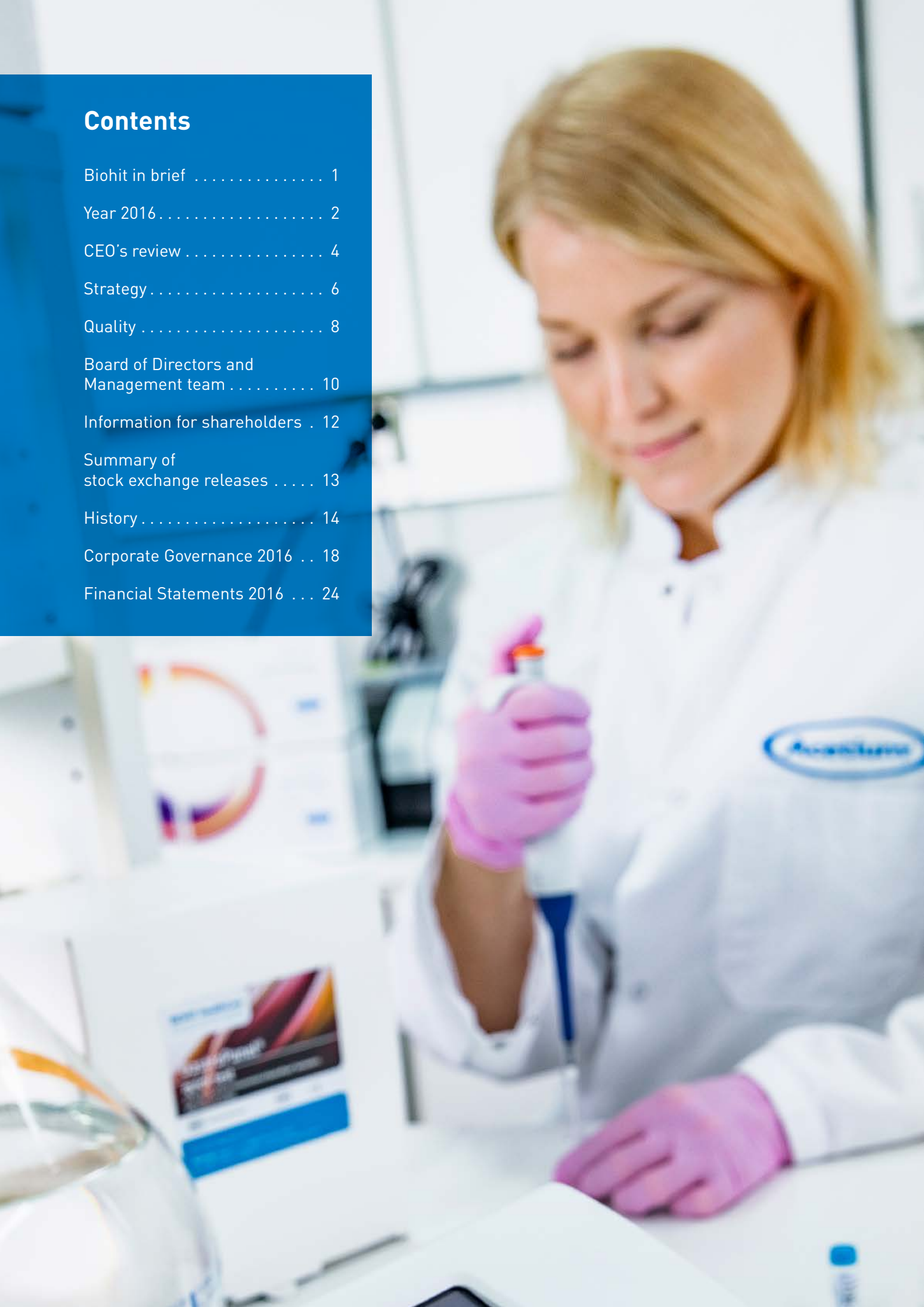
BIOHIT Oyj

Annual Report 2016

Contents



Biohit continues its goal-oriented growth

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.

> Biohit was established in 1988.

Our goal is to improve people's quality of life by preventing diseases, human suffering and financial loss. As a responsible company, we aim to increase people's awareness of their exposure to group 1 carcinogen, acetaldehyde, and to reduce the harmful effects of such exposure. Biohit is headquartered in Helsinki and it has subsidiaries located in Italy and the United Kingdom. Biohit's Series B shares (BIOBV) are listed in Nasdaq Helsinki Ltd's Small Cap group and in the healthcare sub-sector.

Cost-effective innovations for healthcare

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

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

In 2016, we invested in innovative solutions

We took further steps in product development and invested in innovative solutions for the early diagnostics of gastrointestinal diseases. Our operational focus was commercialising the GastroPanel® test in China. We also made new openings in emerging markets. We updated our product portfolio to address customers' needs even better.

We expanded service sales and launched new products

In accordance with our strategy, we took customer feedback into consideration and expanded our service campaign operations. We expanded our product range in Finland by adding bone density measurement and a gastrointestinal dysbiosis test, which determines the bacterial balance in the gut to identify the correct treatment for irritable stomach and bowel diseases. www.biohit.fi/varaaverkossa

We focused on the market eligibility of our products and on developing production process

Our development of new products focused on the GastroPanel® quick test. In addition, we improved our products' market eligibility and customer-friendliness. In production, we continued to develop processes and increased capacity by increasing automation. We are continuously improving our operations, which enable us to guarantee high-quality products and keep our promises to customers.

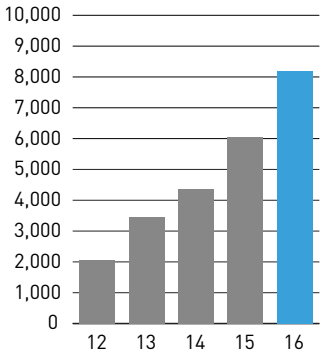
Number of personnel

During the reporting period, the average number of personnel employed by the Group was 53 (52 in 2015), of whom 44 (44) were employed by the parent company and 9 (8) by subsidiaries. At the end of 2016, the Group employed 49 (49) personnel, of whom 40 (40) were employed by the parent company and 9 (9) by subsidiaries.

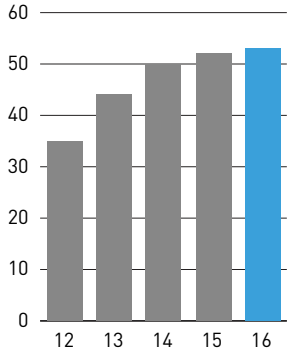
Our financial position was moderate

Company's financial position was moderate. It allows for the necessary actions towards creating an international distributor network as well as the development and commercialisation of new products. At the end of the reporting period, the company's financial assets totaled EUR 7.7 million containing EUR 3.2 million worth of Genetic Analysis AS shares.

Net sales 2012–2016, 1,000 EUR



Average number of personnel 2012–2016



GOAL

to enable early diagnosis and prevention of diseases of the gastrointestinal tract

ACTIONS

commercialisation of new products and support to international distribution channels

IMPROVEMENT

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

Equity ratio

83.0%

Net sales

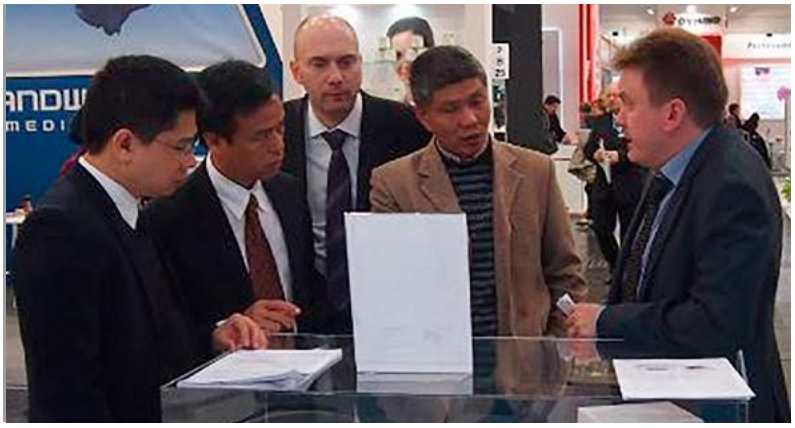
8.2 MEUR

Year-on-year net sales growth

35.4%

BIOHIT GROUP KEY FIGURES	2016	2015
Net sales (MEUR)	8.2	6.1
Operating profit/loss (MEUR)	–3.4	–2.9
Profit/loss before taxes (MEUR)	–3.3	–2.9
Profit/loss for the period, total (MEUR)	–3.3	–2.9
Average number of personnel	53	52
Number of personnel at the end of the period	49	49
Equity ratio (%)	83.0	87.9
Earnings per share (EUR)	–0.22	–0.20
Shareholders' equity per share (EUR)	0.73	0.72
Average number of shares during the period	14,685,071	14,276,519
Number of shares at the period end	14,698,533	14,348,533

A year of substantial progress



New GastroPanel® quick test

The GastroPanel® quick test, which is done easily and rapidly, can be conducted using a fingertip blood sample during a single clinical appointment. The new test is an advanced version of the unique GastroPanel® test. The GastroPanel® quick test differs from the current test version in that it provides a result during a single clinical appointment. The GastroPanel® quick test will be available in Europe after the performance and clinical control and testing required for the CE mark have been completed.

In 2016, we further improved our sales. We developed our products and made progress in our research projects. We also brought our expertise even closer to consumers.

We further expanded our world-wide distributor network

We acquired ownership of 18 % of shares in Genetic Analysis (GA) AS, a Norwegian company. A distribution agreement was also made concerning the rights to sell Genetic Analysis AS' Dysbiosis test globally under the Biohit brand, with exclusive rights in Finland and China. The agreement will also make GA the distributor of our products and services in Norway. We made distributor agreements concerning our portfolio of diagnostics products with OnSite Diagnostic Labs India Pvt Ltd in India, Tianjin Jingsheng Biological Technology Development Co. Ltd in China regarding the calprotectin ELISA test, Pooyandegan Pezeshki Pardis (3P) in Iran concerning the unified GastroPanel® test, Beijing HuayiHuilang Medical Instrument Co., Ltd in China regarding the celiac quick test and GA-mapTM dysbiosis test, and Glomedics in South Korea regarding the lactose intolerance quick test. In addition, an agreement was made with Iranian Arad Tajhiz Azman regarding the exclusive rights to distribute the calprotectin test in Iran.

