value 2017	Fair value 2017
Long-term financial liabilities valued at amortised cost				
Other liabilities	4	4	4	4
Financial leasing liabilities	42	42	59	59
Total	46	46	63	63
Short-term financial liabilities valued at amortised cost				
Trade payables	518	518	414	414
Tax liabilities	13	13	8	8
Other liabilities	1,022	1,022	839	839
Principal payments for financial leasing liabilities	17	17	17	17
Total	1,569	1,569	1,278	1,278
Total financial liabilities	1,615	1,615	1,341	1,341

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

18 NET LIABILITIES

€ 1,000	2018 EUR	2017 EUR
Cash and cash equivalents	1,375	1,339
Other investments	8,004	7,377
Current liabilities	–17	–17
Non-current liabilities	–46	–63
Net liabilities	9,317	8,636
Liquid assets and other financial assets	9,379	8,716
Gross liabilities – fixed interest	–63	–80
Net liabilities	9,317	8,636

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	Cash in hand EUR	Other liquid assets EUR	Financial leasing liabilities maturing within less than one year EUR	Financial leasing liabilities maturing in more than one year EUR	Loans maturing within less than one year EUR	Loans maturing in more than one year EUR	Total EUR
Net liabilities 1 January 2017	597	7,134	-	2	0	–5	7,728
Cash flow	757	377	-	-	-	1	1,136
Purchases, financial leasing	-	-	-	-	–17	–59	–76
Changes in exchange rates	–15	-	-	-	-	-	–15
Other changes not based on cash flow	-	–136	-	-	-	-	–136
Net liabilities 31 December 2017	1,339	7,375	-	2	–17	–63	8,636
Cash flow	43	–19	-	–1	-	17	40
Purchases, financial leasing	-	-	-	-	-	-	0
Changes in exchange rates	–7	-	-	-	-	-	–7
Other changes not based on cash flow	-	647	-	-	-	-	647
Net liabilities 31 December 2018	1,375	8,003	-	1	–17	–46	9,317

19 DEFERRED TAXES

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

Deferred tax assets

€ 1,000	1 Jan 2017	Recognised through profit and loss	Recognised under other items of comprehensive income	Businesses purchased/sold	31 Dec 2017
Internal inventory margin	6	0	-	-	6
Other items	101	-	-	–40	61
Total	107	0	-	–40	67

Deferred tax liabilities

€ 1,000	1 Jan 2017	Recognised through profit and loss	Recognised under other items of comprehensive income	Businesses purchased/sold	31 Dec 2017
Capitalisation of intangible assets	151	-	-	–75	76
Capitalisation of tangible assets	5	-	-	1	6
Financial securities measured via the fair value reserve	256	-	–27	-	229
Total	412	-	–27	–74	311

The Group has tax-deductible losses of EUR 19.3 million for the periods from 2012 to 2018 for which no deferred tax assets have been recognised. EUR 18.9 million of the loss is in Finland (2018: EUR 1.4 million, 2017: EUR 1.7 million, 2016: EUR 2.4 million, 2015: EUR 3.2 million, 2014: EUR 4.1 million, 2013: EUR 2.7 million, 2012: EUR 3.4 million) and EUR 0.4 million is in Italy. The losses expire in 10 years in Finland.

20 INVENTORIES

€ 1,000	2018	2017
Materials and supplies	296	297
Work in progress	90	115
Finished products/goods	440	269
Total inventories	826	681

21 TRADE AND OTHER RECEIVABLES

Long-term receivables

€ 1,000	2018	2017
Long-term interest-free receivables	56	70
Total	56	70

Short-term receivables

€ 1,000	2018	2 017
Trade receivables	1 655	1,617
Accrued income	317	311
Other receivables	54	32
Total	2,025	1,960

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

22 NOTE CONCERNING SUBSTANTIAL ITEMS ON THE STATEMENT OF CHANGES IN FINANCIAL POSITION

€ 1,000	2018	2017
Business activities with no payment transactions:		
The patents returned to the company when Biohit divested its holding in Biohit Healthcare (Hefei) Co. Ltd	-	–7,053
Other business activities that do not include payment transactions	-	296
Cash amount received from the divestment of the holding in Biohit HealthCare (Hefei) Co. Ltd *	-	–1,744
Others	2,012	1,816
Total	2,012	–6,684

* See note 5

23 CASH AND CASH EQUIVALENTS

€ 1,000	2018	2017
Cash and cash equivalents	1,375	1,339

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 14,952,041 (14,886,843) shares, of which 2,975,500 (2,975,500) belong to Series A and 11,976,541 (11,911,343) 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.