Significant progress was made on our research projects

A low level of pepsinogen I, detected by GastroPanel®, predicts a risk of stomach cancer even several years in advance. This result was obtained by two separate studies on Asian and Caucasian populations where the subjects were followed-up after GastroPanel® testing. According to a study conducted in Tampere and Tartu, vitamin B12 deficiency and the irreversible neurological complications caused by atrophic gastritis, which often go undiagnosed in elderly patients, could be prevented with early diagnosis. 209 women and men aged over 80 were studied in two assisted-housing facilities in Tampere and Tartu using active vitamin B12 test and GastroPanel® stomach health tests.

The first meta-analysis of scientific studies conducted with GastroPanel® test was completed. The meta-analysis systematically included all of the studies that had analysed the sensitivity and specificity of the GastroPanel® test in the diagnosis of atrophic gastritis. Although there was variation between individual studies, the results confirmed that GastroPanel® is a sensitive and specific test for identifying atrophic gastritis in the stomach. The scientific report prepared on the basis of the meta-analysis was approved for publication in Anticancer Research, a scientific journal. Biohit Oyj and diagnostics company Randox Laboratories Ltd completed a preliminary study on the simultaneous identification of Biohit's GastroPanel® biomarkers using Randox's Biochip Array Technology (BAT). According to the preliminary results of the study, BAT can simultaneously identify the three key GastroPanel® biomarkers in one patient sample.

A study conducted with Uppsala University showed that Acetium capsule prevents exposure to acetaldehyde in patients with atrophic gastritis caused by a Helicobacter infection. The results were published in the Scandinavian Journal of Gastroenterology.

Preliminary observations of the benefits of Acetium products in giving up smoking

Biohit's scientific article on its first smoking intervention study was approved for publication in the international Anticancer Research journal. A study with Acetium lozenge was concluded in November 2015. The study indicated that Acetium lozenge is a promising novel method to assist in smoking cessation. Based on these results, we initiated a confirmatory smoking intervention trial in collaboration with the Kuulas Helsinki research agency.

I would like to thank the personnel and partners of Biohit, as well as our active investors. We are highly motivated to continue realising Biohit's unique opportunities also in the future.

Semi Korpela

Our strategic alignments

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

Biohit's strategy 2016–2021

Our mission is "Innovating for Health".
We aim to become the world's leading biotechnology company in selected markets promoting gastrointestinal diagnostic and prevention:

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) The EU, Russia and Middle East
3) The Americas

GASTROPANEL® -STRATEGY IN CHINA ADVANCING

The joint venture, Biohit Biotech (Hefei) Co., Ltd, has completed the registration process for producing GastroPanel® tests locally. The China Food and Drug Administration has approved the registration of three GastroPanel® tests (PG-I, PG-II, Gastrin-17) and it has also granted marketing authorisation for the test packages.

'The registration process and clinical trials were completed as planned. In addition, GastroPanel® test has been granted ISO 13485 certification. Local production of GastroPanel® test has begun,' says **Liu Feng**, the CEO of the joint venture.

By the end of the review period, price approval decision had been granted on three GastroPanel® tests in four Chinese provinces. Decisions have now been obtained in 20 provinces.

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

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

We always take the customer into consideration in our decisions

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

Quality is the most important thing

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

Quality – not just an obligation

Quality evolves from the ability to address customers' needs.

Biohit's products and services are safe, ethical and cost-effective innovations. The development, production and marketing of our products is subject to different kinds of quality regulations. In addition, our operations are guided by our commitment to continuous improvement and increasing of the benefit to customers. We are constantly developing our processes in accordance with well-known Lean thinking and we monitor our performance using quality-related and environmental indicators.

Quality first

Quality system forms the basis of our operations. Biohit has a quality and environmental management system certified in accordance with the ISO 9001, ISO 13485 and ISO 14001 standards. Our products bear the CE mark and our diagnostic products are designed and researched in accordance with European IVD Directive 98/79/EC. Our Acetium products fulfil the requirements applying to medical devices in Directive 93/42/EEC and they have the Key Flag symbol. Foreign air freight deliveries of our products run smoothly thanks to our status as an "identified sender", which was granted by the Finnish Transport Safety Agency (Trafi).

High-level documentation is a requirement for all international product registrations. In the past year, we have been preparing ourselves for the new up-coming

TEHTY SUOMESSA
MADE IN FINLAND

EU legislation and developed our operations and quality management to be able to meet the needs and requirements of our stakeholders even better. Quality regulations and requirements guide the company's operations but they are not just obligations: they help us to serve our customers and partners in the best possible way.

Our products have been designed to minimise environmental impact throughout their entire life cycles. Recycled materials are selected for packaging, and the amount of hazardous substances is reduced already during the product development phase. The environmental impacts are evaluated annually and we strive to improve our operations in accordance with sustainable development principles. The company is a member of the waste recycling systems Finnish Packaging Recycling RINKI Ltd and Der Grüne Punkt.

A satisfied customer speaks for success

Customer satisfaction is a key indicator that guides our operations. We continuously monitor customer satisfaction by conducting customer surveys and studies. We take into account all of the feedback that we receive and aim to constantly develop our product selection and services to serve our stakeholder's needs even better.

Based on customer satisfaction surveys we have succeeded in offering our customers and partners unique products, as well as quick and professional service. One of the most important features of our products is ease of use – according to the feedback from customers and partners, we have succeeded to improve our products even further.

Board of Directors

OSMO SUOVANIEMI (b. 1943)
- MD, PhD, Professor (h.c.)
- Chairman of Biohit Oyj's Board of Directors
- Not independent of the major shareholder and company

EERO LEHTI (b. 1944)
- MSc (Soc.Sc.), Commercial Counsellor, 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 shareholder but non-independent of the company

SEPPO LUODE (b. 1952)
- MSc (Tech.) (industrial management), MBA (Stanford University)
- Member of Biohit Oyj's Board of Directors since 2011
- Independent of the major shareholder and company

MIKKO SALASPURO (b. 1939)
- MD, PhD, Professor
- Member of Biohit Oyj's Board of Directors since 2008
- Independent of the major shareholder but non-independent of the company

JANINA ANDERSSON (b. 1971)
- MSc (Soc. Sc.)
- Executive Director of the Mannerheim League for Child Welfare in the Varsinais-Suomi district
- Member of Biohit Oyj's Board of Directors since 2015
- Independent of the major shareholder and company

Management Team

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

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

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

PANU HENDOLIN (b. 1971)
- PhD (molecular medicine)
- Production, Research and Product Development Director
- With Biohit Oyj since 2012 and from 2007 to 2008

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

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

NIKLAS NORDSTRÖM (b. 1979)
- BSc (Econ.), LL.M.
- Finance, HR, Communications, Legal Affairs and ICT Director
- With Biohit Oyj since 2014

Information for shareholders

Annual General Meeting

Biohit Oyj's Annual General Meeting will be held at 5pm on Wednesday 26 April 2017 at Pörssitalo, Fabianinkatu 14, 00100 Helsinki. Shareholders who are listed on the company's register of shareholders and who wish to attend the Annual General Meeting should register by Thursday 20 April 2017 at 10:00 am (the registration must arrive by this date).

Registration for the Annual General Meeting:

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

Board of Director's proposal regarding the distribution of profits

The parent company's distributable funds (unrestricted equity) on 31 December 2016 are 5,479,775.77, of which the period net loss is 2,580,940.29. The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial year.

Shares

Total number of shares: 14,698,533
Series A shares (20 votes per share): 2,975,500
Series B shares (1 vote per share): 11,723,033
Biohit Oyj's series B shares are listed in the Nasdaq Helsinki Ltd Small Cap group. The shares are traded under the symbol BIOBV. More detailed information about Biohit Oyj's shares is provided in the notes to the consolidated financial statements and on the company's website at www.biohithealthcare.com/investors.

Financial communications

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

Publication dates for financial reports in 2017

Thursday 17 August 2017
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 2016

5.1.2016	Biohit Oyj buys a share of Norwegian Genetic Analysis AS company with a directed share issue
22.1.2016	Genetic Analysis AS general meeting has approved the share exchange with Biohit Oyj
12.2.2016	Biohit Oyj's new B-shares have been registered with the Trade Register as a part of the share exchange agreement with Genetic Analysis AS
22.2.2016	Biohit Oyj's Option Scheme I 2013 – International Sales Management Option Arrangement
25.2.2016	Biohit Group Financial Statement Release 2015
24.3.2016	Publication of Biohit Oyj Annual Report 2015
31.3.2016	Notice of Biohit Oyj's Annual General Meeting
25.4.2016	Decisions of the Annual General Meeting of Biohit Oyj
26.4.2016	Constitutive meeting of Biohit Oyj's Board of Directors
17.6.2016	Biohit Oyj Stock Options I 2013 will be registered in the Finnish book-entry system
5.7.2016	Changes to Biohit Oyj's Management Team
18.8.2016	Biohit Group Half Year Financial Report 2016
26.8.2016	Ilari Patrakka appointed Biohit Oyj's Sales and Marketing Director
24.10.2016	Biohit Oyj's Chinese joint venture to start production - Gastric cancer risk screening study progressing in China
5.12.2016	Biohit Oyj's Option Scheme I 2013 – Management Option Arrangement
5.12.2016	Biohit Oyj's Financial Reporting and Annual General Meeting in 2017
5.12.2016	Biohit Oyj - Managers' Transactions

The history of Biohit Oyj

Biohit's work is primarily based on its aggressive innovation and patenting strategy developed by Professor (h.c.) Osmo Suovaniemi, MD, PhD, already in 1970.

He can be considered a pioneer of this strategy, which has demonstrated a successful model and path for small and large companies in Finland. This key strategy originated in the early 1970s when Suovaniemi established the precursors to Biohit Oyj, Labsystems Oyj (1972) and the joint venture, Eflab Oy (1978). The "aggressive innovation and patenting strategy" forms a strong basis for enterprises – whether small or large – to succeed in international competition and create well-being for our society. Giving up on the aggressive innovation and patenting strategy often precedes the onset of recession in Finland and abroad. (www.biohithealthcare.com/resource/files/media/articles/biohit-innovation-patenting-strategy.pdf).

Analysis and liquid handling devices based on innovations by Labsystems, Eflab and Biohit have been adopted into global use, enabling the massive development of immunoassays using non-radioactive markers based on Suovaniemi's vertical measurement innovation. 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. (Possibilities for improving treatment practices: www.biohithealthcare.com/resource/files/other/biohit-oyj-s-information-for-health-care-sector-and-its-users.pdf).

Osmo Suovaniemi established Biohit Oy in 1988.

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 collaborates with Professor Stina Syrjänen and Professor Kari Syrjänen to develop commercial HPV tests for screening and genotyping of human papillomaviruses linked with cervical cancer. The tests are based on HPV hybridisation probes developed by a later Nobel laureate. However, at the beginning of the 1990s, the time was not right for HPV testing to be taken into wider use.
- Development of the GastroPanel® progamme, 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 research groups operating under Professor Max Siurala and Professor Pentti Sipponen to study patients suffering from gastritis. A further basis for the development of GastroPanel® is collaboration with Professor (h.c.) Matti Härkönen and Professor Seppo Sarna, and the immunoassay analysis devices based on vertical measurements invented by Biohit's founder.
- Development of the GastroPanel® immunoassays was also influenced by observations of the role played by Helicobacter (Helicobacter pylori) in contributing to the onset of gastritis and peptic ulcer disease, which led to its discoverers receiving the Nobel prize in 2005. (www.biohithealthcare.com/additional-information).
- As the only examination in the world to use blood samples, GastroPanel® diagnoses Helicobacter gastritis and atrophic gastritis, which is caused by Helicobacter gastritis and increases the risk of stomach cancer and other diseases, while providing information about the risks of peptic ulcer disease.
- The company is listed on the Helsinki Stock Exchange on 18 June 1999. At that point, Biohit had 16 patents in Finland, while 20 other newly listed companies altogether had 11 patents.

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 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.

The first Healthy Stomach Initiative meeting was held during the 2007 Digestive Disease Week in San Diego.

2010

- Biohit launches the Acetium capsule, which binds acetaldehyde into a harmless compound. Acetaldehyde is a carcinogen that occurs in anacidic stomachs due to atrophic gastritis, which can be identified by GastroPanel®, or due to the use of proton-pump inhibitors (PPIs).
- Ground-breaking basic research carried out since the 1980s by internationally recognised alcohol and acetaldehyde scientist 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 acetaldehyde binding Acetium innovation.
- As regards cancer, the problem is that acetaldehyde is formed locally from ethanol or derived from other locations in the gastrointestinal tract, comprising the "free" acetaldehyde dissolved in saliva from tobacco smoke or originating from alcoholic drinks and other foodstuffs.
- In the light of existing knowledge, the packaging of alcoholic drinks should contain a marking stating that the product may contain acetaldehyde, which is classified by the World Health Organisation as a carcinogen to humans.
- As there is no scientific evidence to indicate that the acetaldehyde and ethanol contained in foodstuffs are less carcinogenic than the acetaldehyde in alcoholic drinks, the same requirements should also apply to these products.
- A scientific committee set up by the EU proposes in 2012 that the acetaldehyde content of cosmetic products should not exceed 5mg/l and that mouthwashes should not contain any acetaldehyde.
- Several foodstuffs have an acetaldehyde content in excess of 5mg/l. (www.biohithealthcare.com/laboratory-services/determination-of-acetaldehyde).

2011

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

2011–2012

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

The ColonView test specific for human blood identifies faecal occult blood. The test was launched in 2014 and can be used to screen for and diagnose colorectal cancer.

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 accompanied by the UFT-300 quick test for Helicobacter and a quick test for celiac disease. The Acetium lozenge is launched.

2014

- Biohit launches a calprotectin test for diagnosing and monitoring inflammatory bowel diseases (IBS and IBD) as well as the Biohit Active B12 test, based on vertical measurement, for identifying vitamin deficiency.
- Biohit launches the ColonView test, which uses the immunoassay procedure invented by the company's founder at the beginning of the 1980s. The ColonView test specific for human blood identifies faecal occult blood and can be used to screen for and diagnose colorectal cancer.

2015

- Biohit completes its first studies related to giving up smoking (www.biohithealthcare.com/scientific/study-protocols).
- The first population-based GastroPanel® screening begins (in China).
- The test for Vitamin D based on vertical measurement joins the product range.
- Unified GastroPanel® immunoassays based on the vertical measurement invention are also launched.
- The company continues to collaborate closely with scientific communities with the aim of promoting innovations and development of new products and services for diagnosing and preventing diseases. Ageing populations around the world give rise to new challenges to identify solutions that can improve people's quality of life and save on healthcare costs.

Corporate Governance Statement 2016

Biohit Oyj has prepared this Corporate Governance Statement on the basis of Section 54 of the Finnish Corporate Governance Code for listed companies issued by the Securities Market Association.

The Corporate Governance Statement has been issued separately from the Report of Biohit Oyj's Board of Directors. The Board of Directors reviewed the Statement in its meeting on 15 February 2017.

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

RULES OBSERVED BY BIOHIT

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

Biohit's governance complies with applicable legislation, standards and recommendations concerning public listed companies, the regulations of Nasdaq Helsinki Ltd, and Biohit Oyj's Articles of Association. Biohit Oyj complies with the Finnish Corporate Governance Code ("corporate governance code") for listed companies, which was approved by the Securities Market Association in June 2010 and entered into force on 1 October 2010. Since the beginning of 2016, the company has complied with the new governance code, which was approved by the Securities Market Association in October 2015 and entered into force on 1 January 2016. The Corporate Governance Code is available at www.cgfinland.fi.

Half of the members of the six-person Board of Directors are independent of the company, so the company does not fulfil recommendation number 10 on this part where by 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 2016

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 2016, Biohit Oyj held its Annual General Meeting on 25 April 2016 in Helsinki. 2,803,510 series A shares and 4,736,608 series B shares were represented at the meeting, corresponding to 51.29844 per cent of all of the shares in the company and 85.36322 per cent of the votes. The meeting was attended by five of the six members of the Board of Directors, the President & CEO and the principal auditor.

Board of Directors

The Board of Directors, which comprises 5–7 members elected by the Annual General Meeting, is responsible for the administration and appropriate organisation of Biohit's business operations. Proposals concerning membership of the Board of Directors are prepared by the Board of Directors. The Board of Directors elects a chairman from amongst its members.

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

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

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

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

The Chairman is responsible for convening Board meetings and arranging the work of the Board. The Board convenes 7–12 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. Biohit Oyj's Board of Directors convened 7 times in 2016 (10 times in 2015). The average attendance was 100 per cent (100 per cent).

Members of the Board of Directors

The following people belonged to Biohit Oyj's Board of Directors in 2016:

Professor (h.c.) 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 7 Board meetings in 2016
- Direct shareholding: series A shares: 2,265,350; series B shares: 965,217

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

- Member of the Board since 2013
- Independent of the major shareholders but non-independent of the company
- Attended 7 Board meetings in 2016
- Direct shareholding: no Biohit shares
- Managing Director of Euroclone S.p.A. (formerly Polyfin S.p.A.) and a majority shareholder in Euroclone S.p.A. through Arsfin Consult Srl. Euroclone is the leading distributor of biotechnology application instruments in the Italian market. Euroclone S.p.A. owns 172,807 series B shares.

Eero Lehti (b. 1944), MSc (Soc. Sci.), Commercial Councellor, honorary PhD (Econ.)

- Member of the Board since 2009
- Independent of the major shareholders and company
- Member of Parliament since 2007
- Founder of Taloustutkimus Oy and the Chairman of its Board
- Attended 7 Board meetings in 2016
- Direct shareholding: series B shares: 2,000

Professor Mikko Salaspuro (b. 1939), MD, PhD

- Member of the Board since 2008
- Independent of the major shareholders but non-independent of the company
- Specialist physician in internal medicine, gastroenterologist and Professor at the University of Helsinki
- Attended 7 Board meetings in 2016
- Direct shareholding: no Biohit shares

Seppo Luode (b. 1952), MSc (Tech.) (Industrial Engineering and Management), MBA (Stanford University)

- Member of the Board since 2011
- Independent of the major shareholders and company
- Nordic Adviser Group Associate Partner and management consultant at Mekaplast Oy
- Attended 7 Board meetings in 2016
- Direct shareholding: no Biohit shares

Janina Andersson (b. 1971), MSc (Soc. Sci.)

- Member of the Board since 2015
- Independent of the major shareholders and company
- Executive Director of the Mannerheim League for Child Welfare in the Varsinais-Suomi district
- Member of Parliament from 1995 to 2011
- Attended 7 Board meetings in 2016
- Direct shareholding: no Biohit shares

Osmo Suovaniemi was Chairman of Biohit Oyj's Board of Directors during the review period.

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 year.

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: 31,446

Group Management Team

The composition and areas of responsibility of the Group's Management Team were as follows: Semi Korpela (President & CEO), Niklas Nordström (Finance, Legal Affairs, ICT, HR, Communications), Lea Paloheimo (Business Development), Ilari Patrakka (Sales and Marketing), Panu Hendolin (Production and Product Development), Kari Syrjänen (Chief Medical Director) and Daniela Söderström (Quality and Regulatory Affairs). The Management Team convened 39 times in 2016.

Niklas Nordström (b. 1979)

- BSc (Econ.), LL.M.
- Finance, Legal Affairs, HR, ICT, Communications
- With Biohit Oyj since 2014
- Previously: Senior Business Controller at Suunto Oy, Finance Partner at Tieto Corporation.
- No direct shareholding

Lea Paloheimo (b. 1951)

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

Panu Hendolin (b. 1971)

- PhD (Molecular medicine)
- Research and Product Development
- With Biohit Oyj since 2012 and from 2007 to 2008
- Previously: Technical Director at Danaher Finland Oyj, Innotrac Diagnostics, product development and managerial positions at Jurilab Oy, research doctorate at the University of Kuopio.
- Direct shareholding: series B shares: 2,064

Ilari Patrakka (b. 1980)

- MSc (Econ.)
- Sales and Marketing Director
- With Biohit Oyj since 2012
- Previously: sales channel manager at Marioff Corporation Oy, marketing and export manager at Gasmet Technologies Oy, sales manager at Gasmet Technologies (Asia) Ltd.
- No direct shareholding

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

Daniela Söderström (b. 1987)
- MSc (Tech.)
- Quality and Regulatory Affairs Director
- Daniela Söderström has been working for Biohit Oyj in the field of quality management since 2014.
- No direct shareholding

Management of subsidiaries

The Managing Directors of the subsidiaries are responsible for the management of subsidiary operations and report to the President & CEO of the parent company. The subsidiaries are responsible for the sales and marketing of Biohit's products in their market areas. The managers of subsidiaries operate under the management and supervision of Biohit's President & CEO. In 2016, 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.biohithealthcare.com/investors.