Adjusted shareholders' equity 1 January 2018 € 1,000	Share capital	Invested unrestricted equity fund	Translation differences	Fair value reserve	Retained earnings	Shareholders' equity Total
Shareholders' equity 1 January 2018	2,350	4,777	–143	914	9,345	17,243
Change in accounting policies due to IFRS 9, expected credit losses	-	-	-	-	–7	–7
Change in accounting policies due to IFRS 9, investments	-	-	-	–41	41	0
Adjusted shareholders' equity 1 January 2018	2,350	4,777	–143	873	9,379	17,236

Effect of the application of IFRS 9 on the opening balance sheet

The Group began to apply IFRS 9 (Financial Instruments) non-retrospectively on 1 January 2018. As regards shareholders' equity, the opening balance sheet was adjusted to move EUR 41,000 from comprehensive income to retained earnings because money market investments are measured at fair value through profit or loss due to the adoption of IFRS 9, while the same investments were measured at fair value through comprehensive income in the comparison period. Biohit only recognises changes in the fair value of Genetic Analysis AS in other items of comprehensive income.

In accordance with IFRS 9, impairment is recognised on the basis of expected credit losses. Biohit applies the simplified approach to recognising impairment provisions for trade receivables. The Group uses a calculation matrix for credit losses to calculate the credit loss provision for trade receivables, and the impact on retained earnings was negligible at EUR -7,000.

25 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	2018	2017
Options in circulation at the beginning of the financial period	178,750	367,060
Options exercised	65,198	188,310
Options in circulation at the end of the financial period	113,552	178,750
Exercisable options at the end of the financial period	113,552	178,750
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 2018, 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
2018	0.0	0.4	113,552
2017	0.0	1.4	178,750

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 2018 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	2018	2017
Non-current interest-bearing liabilities		
Financial leasing liabilities	42	59
Total interest-bearing non-current liabilities	42	59
Current interest-bearing liabilities		
Principal payments for financial leasing liabilities	17	17
Total interest-bearing current liabilities	17	17
Total interest-bearing liabilities	59	76

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	2018	2017
Deferred tax liabilities	380	311
Other non-current liabilities	4	4
Total	383	315

Current interest-free liabilities

€ 1,000	2018	2017
Trade payables	518	414
Advances received	73	-
Tax liabilities	13	8
Accruals and deferred income	949	839
Total	1,552	1,261
Total interest-free liabilities	1,935	1,576

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

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

2018

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

2017

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

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 5.5 million (EUR 5.6 million). The company also holds shares in Genetic Analysis AS worth EUR 3.9 million (EUR 3.1 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 89.2% (91.3%).

Analysis of the maturities of financial liabilities in 2018

€ 1,000	‹1 year	1–5 years	›5 years	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

Analysis of the maturities of financial liabilities in 2017

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

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 12% of the investment portfolio is cash, low-risk money market fund investments and investment-grade investments. Approximately 24% of the portfolio is investments rated BB-B, while investments without credit ratings account for 64%.

On 31 December 2018, trade receivables totalled EUR 1.7 million (EUR 1.6 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	**2018**	**Impairment loss**	**Net 2018**	2017	Impairment loss	Net 2017
Not yet at maturity	1,101	–3	1,098	1,305	-	1 305
Less than 30 days overdue	283	–2	281	129	-	129
30–60 days overdue	182	–8	174	125	-	125
61–90 days overdue	51	–7	44	23	-	23
More than 90 days overdue	78	–20	57	65	–29	36
Total	1,696	–40	1,655	1,646	–29	1,617

EUR 33 thousand (EUR 18 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	**2018**	2017
Total shareholders' equity	15,892	17,243
Balance sheet total	17,887	18,895
Advances received	–73	-
Equity ratio	89.2%	91.3%

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	2018	2017
Parent company		
Management Teams	524	553
President & CEO	202	202
Members of the scientific advisory board	223	221

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 205 thousand (EUR 201 thousand). Stina Syrjänen, a member of the Board of Directors, was paid a consultancy fee of EUR 5 thousand for her services as a member of the scientific advisory board.