REMUNERATION IN 2016

Members of the Board of Directors

The Annual General Meeting approves the fees of Biohit Oyj's Board of Directors. A decision was made by the AGM on 25 April 2016 to pay a monthly fee of EUR 1,600 to the Chairman Of the Board and a fee of EUR 1,500 per meeting to the other members of the Board of Directors. An employment contract was signed on 10 June 2010 with Professor (h.c.) Osmo Suovaniemi, a member of the Board, under which Suovaniemi is paid a monthly fee approved by the Board of Directors for his services as scientific advisor to the Board. In 2016, this fee was EUR 14,065.34 per month plus car and phone benefits.

President & CEO and other company management

The Board approves the President & CEO's remuneration and terms of employment. The salary paid to the company's President & CEO, Semi Korpela, in 2016 was EUR 15,091 per month plus phone and car benefit.

The President & CEO approves the remuneration and terms of employment of members of the Management Team. Biohit's Board of Directors approves the principles of the incentive schemes for Management Team members and the President & CEO. Bonuses are determined on the basis of the net sales and earnings trends in each person's area of responsibility. The maximum bonus that can be received depends on each person's monthly salary and can total no more than two months' salary. No bonus was paid to the President & CEO and Management Team members in 2016.

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. No stock options were subscribed in 2016.

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 2016

During the financial year that ended on 31 December 2016, the remuneration paid to members of the parent company's Board totalled EUR 63,700 (EUR 88,000 in 2015). The remuneration paid to the President & CEO, Semi Korpela, amounted to EUR 190,146.60 (EUR 191,000 in 2015). Osmo Suovaniemi was paid EUR 188,423.29 (EUR 221,000 in 2015) for his services as a member of the scientific advisory board. The salaries and fees paid to the managing directors of the Group's subsidiaries totalled EUR 135,000 (EUR 126,000 in 2015). Salaries paid to other Management Team members totalled EUR 559,016 (EUR 492,000 in 2015).

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, in which 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's financial management holds the primary responsibility for the practical implementation of the internal audit.

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

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

AUDIT 2016

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. Biohit's auditor in 2016 was authorised public accountants PricewaterhouseCoopers Oy, with Pasi Karppinen, Authorised Public Accountant, as chief auditor.

Auditors' fees

The Group's invoiced auditors' fees for the 2016 financial period totalled EUR 42,000 (EUR 52,000 in 2015). The auditors' fees of subsidiaries totalled EUR 11,000 in the financial period (EUR 9,000 in 2015). In addition to this, PricewaterhouseCoopers Oy was paid a total of EUR 52,000 for other services (EUR 6,000 in 2015).

INSIDERS

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

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

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

Financial Statements 2016

*part of the official financial statements

Report of the board of directors 2016

SUMMARY

- Net sales EUR 8.2 million (EUR 6.1 million 1–12/2015)
- The company's operating income was EUR –3.4 million (EUR –2.9 million)
- Profit before taxes was EUR –3.3 million (EUR –2.9 million)
- Earnings per share for business operations amounted to EUR –0.22 (EUR –0.20 million)
- International business operations accounted for 92.2% (88.3 %) of net sales

The focus of Biohit's operational development is to acquire new distributors and customers, particularly via international partnerships. Our key objective is to create a strong and motivated global distributor network.

We will continue to invest in sales and marketing, building distribution channels and developing distributor collaboration. Our spearhead products are Acetium, GastroPanel® and diagnostic quick tests. Our main market areas are Europe and Asia.

In 2016, Biohit's net sales increased by 35.4% over the previous year. Biohit's balance sheet provides the necessary foundation for building new business and utilising the significant potential of the products. Our company's equity ratio was 83.0% (87.9%) at the end of 2016, and company had EUR 7.7 million in current assets (EUR 7.2 million).

CONSOLIDATED KEY FIGURES

	1–12/2016	1–12/2015
Net sales (MEUR)	8.2	6.1
Operating profit/loss (MEUR)	–3.4	–2.9
Profit/loss before taxes (MEUR)	–3.3	–2.9
Profit/loss for the period, total (MEUR)	–3.3	–2.9
Average number of personnel	53	52
Number of personnel at the end of the period	49	49
Equity ratio (%)	83.0%	87.9%
Earnings per share (EUR)	–0.22	–0.20
Shareholders' equity per share (EUR)	0.73	0.72
Average number of shares during the period	14,685,071	14,276,519
Number of shares at the end of the period	14,698,533	14,348,533

REPORTING

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

NET SALES AND RESULT

Net sales grew by 35.4% compared with 2015. International operations continued to account for a large proportion of net sales 92.2% (88.3%). Operating income was EUR –3.4 million (EUR –2.9 million).

Group net sales

EUR million	**2016**	2015
Net sales	8.2	6.1

Group operating income

EUR million	**2016**	2015
Group operating income	–3.4	–2.9

BALANCE SHEET

On 31 December 2016, the balance sheet total was EUR 13.0 million (EUR 11.7 million). Biohit's balance sheet provides the necessary foundation for building new business and for utilising the significant potential offered by the company's products. At the end of 2016, our equity ratio stood at 83.0% (87.9%).

FINANCING AND OPERATIONAL CONTINUITY

Biohit Oyj has a moderate financial position, which allows for the necessary actions towards creating an international distributor network as well as the development and commercialisation of new products. Liquidity is at a good level. At the end of the reporting period, the company's financial assets totalled EUR 7.7 million (EUR 7.2 million) containing EUR 3.2 million worth of Genetic Analysis AS shares.

Despite loss making financial periods the company has managed to keep its working capital on a good level and the management believes it will cover the operations for the next 12 months and the company is not dependent on external financing to be able to guarantee the continuity of its operations. Furthermore, as announced on 2 January 2017, the company expects to receive EUR 1.8 million cash during the first half of the year from the ownership arrangement of its joint venture, which is expected to strengthen company's working capital structure. Company's management assessment is that company's ability to continue its operations is good and there are no indications towards circumstances that alone or together might give a significant reason to doubt the organisation's ability to continue its operations during the next 12 month period.

RESEARCH AND DEVELOPMENT

R&D operations focuses on innovations, as well as product development and 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 1-12/2016 reporting period amounted to EUR 2.0 million (EUR 2.0 million).

INVESTMENTS

Gross investments during 2016 totalled EUR 0.1 million (EUR 0.2 million). Key investments in the period were related to production automation-related equipment.

PERSONNEL

During the review period, the Biohit Group employed 53 (52 in 2015) people on average, 44 (44) of whom were employed by the parent company and 9 (8) by the subsidiaries. At the end of the year 2016, the Group employed 49 (49) personnel, of whom 40 (40) were employed by the parent company and 9 (9) by the subsidiaries.

SHORT-TERM RISKS AND UNCERTAINTY FACTORS

Biohit's key risks have to do with the investments required for business growth and adequacy of economic resources these require in the medium term. There are risks involved in areas such as the success of clinical trials, the selection and development of new market areas and distribution channels, personnel recruitment, registration processes, product pricing, and political decision-making affecting the progress of screening programs. Significant short-term risks are associated with the successful selection of new market areas, the timing of expansion into selected markets and product success in these markets. The recent increase in uncertainty factors associated with international politics may have an unfavorable impact on the company's business.

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

When investing liquid assets, the objective is to gain a return on investment with a minimum risk of equity loss. The investment portfolio consists of deposits, money market investments and corporate loans. A fundamental aspect in portfolio management is sufficient diversification across different asset classes,

investment instruments and counterparties. Biohit conducts its investment activities with at least two partners.

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

OUTLOOK FOR 2017

Together with its distributors and license partners Biohit has several product registrations ongoing in a number of markets, which is affecting net sales development. A number of such registrations are expected to be completed in 2017. In addition, negotiations are in progress with new partners, including on the launch of major screening projects, but a number of political risks are affecting the progress of such projects.

China's operations are in Biohit's focus in 2017. In addition to the ongoing screening studies Biohit's joint venture Biohit HealthCare (Hefei) Co. Ltd has managed to build a wide distributor network and customer base as well as to commercialise GastroPanel® widely, making use of the previous work on gaining price approval decisions in Chinese provinces. Development of sales has been good and increasing, especially in the second half of the year. The joint venture is well positioned to continue this work also in 2017. Biohit expects to complete the reduction of the joint venture share capital reported on the 2nd of January 2017 during the first quarter of 2017. As a result of the transaction Biohit Oyj estimates its noncomparable operating result to turn clearly positive for 2017. Reduction of the entire share capital of the joint venture is a part of our GastroPanel® strategy in China. Establishing a production plant, acquiring the needed licenses and commercialisation of the new product required sharing the risk through a joint venture arrangement but for a company, which is completely Chinese-owned, is easier to get an access to national health care programs and growth funding than for a company, which is partly foreign-owned.

Biohit's cost structure is characterised by high investment in research to obtain further evidence on the efficacy of Biohit's diagnostic tests in various clinical settings and in population-based screenings.

In late 2016 Biohit announced GastroPanel® quick test. GastroPanel® quick test differs from the current version by giving the result already during a single clinical appointment. GastroPanel® quick test is available in Europe after the performance and clinical tests required by the CE certification process are completed.

We also facilitated the access to our health tests. R-kioski convenience stores are selling and marketing gift cards for Biohit Oyj's health checks for consumers.

We aim to grow profitable and are strongly committed to taking necessary actions in order to build a profitable future for the company. Net sales growth is expected in 2017. The company does not assess when the comparable result of its operations will turn to positive.

MAIN EVENTS IN THE FINANCIAL PERIOD

In 2016, Biohit's net sales increased by 35.4% over the previous year. The focal areas of Biohit Oyj's business development were expanding the international distributor network and supporting partners in processes such as product registration. A further focus was increasing and developing service sales in Finland and commercialising new products.

We expanded our distributor network and advanced product registrations

We continued expanding our distributor network with new agreements and by restructuring agreements. During 2016 we signed following distribution agreements of Biohit`s diagnostic products: OnSite Diagnostic Lab India Pvt Ltd sells our diagnostic tests in India and SPD Scientific Pte Ltd. in Thailand. In the Philippines UC Biosciencies Inc. will distribute diagnostic tests. Pooyandegan Pezeshki Pardis was appointed as the GastroPanel® distributor in Iran and Delta Biologicals S.r.l in the southeast Italy. Tianjin Jingsheng Biological Technology Development Co. Ltd distributes Biohit´s calprotectin-test in China. We extended the agreement with our Russian partner Melon OOO for the exclusive right to distribute our diagnostic products to a further contract period. In addition, we made a celiac disease quick test and GA-mapTM dysbiosis test distribution agreements with Beijing HuayiHuilang Medical Instrument Co., Ltd in China and Glomedics distributes Lactose Intolerance Quick Tests in South Korea. In Sri Lanka Easemed Global Ltd distributes Helicobacter Pylori Quick Tests. Furthermore, an agreement with exclusive right to distribute calprotectin-test in Iran was made with Iranian Arad Tajhiz Azma. In Sweden diagnostic tests are distributed through XboXLab AB.

During the reporting period Ericon S.r.l. in Moldova and Inversiones Naturalia S.A in Panama gained exclusive rights to sell Acetium. The acetaldehyde binding L-cysteine capsule, which was registered in Mexico as a food supplement and under a product name Etium, received an import license in Mexico in May 2016. The first batch was delivered to Mexico in early summer.

During the first half of 2016 several diagnostic test registrations were concluded in Costa Rica. In the end of 2016 Indian authorities granted import license for Biohit´s several diagnostic tests. Additionally, during the second half of 2016 registrations in Thailand for several diagnostic tests, a re-registration of GastroPanel® and H. Pylori quick test in Kazakhstan and registration of ColonView, UFT300 and Quick test reader in Israel were concluded.

During 2016 a price approval decision on the three GastroPanel® tests (pepsinogen I, pepsinogen II, gastrin-17) was issued in four Chinese provinces. The price approval decision has already been issued in 20 provinces. Price approval is a pre-requisite for reimbursability of GastroPanel® and start of sales.

In general, 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 different countries and for product sales to begin.

Screening studies provided additional information about the diagnosis of gastric cancer risks and the frequency of vitamin B12 deficiency

More research evidence was obtained on the association of Helicobacter Pylori with gastric cancer. The long-term follow-up of the subjects who participated in a population-based screening during 1994–1996 was completed and the report was published in Scandinavian Journal of Gastroenterology. The study confirms the previous observations, according to which helicobacter infection alone increases significantly the risk of gastric cancer. This risk increases substantially when an untreated helicobacter infection has progressed to atrophic gastritis.

Furthermore, we obtained additional evidence that GastroPanel® test predicts the risk of stomach cancer. In GastroPanel® test, a low Pepsinogen I level predicts stomach cancer risk even ten years in advance. These results were obtained in two separate studies among Asian and Caucasian population, where the subjects were followed-up for several years after GastroPanel® testing. The long-term predictive value of GastroPanel® test as a predictor of this risk has not been previously confirmed in a Caucasian population.

According to a study conducted in Estonia and Finland, in the majority of cases in Estonia but less than 25% in Finland, vitamin B12 deficiency remains undiagnosed among elderly people. In that study, the frequency of atrophic gastritis and levels of vitamin B12 were compared among elderly people in both countries.

Cancer screening pilots continued in China and Russia

We continued our efforts towards advanced medical practices, especially in cancer screenings. The two pilot screening trials for gastric cancer risk started in China in 2015 continued, using Biohit Oyj`s GastroPanel® test. The first of these is a project of the National Clinical Research Center for Digestive Diseases (Changhai Hospital), funded by the Ministry of Science and Technology of China. The Ministry is the coordinator of this multi-center study screening the risks of early gastric cancer. In the study, at least 20,000 persons will be screened in some 50 hospitals. The screenings were expected to be concluded by the end of 2016.

The second study is being conducted in Chinese healthcare centers by the China Health Promotion Foundation. The foundation is a public organisation, administered by the Chinese Ministry of Health. Around half a million 40-80-year-old asymptomatic subjects will be screened in this trial. The sample collection has started in the summer of 2015 and continued over the whole year 2016. Due to the fact, that both organisational sides of the study are public organisations, and independent of Biohit Oyj and its joint venture, there is no specific information available about the exact time of completion.

In 2015, Russian Federation started a pilot project for colorectal cancer screening, targeted to 48–75-year old asymptomatic persons. In the pilot project, around 20,000 persons will be screened, and the results are expected to be available during 2017. Based on these results, the final selection of the screening test to be used in the national screening program will be made, and one of the options is Biohit Oyj`s ColonView test. The national screening is organised and sponsored by the Russian Federal Government and it will be conducted by local medical centers.

Ongoing clinical trials continued and new trials were started

To confirm the promising results of the smoking intervention study, which was concluded in November, 2015, a new, more comprehensive study with Acetium lozenge was designed. The study setting is similar as in the previous study, in which Acetium lozenge was found to be more effective than placebo in assisting the cessation of smoking. This needs to be confirmed in an adequately powered study. The new study with larger series of patients started in the spring 2016 and continues until the first half of 2017. L-cysteine slowly released from Acetium lozenge binds the human carcinogen acetaldehyde in the saliva to form a harmless compound, and in addition, improves oral health.

An international study comparing colorectal cancer screening tests still continues in Barretos, Brazil. It has a similar design as the study completed in 2015 but the cohort of screened patients will be larger. This study is close to completion and compares the sensitivity and specificity of Biohit Oyj's ColonView test and a traditional guaiac-based method as a screening test for colorectal cancer. Based on the interim results, an abstract was submitted for the 2017 congress of DDW (Digestive Disease Week) in the USA.

During 2016, the two randomised double-blind trials on patients who suffer from migraine and cluster headaches still continued. Due to the slow recruitment of the patients, the progress of these two studies is delayed. There are no interim results available.

In 2016 a long-term treatment trial had a good start in two clinics in Italy, where the efficacy of Acetium capsule in the treatment of atrophic gastritis or in intervention of disease progression is tested in a randomised placebo-controlled trial. This study setting necessitates a sufficient number of patients who fulfill the selection criteria and an adequate follow-up period after therapy. Due to these reasons, the total duration of the project will be at least three years.

The results of the senior citizens study, which was concluded at the end of 2015, were published during 2016 in the Journal of Aging Research and Clinical Practice. In this study, more than 200 residents of assisted housing facilities in Finland (Tampere) and Estonia (Tartu), with an average age of over 80 years, were tested with GastroPanel®- and vitamin B12 measurement. The aim was to compare the prevalence of atrophic gastritis, helicobacter-infection and B12 vitamin deficiency. The study disclosed significant differences in the general health of these elderly people between the two countries. This applies particularly to the prevalence, detection rate and management practices of helicobacter infection and vitamin B12 deficiency. Atrophic gastritis detected by GastroPanel® examination is a common cause of vitamin B12 malabsorption, an early diagnosis of which is emphasised also in this study.

Novel results on the use of GastroPanel® test and a meta-analysis

In 2016, Biohit's Department of Clinical Research made a systematic review of the entire literature published on the use of GastroPanel® test in diagnosis of atrophic gastritis worldwide. All studies fulfilling the inclusion criteria were subjected to a formal meta-analysis. Meta-analysis is a statistical technique, which is suitable for calculating the pooled sensitivity and specificity of GastroPanel® test in diagnosis of atrophic gastritis, based on all published studies. Altogether, 27 studies fulfilled the inclusion criteria, comprising nearly 9,000 patients tested with GastroPanel® in different countries and continents. Despite substantial variation between individual studies, the pooled results of this meta-analysis are encouraging and clearly substantiate the positive experiences of this test, reported in Biohit´s own studies and in those conducted by its partners. Especially important is the high specificity of GastroPanel® test in detecting atrophic gastritis signifying in practical terms that in cases with a completely normal test result a probability of atrophic gastritis or helicobacter-infection in the stomach is negligible.

In addition to this meta-analysis, also two other studies with significant results conducted by Biohit or its partners were reported in Anticancer Research-journal during 2016. One of these is a screening study with GastroPanel® conducted in St. Petersburg with asymptomatic patients and the other one is a case-control study with 10-year longitudinal setting, in which the value of GastroPanel® as a predictor of a long-term risk of gastric cancer was estimated. The suitability of GastroPanel® as a screening tool of asymptomatic population was excellent and the test was sensitive and specific to detect atrophic gastritis. In the case-control study, the below-threshold levels of GastroPanel® markers (PGI and PGII) were an independent predictor for an increased risk of gastric cancer even during a follow-up of 10 years. In the multi-variate model, the strongest predictor was a low PGI/PGII-ratio, which is an indicator for mucosal atrophy in the GastroPanel® marker profile.

The acetaldehyde-related studies produced new significant findings

During 2016, a new clinical acetaldehyde study in Uppsala University Hospital was concluded. The study compared the effect of Acetium capsule and placebo on the acetaldehyde levels in the gastric juice after alcohol intake in volunteers who had an atrophic gastritis (acid-free stomach) confirmed by GastroPanel® test and biopsy. Like in the previous studies, Acetium reduced the acetaldehyde level in the gastric juice highly significantly (68%) as compared to placebo. Furthermore, the study is the first to confirm that the slow-release L-cysteine remains in the stomach for several hours and binds acetaldehyde into a harmless MTCA-compound. These important results were published in the November 2016 issue of Scandinavian Journal of Gastroenterology.

Acetium has been in use by Japanese cancer researcher for quite a long time by now. In Akita University the research group of Professor Katsunori Iijima (Head of Gastroenterology Department) has conducted further studies assessing the impact of

Acetium on the internal acetaldehyde levels in the oesophageal and gastric mucosa and its possible impact on preventing the recurrence of cancer among the high-risk patients. GastroPanel® examination developed by Biohit Oyj is a significant tool in assessing the cancer risk of these patients.

Awareness of acetaldehyde was increased

During 2016 the awareness of the harmfulness of acetaldehyde was increased in several occasions. In conjunction with the Annual Medical Assembly professor Mikko Salaspuro held a presentation about acetaldehyde as the most common carcinogen in the world. The presentation provoked a lively public discussion. Professor Salaspuro held a presentation about the same topic also in 8th Annual Charles Lieber Satellite Symposium in New Orleans on 25 June 2016. The presentation was called 'Acetaldehyde a neglected human carcinogen' and its summary is published in an international serie 'Experimental and Molecular Pathology 102: 2017'.

In the light of the current knowledge, the packages of alcoholic beverages should contain a statement on its possible content of acetaldehyde, which is classified by the WHO as a human carcinogen. Given that there is no scientific evidence to indicate that acetaldehyde and ethanol in the foodstuffs are less carcinogenic than acetaldehyde in alcoholic beverages, the same requirements should also apply to these products. Several foodstuffs have an acetaldehyde content in excess of 5mg/L, which is the recommended upper limit for the acetaldehyde content in cosmetic products. Additionally, a scientific committee set by the EU has proposed in 2012 that mouthwashes should not contain acetaldehyde at all.

We brought our expertise for food industry

In 2016 we started a cooperation with Pyynikin Craft Brewery and brought our biotechnological expertise at the disposal of the brewery production process. As a result of this cooperation, Pyynikin Craft Brewery launched a new beer brand called Pyynikin Vapaa (Pyynikki´s Free), responding to the consumers' demands. The product is, among other properties, a gluten-free product and it has a very low acetaldehyde level. The cooperation with the brewery is a new business area for Biohit and it paves the way for developing the production of other food stuffs as well. We want to be part of the development aimed to offering the customers alimentary products made of pure raw materials.