€ 1,000	2018	2017
Subsidiaries		
Managing Directors	106	106

Board of Directors' remuneration

€ 1,000		2018	2017
Parent company			
Osmo Suovaniemi	Chairman	8	8
Franco Aiolfi	Member	8	8
Matti Härkönen	Member	8	5
Eero Lehti	Member	5	3
Stina Syrjänen	Member	5	6
Liu Feng	Member	5	-
Seppo Luode	Member	-	2
Mikko Salaspuro	Member	-	2
Janina Andersson	Member	-	2
Total Board remuneration		36	33

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

Share-based payments

€ 1,000	2018	2017
Parent company		
Management Teams	11	263
President & CEO	86	291
Key sales personnel	11	-

On 31 December 2018, the members of the Board of Directors and President & CEO owned a total of 2,950,500 Series A shares and 4,516,533 Series B shares, either directly or through companies under their control. These correspond to 49.9% 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, is the majority owner of Euroclone S.p.A. via a company called Arsfin Consult S.r.l. Euroclone S.p.A. owns 92,807 series B shares.

At the end of 2018, the Group's President & CEO held 0 options (40,000). In total, the members of the Group Management Team held 30,000 (80,000) option rights at the end of 2016, while other external parties or the company's key personnel held 83,522. Each option held by a member of senior management entitles the holder to one Series B share, which corresponds to 0.20% of all shares and 0.04% of all votes after subscription. The options in circulation represent 0.75% of all shares and 0.16% of all votes after subscription. The options held by the Group's President & CEO and members of the Group Management Team are subject to the same terms and conditions as the options held by others. Option bonuses granted to the company's managers are measured at fair value at the time of issue and recognised evenly as cost items throughout the period during which they were earned, which runs from 19 June 2013 to 31 May 2019.

The Group's parent company and subsidiaries

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

Oy Finio Ab and Vantaan Hienomekano Oy were not in business in 2017 and 2018.

Sales of goods and services to related party companies	2018	2017
Sales of goods		
Biohit HealthCare (Hefei) Co. Ltd	2,751	1,076
Sales of services		
Biohit HealthCare (Hefei) Co. Ltd	201	246
Total	2,953	1,322

In the review period, 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.

During the first half of 2017, Biohit Oyj sold its holding in Biohit HealthCare (Hefei) Co. Ltd, and the profit of this company was not consolidated into Biohit Oyj's profit from 1 June 2017 onwards, and the sales of EUR 1.3 million as referred to above for 2017 accrued in the period to 31 May 2017.

Other operating expenses

€ 1,000	2018	2017
Consultancy, administration and logistics fees (companies under the control of members of the Board of Directors)		
Euroclone S.p.A., Franco Aiolfi	66	82
Biobrick, Franco Aiolfi	25	25
Oy Tech Know Ltd, Matti Härkönen	55	53
Gascol Tutkimus Oy, Mikko Salaspuro	0	21
Total	146	180

Ownership stakes in joint ventures		
Biohit HealthCare (Hefei) Co. Ltd *	-	0 %

* See note 5

30 COLLATERAL AND CONTINGENT LIABILITIES

€ 1,000	**2018**	2017
Collateral pledged on the company's own behalf		
Guarantees	4	3
Other liabilities		
Leasing commitments:		
Due for payment in one year	26	51
Due for payment in more than one year but less than five years	14	36
Due for payment in more than five years	-	-
Total	40	87
Other lease commitments:		
Due for payment in one year	178	196
Due for payment in more than one year but less than five years	86	262
Due for payment in more than five years	-	-
Total	264	458
Total other liabilities	304	545
Total collateral and contingent liabilities	307	548

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 2014	IFRS 2015	IFRS 2016	IFRS 2017	**IFRS 2018**
Net sales	4,363	6,051	8,195	8,979	9,931
Change in net sales (%)	26.4%	38.7%	35.4%	9.6%	10.6%
Operating profit/loss	–4,504	–2,900	–3,356	6,356	–1,965
Proportion of net sales (%)	–103.2%	–47.9%	–41.0%	70.8%	–19.8%
Profit/loss before extraordinary items and taxes	–4,312	–2,903	–3,275	6,405	–2,024
Proportion of net sales (%)	–98.8%	–48.0%	–40.0%	71.3%	–20.4%
Profit/loss before taxes	–4,312	–2,903	–3,275	6,405	–2,024
Proportion of net sales (%)	–98.8%	–48.0%	–40.0%	71.3%	–20.4%
Return on equity (%)	–24.5%	–25.3%	–31.1%	45.8%	–12.2%
Return on investments (%)	–23.8%	–22.8%	–29.4%	46.3%	–10.9%
Equity ratio	87.5%	87.9%	83.0%	91.3%	89.2%
Investments in fixed assets	447	832	115	7,232	13
Proportion of net sales (%)	10.2%	13.8%	1.4%	80.6%	0.1%
Research and development expenditure	1,942	1,914	1,852	1,209	1,290
Proportion of net sales (%)	44.5%	31.6%	22.6%	13.5%	13.0%
Balance sheet total	14,508	11,728	12,989	18,895	17,887
Average number of personnel	50	52	53	51	50

3.2 Share-specific indicators

	IFRS 2014	IFRS 2015	IFRS 2016	IFRS 2017	**IFRS 2018**
Earnings per share, undiluted (EUR)	–0.32	–0.20	–0.22	0.42	–0.14
Shareholders' equity attributable to the owners of the parent company (EUR per share)	0.90	0.72	0.73	1.16	1.06
Price-to-earnings ratio (P/E)	0.0	0.0	0.0	9.0	–21.1
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	6.35	5.45	5.57	5.44	4.37
- Low	4.57	4.22	4.71	3.74	2.94
- High	8.17	7.14	6.42	6.85	6.20
- Price 31 December	4.68	5.61	6.05	3.77	2.96
Market capitalisation EUR 1,000					
(presuming the same market value for Series A shares					
as for Series B shares)	66,155	80,495	88,926	56,123	44,258
Turnover of Series B shares (thousands)	4,029	4,014	2,159	3,302	8,616
- proportion of the total (%)	37.2%	37.0%	19.9%	27.7%	71.9%
Average ex-rights adjusted number of					
shares	13,941,286	14,276,519	14,685,071	14,764,411	14,901,904
- taking into consideration the diluting effect of options and convertible bonds	14,521,286	14,703,579	15,052,131	14,943,161	15,015,256
Ex-rights adjusted number of					
shares at the end of the financial period	14,135,593	14,348,533	14,698,533	14,886,843	14,952,041
- taking into consideration the diluting effect of options and convertible bonds	14,715,593	14,775,593	15,065,593	15,065,593	15,065,593

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

4 SHARES AND SHAREHOLDERS

Shareholdings by owner group 31 December 2018

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

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

Series B shares	Number of owners shares	%	Number of shares shares	%
1. Households	6,589	96.4	5,965,941	49.8
2. Financial and insurance institutions	14	0.2	511,576	4.3
3. Companies and housing companies	200	2.9	519,933	4.3
4. Non-profit organisations	8	0.1	4,181	0.0
5. Public corporations	0	0.0	0	0.0
6. Nominees and foreign owners	26	0.4	4,119,318	34.4
In joint and clearing accounts	0	0.0	855,592	7.1
Total number of Series B shares	6,837	100.0	11,976,541	100.0
Total number of Series A and Series B shares	6,847		14,952,041	

Series B shares	Number of owners shares	%	Number of shares shares	%
1–1,000	5,832	85.3	1,534,699	12.8
1,001–10,000	874	12.8	2,583,728	21.6
10,001–100,000	129	1.9	2,895,458	24.2
More than 100,001	2	0.0	4,107,064	34.3
Shares in joint and clearing accounts	0	0.0	855,592	7.1
Total number of Series B shares	6,837	100.0	11,976,541	100.0
Total number of Series A and Series B shares	6,847		14,952,041	

LARGEST REGISTERED SHAREHOLDERS 31 DECEMBER 2018

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	33.1
Suovaniemi Osmo Antero	2,018,310	0	2,018,310	13.5
Härkönen Matti	57,200	267,965	325,165	2.2
Oy Etra Invest Ab	0	200,000	200,000	1.3
Evli Bank Plc	0	130,000	130,000	0.9
Suovaniemi Vesa Jukka Markku	0	85,353	85,353	0.6
Syrjälä Pekka	0	77,495	77,495	0.5
Kähkönen Jouko Juhani	0	76,000	76,000	0.5
Harmes Arjo	0	74,500	74,500	0.5
Jaakkola Sami Juhani	0	70,608	70,608	0.5

10 largest owners in terms of the number of votes	Series A shares	Series B shares	Total votes	%
Suovaniemi Osmo Antero	2,018,310	0	40,366,200	56.5
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
Evli Bank Plc	0	130,000	130,000	0.2
Suovaniemi Vesa Jukka Markku	0	85,353	85,353	0.1
Syrjälä Pekka	0	77,495	77,495	0.1
Kähkönen Jouko Juhani	0	76,000	76,000	0.1
Harmes Arjo	0	74,500	74,500	0.1

Senior management ownership 31 December 2018
On 31 December 2018, the members of the Board of Directors and President & CEO owned a total of 2,950,500 Series A shares and 4,516,533 Series B shares, either directly or through companies under their control. These correspond to 49.9 per cent of all of the shares in the company and 88.9 per cent of all of the votes. Franco Aiolfi, a member of the Board of Directors, is the majority owner of Euroclone S.p.A. via a company called Arsfin Consult S.r.l. Euroclone S.p.A. owns 92,807 series B shares.