We bought a share of Norwegian Genetic Analysis AS company with a directed share issue

Biohit Oyj and Genetic Analysis AS have signed a share exchange agreement through which Biohit Oyj acquires ownership of 18 % of shares in the company. In addition to this the companies have signed a distribution agreement giving Biohit Oyj a right to sell Genetic Analysis AS's Dysbiosis Test under the Biohit brand and exclusively in Finland and in China. In the future, Genetic Analysis will also operate as a distributor to Biohit Oyj's products and services in Norway.

Biohit Oyj's Chinese joint venture Biohit HealthCare (Hefei) Co. Ltd production facility has passed official test requirements and has been granted a license enabling production and sales of products. Biohit HealthCare (Hefei) Co. Ltd manufactures the globally unique GastroPanel®-products developed by Biohit Oyj for the Chinese market.

Option Scheme and financial communications

In 2016, Biohit Oyj issued a total of 150,000 options to members of the company's Senior Management under the I 2013 Option Scheme.

Biohit Oyj will publish financial reviews twice per year.

Business

	1–12/2016	1–12/2015
Net sales MEUR	8.2	6.1
Change compared with the previous year (%)	35.4%	38.7%
Operating income MEUR	–3.4	–2.9
Change compared with the previous year (%)	–15.7%	35.6%
Operating income (% of net sales)	–41%	–48%

MAJOR EVENTS AFTER THE CLOSE OF THE PERIOD

Ownership arrangement in Biohit Oyj's Chinese Joint Venture – 2017 operating result expected to be positive

Biohit Oyj and Anhui Wisdom-Win Investment Co. Ltd have signed a resolution authorised by shareholders of Biohit HealthCare (Hefei) Co. Ltd. a joint venture operating in Hefei, China, concerning reduction of the joint venture share capital for an amount equal to Biohit Oyj's shareholding. Biohit Oyj owns 40% of the company, and the agreement is for reduction of the entire share capital. As a result of the transaction Biohit

Oyj estimates its operating result to turn clearly positive for 2017. The transaction requires approval from the authorities. The company continues to not provide profit guidance concerning business operations.

Biohit Oyj does not classify Biohit HealthCare (Hefei) Co. Ltd shares as an asset available for sale as the book value of the asset is not in principal determined by the assets transaction value and the share capital reduction requires approval from the authorities.

ADMINISTRATION

Annual General Meeting

The Annual General Meeting (AGM) held on 25 April 2016 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 2015.

The AGM decided that the Board of Directors would have six (6) members and selected the following Board members until the end of the next AGM: current members Professor (h.c.) Osmo Suovaniemi, Professor Mikko Salaspuro, Commercial Counsellor Eero Lehti and Seppo Luode, MSc (Tech.), managing director Franco Aiolfi and Janina Andersson, MSc (Soc. Sci.).

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

BIOHIT OYJ'S MANAGEMENT TEAM

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

SHARE TURNOVER AND PRICE DEVELOPMENT

Biohit Oyj's number of shares is 14,698,533 (14,348,533), of which 2,975,500 (2,975,500) are Series A shares and 11,723,033 (11,373,033) are Series B shares. The Series B shares are quoted on NASDAQ Helsinki in the Small cap/Healthcare group under the code BIOBV.

Supposing that the market capitalisation for series A and B shares is equal, the total market capitalisation at the end of the period was EUR 88.9 million (EUR 80.5 million on 31 December 2015). Shares' trade value during the period amounted to EUR 12 million.

BIOBV/NASDAQ OMX Helsinki

	1–12/2016	1–12/2015
High (EUR)	6.42	7.14
Low (EUR)	4.71	4.22
Average (EUR)	5.57	5.45
Latest (EUR)	6.05	5.61
Turnover (EUR)	11,988,747	22,618,230
Turnover volume	2,158,791	4,014,402

Shareholders

At the end of the reporting period on 31 December 2016, the company had 6,402 shareholders (6,594 on 31 December 2015). Private households held 76.17% (78.0%). companies 19.26% (20.1%) and public sector organisations 0.02% (0.0%). Foreign ownership or nominee registrations accounted for 4.41% (1.7%) 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 2016 are EUR 5,479,775.77 (EUR 6,079,716.06) of which the period net loss is EUR 2,580,940.29 (loss EUR 3,526,862.99) The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial year.

Annual General Meeting

Biohit Oyj's Annual General Meeting has been planned for 5.00 pm on Wednesday 26 April 2017 in Helsinki. The Board of Directors will call the General Meeting at a later date.

All figures have been rounded up or down, so the sums of individual figures may deviate from the totals shown.

CORPORATE GOVERNANCE STATEMENT

Biohit Oyj publishes a separate Corporate Governance Statement on its website at the following address: www.biohithealthcare.com/investors/corporate-governance/biohits-corporate-governance-statements

Helsinki, 20 February 2017
Biohit Oyj Board of Directors

Consolidated comprehensive income statement

1,000 €	Note	1 Jan–31 Dec 2016	1 Jan–31 Dec 2015
Net sales	3	**8,195**	**6,051**
Material and service expenses	6	–3,990	–2,855
Gross margin		**4,205**	**3,196**
Other operating income	5	119	757
Sales and marketing expenses	7	–2,205	–2,341
Administration expenses	8	–3,309	–2,405
Research and development expenses	9	–1,968	–2,038
Share of the profit/loss of joint ventures	10	–198	–70
Operating profit/loss		**–3,356**	**–2,900**
Financial income	14	244	238
Financial expenses	14	–163	–241
Financial income and expenses		81	–3
Profit/loss before taxes		**–3,275**	**–2,903**
Income taxes	15	–20	–14
Profit/loss for the financial period		**–3,295**	**–2,917**
Financial assets available for sale		987	–158
Translation differences		–106	7
Items of comprehensive income that can later be reclassified through profit and loss		881	–151
Total comprehensive income for the period		**–2,414**	**–3,068**
Distribution of profit/loss for the financial period			
To the owners of the parent company		–3,295	–2,917
Total		**–3,295**	**–2,917**
Distribution of comprehensive income for the financial period			
To the owners of the parent company		–2,414	–3,068
Total		**–2,414**	**–3,068**
Earnings per share calculated from earnings attributable to the owners of the parent company			
Undiluted and diluted earnings per share, EUR	**16**	**–0.22**	**–0.20**

Consolidated balance sheet

1,000 €	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Non-current assets			
Intangible assets	17	1,196	1,396
Property, plant and equipment	18	717	782
Ownership stake in joint ventures	19	381	596
Other non-current financial assets	20	2	2
Deferred tax assets	21	107	77
Total non-current assets		**2,403**	**2,853**
Current assets			
Inventories	22	864	637
Trade and other receivables	20, 23	1,991	997
Other current financial assets	20, 24	7,134	6,518
Cash and cash equivalents	20, 24	597	723
Total current assets		**10,586**	**8,875**
Total assets		**12,989**	**11,728**
SHAREHOLDERS' EQUITY AND LIABILITIES			
Shareholders' equity			
Share capital	25	2,350	2,350
Invested unrestricted equity fund	25	4,348	2,367
Translation differences	25	–94	12
Retained earnings		4,146	5,581
Shareholders' equity attributable to shareholders of the parent company		**10,750**	**10,310**
Total shareholders' equity		**10,750**	**10,310**
Long-term liabilities			
Deferred tax liabilities	21, 28	412	176
Other liabilities	20, 28	5	4
Total long-term liabilities		**417**	**180**
Short-term liabilities			
Trade payables	20, 28	979	326
Short-term interest-bearing liabilities	20, 27	-	128
Tax liabilities	20, 28	4	-
Other liabilities	20, 28	840	785
Total short-term liabilities		**1,822**	**1,239**
Total shareholders' equity and liabilities		**12,989**	**11,728**

Statement of changes in consolidated shareholders' equity

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

1,000 €	Shareholders' equity attributable to shareholders of the parent company					
	Share capital	Invested unrestricted equity fund	Translation differences	Fair value reserve	Retained earnings	Total shareholders' equity
Shareholders' equity 1 Jan 2015	2,350	1,882	5	194	8,245	12,677
Incentive scheme for senior management	-	-	-	-	216	216
Subscription of options	-	485	-	-	-	485
Total comprehensive income for the period	-	-	7	–158	–2,917	–3,068
Shareholders' equity 31 Dec 2015	2,350	2,367	12	36	5,544	10,310

Consolidated cash flow statement

1,000 €	Note	2016	2015
Cash flow from operating activities			
Profit/loss for the financial period		–3,295	–2,917
Adjustments to profit for the financial period			
Business activities with no payment transactions		1,015	–326
Depreciation		356	319
Unrealised exchange rate gains and losses		2	3
Financial income and expenses		–83	0
Income taxes		20	14
Total adjustments to income for the financial period		1,309	9
Change in working capital			
Increase (–)/decrease (+) in short-term interest-free trade receivables		–1,032	–213
Increase (–)/decrease (+) in inventories		–226	178
Increase (+)/decrease (–) in short-term interest-free liabilities		747	–137
Total change in working capital		–512	–172
Interest paid		–136	–212
Interest received		263	223
Realised exchange rate gains and losses		–31	–21
Income taxes paid		–56	–59
Net cash flow from operating activities		**–2,457**	**–3,147**
Cash flow from investments			
Investments in tangible and intangible assets		–92	–223
Proceeds from disposal of tangible and intangible assets		5	80
Proceeds from the sale of investments in funds and deposits		2,609	3,034
Net cash flow from investments		**2,522**	**2,891**
Cash flow from financing activities			
Paid share issue		-	485
Repayment of loans		–128	–128
Net cash flow from financing activities		**–128**	**357**
Change in financial assets		**–63**	**101**
Cash and cash equivalents at the beginning of the period		723	608
Effect of changes in exchange rates		–62	14
Cash and cash equivalents at the end of the period	24	**597**	**723**

Notes to the consolidated financial statements

1 BASIC INFORMATION ABOUT THE COMPANY

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

A copy of the consolidated financial statements is available on the website, www.biohithealthcare.com, 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 2017. 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 2016 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 addition, the company expects to receive approximately EUR 1.8 million in cash as a result of restructuring its ownership of the joint venture, as communicated on 2 January 2017. This payment is expected to strengthen the company's working capital structure in the first half of the year. In the assessment of the company's senior management, the company's capacity to continue operating is good, and there are no foreseeable events or conditions that could occur individually or in combination to give major cause to doubt the company's ability to continue operating.