5 FORMULAE FOR CALCULATING KEY INDICATORS

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

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	1 Jan - 31 Dec 2018	1 Jan - 31 Dec 2017
Net sales	2	**7,427**	**6,865**
Change in inventories of finished and unfinished products		151	–137
Other operating income	3	205	262
Materials and services	4	–2,728	–2,586
Personnel expenses	5	–2,780	–2,817
Other operating expenses	6	–2,911	–2,313
EBITDA		**–635**	**–727**
Depreciation and amortization	7	–1,715	–1,188
Operating profit/loss		**–2,350**	**–1,915**
Financial income and expenses	9	849	8,858
Profit/loss before appropriations and taxes		**–1,502**	**6,943**
Withholding tax	10	–14	–201
Profit/loss for the financial period		**–1,516**	**6,742**

Parent company's balance sheet (FAS)

€ 1,000	Note	31 Dec 2018	31 Dec 2017
Assets			
Non-current assets			
Intangible assets	11	4,736	6,306
Tangible assets	12	508	643
Investments			
Shares in Group companies	13	232	232
Other investments	13	1	1
Total fixed assets		**5,477**	**7,182**
Current assets			
Inventories	14	699	549
Long-term receivables	15	255	-
Short-term receivables	15	1,822	1,960
Financial securities	16	7,992	7,363
Cash at bank and in hand	17	912	413
Total current assets		**11,680**	**10,286**
TOTAL ASSETS		**17,157**	**17,467**

€ 1,000	Note	31 Dec 2018	31 Dec 2017
Liabilities and shareholders' equity			
Shareholders' equity			
Share capital	18	2,350	2,350
Fair value reserve	18	1,505	914
Invested unrestricted equity fund	18	3,829	3,681
Retained earnings	18	9,011	2,228
Profit/loss for the financial period	18	–1,516	6,742
Total shareholders' equity		**15,179**	**15,915**
Liabilities			
Long-term liabilities	19, 20	719	589
Short-term liabilities	21	1,259	964
Total liabilities		**1,978**	**1,552**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**17,157**	**17,467**

Parent company's cash flow statement

€ 1,000	Note	2018	2017
Cash flow from operating activities:			
Profit/loss before appropriations and taxes		–1,502	6,943
Adjustments:			
Planned depreciation		1,715	1,188
Unrealised exchange rate gains and losses		–1	–1
Other income and expenses unconnected to payment		1	–158
Financial income and expenses	9	–849	–8,858
Change in working capital:			
Increase (-)/decrease (+) in short-term interest-free trade receivables		–106	–78
Increase (-)/decrease (+) in inventories		–150	183
Increase (+)/decrease (-) in short-term interest-free liabilities		292	–594
Realised exchange rate gains and losses		-	–12
Interest paid and payments on other operating financial expenses		–71	–34
Dividends received		895	-
Income and interest received from business activities		136	140
Cash flow from operating activities		**361**	**–1,282**
Cash flow from investments:			
Investments in tangible and intangible assets		–10	–159
Revenue from disposal of tangible and intangible assets		–2	1,688
Investments in other instruments		–2,112	–877
Revenue from disposal of other investments		2,131	500
Cash flow from investments		**7**	**1,152**
Cash flow from financing activities:			
Paid share issue		148	429
Repayment of short-term loans		-	88
Repayment of long-term loans		–17	–11
Cash flow from financing activities		**131**	**505**
Increase (+)/decrease (-) in cash and cash equivalents		500	375
Cash and cash equivalents at the beginning of the period		413	38
Cash and cash equivalents at the end of the period	17	912	413

Notes to the parent company's financial statements

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 of inventories

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

Valuation of financial securities

Financial securities, which belong to current assets, are measured at fair value in accordance with section 5.2a of the Finnish Accounting Act. The fair value of investments is determined based on price quotations on active markets, i.e., the buy quotation on the closing date of the financial period. Unrealised profits and losses due to changes in 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 SECTOR

€ 1,000	2018	2017
Diagnostics	7,427	6,865
Total	7,427	6,865

NET SALES BY MARKET AREA

1 000 €	2018	2017
Finland	438	390
Europe, other	1,153	922
North and South America	158	223
Asia	4,682	4,562
Other countries	996	769
Total	7,427	6,865

In year 2017 India was part of the market area other countries but in 2018 it is relocated under market area Asia.

3 OTHER OPERATING INCOME

€ 1,000	2018	2017
From Group companies	188	159
Others	17	103
Total	205	262

4 MATERIALS AND SERVICES

€ 1,000	2018	2017
Purchases during the financial period	2,726	2,540
Change in inventories	2	46
Total materials and supplies	2,728	2,586
Total materials and services	2,728	2,586

5 PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

€ 1,000	2018	2017
Salaries	2,404	2,413
Pension expenses	345	358
Other personnel expenses	32	47
Total personnel expenses	2,780	2,817

In the financial period, the parent company employed an average of	2018	2017
Office personnel	42	41
Average number of personnel	42	41
Number of personnel at the end of the financial period	41	42

6 MATERIALS AND SERVICES

€ 1,000	2018	2017
Travel expenses and other personnel expenses	320	254
Rents and maintenance expenses	299	305
Sales and marketing expenses	852	353
Other external services	942	868
Change in value of trade receivables	13	41
Other operating expenses	486	491
Total	2,911	2,313

7 DEPRECIATION AND IMPAIRMENT

€ 1,000	2018	2017
Intangible assets	1,570	884
Plant and equipment	145	151
Impairment	-	153
Total	1,715	1,188

SENSITIVITY ANALYSIS OF THE IMPAIRMENT TEST ON THE PATENTS IN CHINA

In the 2018 financial statements, the balance sheet value of patents related to the 2017 sale of Biohit HealthCare (Hefei) Co. Ltd was EUR 4.6 million. The patents will be subject to straight-line depreciation until the end of 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 2018 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 three factors:

€ 1,000	2018
WACC (%) increased by 1% and impact on the value of patents	–60
WACC (%) increased by 5% and impact on the value of patents	–300
The required return on capital depends on the interest environment and the risk level of equities.	
One-year delay to the initiation of production in China and impact on the value of patents	–500
Two-year delay to the initiation of production in China and impact on the value of patents	–1,700
Royalty-based cash flow is dependent on the readiness of Biohit Healtcare (Hefei) Co. Ltd's production facilities in terms of sufficient production quality and ready production capacity. According to the latest estimate, the expanded production capacity will become available by the end of Q1/2020 when the distributor has received all of the permits from the authorities to allow production to begin.	
Decrease in demand for GastroPanel® by 20% and impact on the value of patents	–100
Decrease in demand for GastroPanel® by 40% and impact on the value of patents	–1,200
Royalty-based cash flow is dependent on the growth of the Chinese market, successful sales work by the distributor and building up the brand.	

8 AUDITORS' FEES

€ 1,000	2018	2017
Companies belonging to the Pricewaterhouse-Coopers chain		
Auditors' fees	67	63
Auditors' statements	10	6
Tax service	-	8
Other services	4	22
Total fees paid to the auditor	81	99

9 FINANCIAL INCOME AND EXPENSES

€ 1,000	2018	2017
Dividend income		
From Group companies	895	-
Total dividend income	895	-
Other interest and financial income		
From Group companies	6	6
From others*	152	8,930
Other interest and financial income	158	8,936
Total financial income	1,053	8,936
Interest expenses and other financial expenses		
To Group companies	–2	–5
To others	–202	–73
Total financial expenses	–204	–78
Total financial income and expenses	849	8,858
Financial income and expenses include foreign exchange gains/losses (net)	0	–52

*) In 2017, the other interest and financial income consisted primarily of profit recognised from the disposal of shares in the joint venture.

The items above operating profit include foreign exchange losses/gains (net) or EUR -5 thousand (EUR -9 thousand)

10 INCOME TAXES

€ 1,000	2018	2017
Tax based on taxable income for the financial period	-	-
Withholding tax	14	201
Total	14	201

11 INTANGIBLE ASSETS

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

2017

€ 1,000	Intangible rights	Total
Acquisition cost at the beginning of the financial period	889	889
Increases	7,053	7,053
Acquisition cost at the end of the financial period	7,942	7,942
Accumulated depreciation and impairment in the financial period	–603	–603
Depreciation and impairment in the financial period	–1,033	–1,033
Accumulated depreciation at the end of the financial period	–1,636	–1,636
Book value at the beginning of the financial period	286	286
Book value at the end of the financial period	6,306	6,306

12 TANGIBLE ASSETS

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

2017

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

13 INVESTMENTS

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	133

Shares 2017

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

14 INVENTORIES

€ 1,000	2018	2017
Materials and supplies	296	297
Work in progress	90	111
Finished products/goods	314	138
In transit	-	3
Total inventories	699	549