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

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

Presentation method

The Group's income statement is presented as a single calculation.

Consolidation principles

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

Mutual shareholdings of Group companies have been

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

Subsidiaries

Subsidiaries are consolidated into the financial statements from the moment that the Group gains control over them until this control ends. The consolidated financial statements have been prepared using the acquisition-cost method. The Group's share of assets, liabilities and contingent liabilities on the date of acquisition is recognised at fair value and the amount in excess of the fair-value acquisition cost is recognised as goodwill. If the acquisition cost of a subsidiary is less than the value of the net assets on the date of acquisition, the difference is recognised in the income statement. Internal Group business transactions, receivables, liabilities and unrealised profits from internal sales are eliminated in the consolidated financial statements. Unrealised losses are also eliminated unless an internal business transaction demonstrates that an asset has become impaired. The share of a subsidiary owned by minority interest-holders is presented in the consolidated balance sheet under equity, separately from shareholders' equity. The accounting principles applied by subsidiaries have been adapted to correspond to the Group's principles.

Joint arrangements

The Group has applied IFRS 11 to all of its joint arrangements. Under IFRS 11, joint arrangements are classified as joint operations or joint ventures in accordance with the investors' contractual rights and obligations. The Group has assessed the nature of its joint arrangements and determined that they are either joint ventures or joint operations. 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.

Translating items denominated in foreign currencies

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

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

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

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

Principles for revenue recognition
Revenue from sales of goods and services is recognised when the related material risks and benefits have been transferred to the purchasers and there is no significant uncertainty regarding payments or costs of goods and services, or any return of goods. The amount of booked income consists of the compensation from sold goods or services based on fair value, less value-added tax and volume or other discounts, as well as exchange rate profits and losses related to the sale. Interest income is recognised in accordance with the effective interest rate method. Dividend income is recognised when the right to the dividend is established.

The company will separately evaluate the impact of IFRS 15.

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

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

Buildings	20–30 years
Machinery and equipment	3–10 years

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

INTANGIBLE ASSETS
Research and development expenses
Research expenditure is recognised as an expense in the balance sheet. Development expenditure related to designing new and more advanced products is capitalised in the balance sheet as an intangible asset when the product can be technically realised and commercially exploited, and the product is expected to generate a future financial benefit. Development expenditure that has previously been recognised as an expense cannot be capitalised at a later date. Depreciation is booked for an asset from the time it is ready for use.

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

The depreciation periods are as follows:

Patents	10 years
Development expenses	5 years
Computer software	3 years
Other intangible assets	5–10 years

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

The recoverable amount is the asset's fair value, less costs arising from transfer or a higher utility value.

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

Inventories

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

Pension obligations

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

Share-based payments

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

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

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

Provisions

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

Current tax liabilities and deferred tax liabilities

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

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

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

Financial assets and liabilities

The Group's financial assets are classified at fair value through profit or loss under financial assets, loans, financial assets held to maturity and other receivables, as well as under financial assets held for sale. The classification is made on the basis of the purpose of the acquisition and the assets are classified in connection with the original acquisition. All purchases and sales of

financial assets are booked on the day of the transaction. Financial assets are derecognised when the Group has lost its agreement-based right to the cash flow or it has transferred a significant share of the risks and income outside the Group.

Financial assets booked at fair value through profit or loss include financial asset items that were acquired to be held for trading purposes or that are initially classified to be booked at fair value through profit or loss (applying the fair value alternative). Financial assets held for trading purposes consist of investments in fixed-term deposits and corporate loans and they are included in current and non-current assets. The items in this group are measured at fair value and the fair value of all of the investments in this group is determined based on price quotations on active markets, i.e., the buy quotation on the closing date of the financial period. Profits and losses due to changes in fair value and both unrealised and realised profits and losses are booked under financial items in the income statement for the period in which they arise.

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

Financial assets available for sale are non-derivative assets such as money market investments that have been specifically assigned to this category or that have not been assigned to any other category. Typically, investments are categorised as available for sale if there is no active market for them but the company can sell them if necessary. Investments classified in this group are measured at fair value and changes in value are entered into equity under items of comprehensive income. The profit or loss of an investment classified as available for sale is entered into income when the investment is sold or falls due. Any interest or dividend income is booked as income under financial items.

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

Financial liabilities are booked at fair value based on the original consideration received in accounting. Transaction costs are included in the original book values of financial liabilities. All financial liabilities are later measured at amortised cost using the effective interest rate method. Financial liabilities are included in current and non-current liabilities and they can be interest-bearing or interest-free. **Interest-bearing liabilities** consist of financial liabilities for which the company must pay interest or other fees on the basis of a contract throughout the duration of the loan. **Non interest-bearing liabilities** consist of liabilities for which the company need not regularly pay interest or other fees on the basis of a contract. The principles for determining the fair values of financial liabilities are presented in note 20.

Impairment of financial assets

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

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

Concept of operating profit and loss

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

arise from business-related items. Otherwise, they are recognised as financial items. Exchange differences related to the Group's internal receivables and liabilities are recognised as financial items.

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

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

Impairment testing

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

Deferred tax assets

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

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

Insofar as quoted valuations cannot be obtained from securities markets for asset items classed as financial assets available for sale, the fair values are based on data that can be obtained for the assets or liabilities in question either directly (as a price) or indirectly (as a derivative of the price). The Group uses generally accepted valuation models to determine the fair values of these instruments, and the input data for these models are based in significant part on observable market data. For the valuation of Genetic Analysis AS, the input data consists of transactions involving the company's shares on market terms between third parties. The company classifies shares in Genetic Analysis AS as financial assets available for sale measured at fair value. On the balance sheet date, the fair value of the shares was EUR 3.2 million.

Impact of the adoption of IFRS 10 and 11

Joint control of Biohit Biotech (Hefei) Co Ltd in accordance with the IFRS 10 standard took effect on 30 September 2015 in the manner referred to in the standard and the shareholders' agreement. As such, the investment is recognised in the comparable figures for the 2015 financial period in the balance sheet of Biohit's consolidated financial statements. It is recognised via the equity method. The consolidation gave rise to a non-recurring item in other business income in the amount of EUR 0.7 million. Biohit Oyj's share of the profit/loss of the joint venture is recognised above operating profit.

Application of new or amended IFRS standards and IFRIC interpretations

Biohit will begin applying new or amended IFRS standards and interpretations as of the date on which they enter into force or when they are approved for adoption in the EU. The consolidated financial statements have been prepared in compliance with the same accounting principles as in 2015. The standards or interpretations that entered into force in 2016 have not given rise to material changes in the accounting principles.

New standards and interpretations that have not yet been adopted

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

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

IFRS 15 and IFRS 9 will be adopted as of 1 January 2018, and IFRS 16 will be adopted as of 1 January 2019. Earlier adoption of IFRS 16 is permitted but only in combination with IFRS 15. The European Union has approved IFRS 15 and IFRS 9 but it has not yet approved IFRS 16.

IFRS 15

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

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

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

The quantifiable impact of the adoption of IFRS 15 will be stated in more detail at a later date.

IFRS 9

IFRS 9 includes updated guidelines on classifying and measuring financial assets, as well as a new model for estimating impairments of financial assets based on expected credit losses and new requirements for general hedge accounting. Biohit is currently evaluating the impact of the new standard on the financial statements and it intends to adopt the standard on the required adoption date. According to Biohit's preliminary estimates, the adoption of IFRS 9 will not have a major impact on Biohit's financial statement transactions or values.

IFRS 16

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

3 SEGMENT INFORMATION

The company's product portfolio consists of diagnostic tests, products that bind acetaldehyde and monoclonal antibodies.
The company classifies its entire product portfolio into one segment.

4 ACQUIRED BUSINESSES

No businesses were acquired in the 2015 and 2016 financial periods.

5 OTHER OPERATING INCOME

1,000 €	**2016**	2015
Biohit Biotech (Hefei) Co., Ltd. *)	4	660
Subsidies	58	14
Profit from sales of property, plant and equipment	5	76
Loss from sales of property, plant and equipment	-	–6
Others	52	12
Total	119	757

*) Joint control of Biohit Biotech (Hefei) Co Ltd in accordance with the IFRS 10 standard took effect on 30 September 2015 in the manner referred to in the standard and the shareholders' agreement. As such, the investment is recognised in accordance with the new standards as a consolidated entity in the balance sheet of Biohit's consolidated financial statements. It is recognised via the equity method. The consolidation gave rise to a non-recurring item in other business income in the amount of EUR 0.7 million at the time of consolidation.
Biohit Oyj's share of the profit/loss of the joint venture is recognised above operating profit.

*) See note 10

6 MATERIAL AND SERVICE EXPENSES

1,000 €	**2016**	2015
Materials, supplies and other direct expenses	3,893	2,733
Rents	35	89
Depreciation	62	32
Total	3,990	2,855

7 SALES AND MARKETING EXPENSES

1,000 €	**2016**	2015
Expenses arising from employment benefits	1,162	1,107
Travel expenses and other personnel expenses	120	158
Rents and maintenance expenses	70	74
Sales and marketing expenses	678	612
Other external services	19	356
Other operating expenses	134	20
Depreciation	22	14
Total	2,205	2,341

8 ADMINISTRATION EXPENSES

1,000 €	**2016**	2015
Expenses arising from employment benefits *)	2,212	1,575
Travel expenses and other personnel expenses	159	124
Rents and maintenance expenses	56	196
Other external services	505	144
Other operating expenses	222	204
Depreciation	155	161
Total	3,309	2,405

*) Includes expenses recorded for options of EUR 873 thousand in 2016 and EUR 216 thousand in 2015.

9 RESEARCH AND DEVELOPMENT EXPENSES

1,000 €	**2016**	2015
Expenses arising from employment benefits	721	874
Travel expenses and other personnel expenses	19	30
Rents and maintenance expenses	7	11
Other external services	601	530
Other operating expenses	504	481
Depreciation	116	112
Total	1,968	2,038

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

10 SHARE OF THE PROFIT/LOSS OF JOINT VENTURES (EQUITY METHOD) AND INTRA-GROUP ELIMINATIONS

1,000 €	**2016**	2015
Biohit Biotech (Hefei) Co., Ltd. *)		
Profit/loss for the financial period	4	–70
Biohit Biotech (Hefei) Co., Ltd. elimination of the internal inventory margin **)	–198	0
Total	–194	–70

*) See note 5
**) Elimination of the joint venture's internal inventory margin is recognised through profit and loss

11 NUMBER OF PERSONNEL

	2016	2015
Average number of personnel	53	52
Number of personnel at the end of the financial period	49	49

12 DEPRECIATION

1,000 €	**2016**	2015
Intangible assets	181	186
Buildings	11	11
Plant and equipment	164	122
Total	356	319

13 AUDITORS' FEES

1,000 €	**2016**	2015
Auditors' fees	42	52
Other services [*)]	52	6
Total fees paid to the auditor	94	58

[*)] In 2016, Other services included services related to the Genetic Analysis AS share exchange.