15 RECEIVABLES

€ 1,000	2018	2017
Long-term receivables		
Receivables from Group companies		
Loan receivables	255	-
Total non-current receivables	255	-
Short-term receivables		
Receivables from Group companies		
Trade receivables	172	238
Loan receivables	-	255
Other receivables	57	53
Accrued income	6	6

Other receivables		
Trade receivables	1,244	1,105
Other receivables	208	192
Accrued income	134	112
Total current receivables	1,822	1,960

16 FINANCIAL SECURITIES

Assets measured at fair value

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

* Genetic Analysis AS

Assets measured at fair value

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

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

17 CASH AND CASH EQUIVALENTS

€ 1,000	2018	2017
Cash in hand and at bank	912	413

18 SHAREHOLDERS' EQUITY

€ 1,000	2018	2017
Share capital 1 January	2,350	2,350
Share capital 31 December	2,350	2,350
Fair value reserve 1 January	914	1,024
Increases	632	-
Change in accounting policies, investments	-41	
Decreases	-	-110
Fair value reserve 31 December	1,505	914
Invested unrestricted equity fund 1 January	3,681	3,252
Subscription of options	148	429
Invested unrestricted equity fund 31 December	3,829	3,681
Retained earnings 1 January	8,970	2,228
Change in accounting policies, investments	41	-
Retained earnings 31 December	9,011	2,228
Reported profit/loss for the financial period	-1,516	6,742
Total shareholders' equity	15,179	15,915

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	2018	2017
Retained earnings	9,011	2,228
Profit/loss for the financial period	–1,516	6,742
Invested unrestricted equity fund	3,829	3,681
Total	11,324	12,650

Parent company's share capital structure	2018 shares	% of shares	% of votes	2017 shares
Series A shares (20 votes per share)	2,975,500	19.9	83.3	2,975,500
Series B shares (1 vote per share)	11,976,541	80.1	16.7	11,911,343
Total	14,952,041	100.0	100.0	14,886,843

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.

19 LONG-TERM LIABILITIES

€ 1,000	2018	2017
Loans from Group companies	301	301
Loans from financial institutions	42	59
From others	376	229
Total	719	589

Long-term liabilities from others are deferred tax liabilities.

20 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax liabilities

€ 1,000	2018	2017
Assets classed as available for sale	376	229
Total	376	229

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 2018 financial period, total EUR 18.9 million (2018: EUR 1.4 million, 2017: EUR 1.7 million, 2016: EUR 2.4 million, 2015: EUR 3.2 million, 2014: EUR 4.1 million, 2013: EUR 2.7 million, 2012: EUR 3.4 million).

21 SHORT-TERM LIABILITIES

€ 1,000	2018	2017
Loans from financial institutions, current proportion	17	17
Advances received	73	-
Trade payables	433	317
Accruals and deferred income	536	509
Other liabilities	164	85
Liabilities to Group companies		
Accruals and deferred income	37	35
Total short-term liabilities	1,259	964

The significant items of accruals and deferred income are salary-related deferred items valued at EUR 355 thousand (EUR 393 thousand).

22 PLEDGES, CONTINGENT LIABILITIES AND OTHER LIABILITIES

€ 1,000	2018	2017
Debts for which mortgages have been pledged		
The company has not pledged any collateral.		
Leasing commitments		
Payable in the next financial period	8	24
Payable later	2	7
Total	10	30
Rental commitments		
Payable in the next financial period	171	170
Payable later	86	255
Total	257	425
Other contingent liabilities		
Guarantees	4	3

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

Contingent liabilities on behalf of Group companies

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

Board of Director's proposal regarding the distribution of profits

On 31 December 2018, the parent company's distributable assets (unrestricted equity) amounted to EUR 11,324,090.66, including the loss for the financial period of EUR 1,515,586.40. 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, 18 February 2019

Osmo Suovaniemi
Chairman of the Board of Directors

Matti Härkönen
Member of the Board of Directors

Eero Lehti
Member of the Board of Directors

Liu Feng
Member of the Board of Directors

Franco Aiolfi
Member of the Board of Directors

Semi Korpela
President & CEO

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

Helsinki, 20 February 2019

PricewaterhouseCoopers Oy
Firm of auditors

Pasi Karppinen
Authorised Public Accountant

Auditor's Report (Translation of the Finnish Original)

To the Annual General Meeting of Biohit Oyj

Report on the Audit of the Financial Statements

Opinion

In our opinion

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

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

What we have audited

We have audited the financial statements of Biohit Oyj (business identity code 0703582-0) for the year ended 31 December 2018.

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.

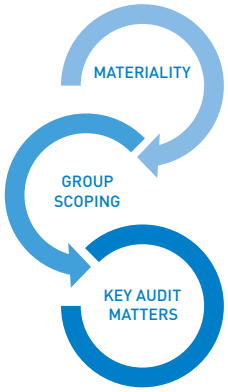
Independence

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 2.10 to the Financial Statements.

Our Audit Approach

Overview



Materiality:

- Overall group materiality: € 179 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	€ 179 thousand
How we determined it	We used the combination of total assets and total revenues 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 a combination of total assets and total revenues provide a more solid base for determining the materiality than the commonly used benchmarks.

How we tailored our group audit scope

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

We determined the type of work that needed to be performed at group companies. 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.

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

Key Audit Matters

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

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

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Cut-off of Revenue recognition Refer to the financial statements accounting principles and the financial statements note 2.3 Biohit Oyj is a Finnish Biotechnology company operating on global markets. Biohit's product portfolio consists of diagnostic tests, analysis systems, products that bind carcinogen acetaldehyde in monoclonal antibodies and service laboratory operations. The Group's revenue is predominately generated from distribution agreements signed with several distributors who then sell the products further to healthcare operators. Revenue from distribution agreement based product sales are recognized at a point of time when control has transferred to a distributor in accordance with delivery terms. We focused in our audit on the timing of revenue recognition of distribution agreement based sales. License and service revenues are not as material from group perspective and thus auditing their revenue recognition timing were not a focus area in the audit. 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 performed audit procedures relating to revenue recognition cut-off, to ensure revenue is recorded in correct period. We performed substantive audit procedures relating to timing of revenue recognition. Our substantive audit procedures included: • testing a sample of selected distribution agreements in order to ensure the correctness of revenue recognition criteria applied • testing revenue transaction that occurred close to the year end • testing certain revenue related balances recognised in the balance sheet • Testing a sample of revenue transactions occurred during the year • Testing the basis for selected manual journal entries posted in revenue accounts

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of Genetic Analysis AS shares Reference to the accounting principles and the financial statements note 2.17, 2.18 and 2.24 Biohit Oyj owns 18 % of Genetic Analysis AS. At the financial year-end 2018, the value of the shares is 3,9 million euros. Biohit has adopted IFRS9 standard starting from 1.1.2018. In accordance with the new standard, Genetic Analysis AS shares are classified as financial assets and are valued at fair value through other comprehensive income. As Genetic Analysis AS is an unlisted entity, the fair value is measured using alternative information available. 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.	During 2018 we have assessed the appropriateness of the information used in determining the fair value of Genetic Analysis AS shares, specifically at the year-end. These procedures included: • We obtained the supporting evidence that was used to evaluate the shares and agreed the valuation to the supporting documentation. • We have discussed with the Genetic Analysis AS management in order to confirm certain Biohit Oyj management's assumptions used in the valuation.

Key audit matter in the audit of the group	How our audit addressed the key audit matter
Valuation of intangible assets (patents) Reference to the financial statements accounting principles and the financial statement notes 2.5 and 2.11 As part of disposal of Biohit HealthCare (Hefei) Co. in 2017, 7,1 million euros of intellectual property rights (patents) were recognized on the balance sheet as a result of the transaction. Balance sheet value amounts to 4,6 million euros as per December 31, 2018. The patents are amortized by the end of 2021. The value of patents is subject to impairment testing always when there is indication of impairment. An impairment test was performed in connection with 2018 financial statements. Based on impairment test no impairment was recognized. In the valuation of the patents there is significant management judgement involved relating to the future sales and royalties. Due to the 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. 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 patents at the year-end. As part of the valuation assessment we have performed the following audit procedures: • we evaluated the reliability of estimates used by management by comparing forecasts made in prior years to actual outcomes • we assessed key inputs in the calculations such as revenue growth, profitability and discount rate, by reference to management's forecasts • we tested the mathematical accuracy of the calculations • we compared the recoverable amount of the patents to its

The above mentioned Key audit matter Valuation of intangible assets (patents) is also a key audit matter with respect to our audit of the parent company financial statements. The value of patents amounted to 4,6 million euros at December 31, 2018. Our audit procedures were aligned with the ones presented above. This matter 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 5 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 20 February 2019

PricewaterhouseCoopers Oy
Authorised Public Accountants

Pasi Karppinen
Authorised Public Accountant (KHT)

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