14 FINANCIAL INCOME AND EXPENSES

1,000 €	**2016**	2015
Exchange rate gains from financial assets and liabilities	7	1
Net profit/loss on investments recognised at fair value through profit or loss	70	112
Other financial income	167	125
Total	244	238
Interest expenses on financial liabilities	0	–3
Exchange rate losses from financial assets and liabilities	–36	–24
Fees	–21	–19
Other financial expenses	–107	–195
Total	–163	–241
Total financial income and expenses	81	–3

15 INCOME TAXES

Direct taxes

1,000 €	**2016**	2015
Tax based on taxable income for the financial period	–59	–61
Taxes in the previous financial period	-	0
Deferred taxes	39	47
Total direct taxes	–20	–14

Reconciliation of tax expenses on the income statement

1,000 €	**2016**	2015
Profit before taxes	–3,275	–2,903
Taxes calculated at domestic rates 20%	655	581
Effect of differing tax bases applying to foreign subsidiaries	–20	–14
Tax-free income and non-deductible expenses	–27	–8
Non-recognised deferred tax assets from taxable loss	–628	–572
Taxes on the income statement	–20	–14

16 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.

	2016	2015
Profit for the period attributable to the owners of the parent company, EUR 1,000	–3,295	–2,917
Average number of shares, undiluted	14,685,071	14,276,519
Effect of share options	367,060	427,060
Average number of shares, diluted	15,052,131	14,703,579
Undiluted earnings per share, EUR	–0,22	–0,20

17 INTANGIBLE ASSETS

2016

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

2015

1,000 €	Intangible rights	Other intangible assets	Total
Acquisition cost 1 Jan 2015	2,133	707	2,841
Decreases	–26	-	–26
Acquisition cost 31 Dec 2015	2,108	707	2,815
Accumulated depreciation and impairment 1 Jan 2015	–535	–699	–1,233
Depreciation	–179	–7	–186
Accumulated depreciation and impairment 31 Dec 2015	–714	–705	–1,419
Book value 1 Jan 2015	1,599	9	1,607
Book value 31 Dec 2015	1,394	2	1,396

Intangible rights consist of patents.

18 TANGIBLE ASSETS

2016

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

2015

1,000	Buildings	Plant and equipment	Total
Acquisition cost 1 Jan 2015	147	1,592	1,739
Increases	-	172	172
Decreases	-	–266	–266
Acquisition cost 31 Dec 2015	147	1,498	1,645
Accumulated depreciation and impairment 1 Jan 2015	–121	–761	–882
Depreciation	–11	–122	–133
Depreciation of decreases	-	152	152
Accumulated depreciation and impairment 31 Dec 2015	–132	–731	–863
Book value 1 Jan 2015	26	831	857
Book value 31 Dec 2015	15	767	782

19 OWNERSHIP STAKE IN JOINT VENTURES

1,000 €	**2016**	2015
Net assets 1 Jan	1,490	1,650
Profit/loss (-) for the financial period	10	–175
Internal inventory margin	–496	-
Other items of comprehensive income	–53	16
Net assets 31 Dec	952	1,490
Group share (%)	40%	40%
Group share (EUR 1,000)	381	596
Book value (EUR 1,000)	381	596

See note 10

20 FINANCIAL ASSETS AND LIABILITIES BY GROUP

Balance sheet values of financial assets by group 31 Dec 2016

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

Balance sheet values of financial assets by group 31 Dec 2015

1,000 €	Loans and other receivables	Financial assets available for sale	Investments held to maturity	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	997		-	997	997	
Other current financial assets		6,518 *)	-	6,518	6,518	1
Cash and cash equivalents	723		-	723	723	
Total	1,720	6,518	-	8,238	8,238	
Total financial assets	1,722	6,518	-	8,240	8,240	

*) The sum of 3,943 (6,518) for financial assets available for sale includes a total of EUR 2,000 (EUR 2,000) in non-listed shares, which are recognised at acquisition cost, as no reliable fair value is available.

**) The company classifies shares in Genetic Analysis AS as financial assets available for sale measured at fair value in accordance with the valuation principles for Level 2 instruments. For the valuation of Genetic Analysis AS, the input data consists of transactions involving the company's shares on market terms between third parties. On the balance sheet date, the fair value of the shares was EUR 3,191,309.

The company has classified the hierarchies of financial assets according to the availability of data on market terms and other price data. The section of IFRS 7 that was adopted on 1 January 2009 was used to prepare the hierarchy.

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

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

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

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

Financial liabilities by group

1,000 €	**Book value 2016**	**Fair value 2016**	**Book value** 2015	**Fair value** 2015
Long-term financial liabilities valued at deferred acquisition cost				
Other liabilities	5	5	4	4
Total	5	5	4	4
Short-term financial liabilities valued at deferred acquisition cost				
Other interest-bearing liabilities	-	-	128	128
Trade payables	979	979	326	326
Tax liabilities	4	4	-	-
Other liabilities	840	840	785	785
Total	1,828	1,828	1,239	1,239
Total financial liabilities	1,822	1,822	1,243	1,243

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.

21 DEFERRED TAXES

Deferred tax assets 1,000 €	**1 Jan 2016**	**Recognised through profit and loss**	**Recognised under other items of comprehensive income**	**Businesses purchased/ sold**	**31 Dec 2016**
Internal inventory margin	6	0	-	-	6
Other items	70	40	-	–9	101
Total	77	39	-	–9	107

Deferred tax liabilities 1,000 €	**1 Jan 2016**	**Recognised through profit and loss**	**Recognised under other items of comprehensive income**	**Businesses purchased/ sold**	**31 Dec 2016**
Capitalisation of intangible assets	175	-	-	–24	151
Capitalisation of tangible assets	1	-	-	4	5
Assets classed as available for sale	-	-	256	-	256
Total	176	-	256	–19	412

Deferred tax assets 1,000 €	1 Jan 2015	Recognised through profit and loss	Recognised under other items of comprehensive income	Businesses purchased/ sold	31 Dec 2015
Internal inventory margin	4	2	-	-	6
Other items	26	45	-	-	70
Total	30	47	-	-	77

Deferred tax liabilities 1,000 €	1 Jan 2015	Recognised through profit and loss	Recognised under other items of comprehensive income	Businesses purchased/ sold	31 Dec 2015
Capitalisation of intangible assets	199	-	-	–24	175
Capitalisation of tangible assets	2	–1	-	-	1
Total	200	–1	-	–24	176

The Group has tax-deductible losses of EUR 17.9 million for 2012, 2013, 2014, 2015 and 2016 for which no deferred tax assets have been recognised. EUR 17.5 million of the loss is in Finland (2016: EUR 2.4 million, 2015: EUR 3.2 million, 2014: EUR 4.1 million, 2013: EUR 4.4 million, 2012: EUR 3.4 million) and EUR 0.4 million is in Italy. The losses expire in 10 years in Finland.

22 INVENTORIES

1,000 €	**2016**	2015
Materials and supplies	465	333
Work in progress	87	35
Finished products/goods	311	269
Total inventories	864	637

23 TRADE AND OTHER RECEIVABLES

Long-term receivables

1,000 €	**2016**	2015
Long-term interest-free receivables	109	79
Total	109	79

Short-term receivables

1,000 €	**2016**	2015
Trade receivables	1,663	756
Accrued income	298	186
Other receivables	30	56
Total	1,991	997

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

24 CASH AND CASH EQUIVALENTS

1,000 €	**2016**	2015
Cash and cash equivalents	597	723
Financial assets available for sale (money market investments)	7,134	6,518
Total	7,731	7,241
Cash and cash equivalents on the cash flow statement	597	723

25 NOTES RELATED TO SHAREHOLDERS' EQUITY

Biohit Oyj's share capital is EUR 2,350,350.81 (EUR 2,350,350.81) and there are 14,698,533 (14,348,533) shares, of which 2,975,500 (2,975,500) belong to Series A and 11,723,033 (11,160,093) belong to Series B. Series B is listed on the stock exchange.

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

The shareholders' equity has been paid in full.

Description of shareholders' equity funds:

The translation differences reserve includes the translation differences arising when the financial statements of foreign subsidiaries and joint ventures are translated into euros.

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

26 SHARE-BASED PAYMENTS

Terms of share-based incentive schemes

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

Scheme	**I 2013 Types A, B, C, D, E**	**II 2013**
Nature of the scheme	Share options	Share options
Date of granting	19 Jun 2013	19 Jun 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 vesting.

The incentives provided for by programme II 2013 were earned in full before 31 December 2013.

Circulating options

Number of options	**2016**	2015
Options in circulation at the beginning of the financial period	207,060	360,000
New options issued	160,000	60,000
Options exercised	-	212,940
Options in circulation at the end of the financial period	367,060	207,060
Exercisable options at the end of the financial period	367,060	207,060
Weighted average strike price EUR/share	2.28	2.28

The strike price is affected by dividends paid in accordance with the terms of the option programme.
No dividend was paid for the financial period that ended on 31 December 2015, so the strike price did not change.

No options were exercised during the financial period.

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
2016	0.0	3.4	367,060
2015	0.0	4.4	207,060

Determining fair value

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

Presumptions used to determine fair value during the 2016 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 sub-scription value	subtracted from the sub-scription 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 8 ("Administration").

27 INTEREST-BEARING LIABILITIES

Balance sheet values of interest-bearing liabilities

1,000 €	2016	2015
Non-current interest-bearing liabilities		
The company has no non-current interest-bearing liabilities.		
Current interest-bearing liabilities		
Loans from financial institutions, current proportion	-	128
Total	-	128
Total interest-bearing liabilities	-	128

The fair values of financial liabilities are presented in note 20.

Covenants connected to long-term loans

The company has no long-term loans.

Subordinated loans

The company has no subordinated loans.

Financial leasing liabilities

The company has no financial leasing liabilities.

28 TRADE PAYABLES AND OTHER LIABILITIES

Non-current interest-free liabilities

1,000 €	**2016**	2015
Deferred tax liabilities	412	176
Other non-current liabilities	5	4
Total	417	180

Current interest-free liabilities

1,000 €	**2016**	2015
Trade payables	979	326
Advances received	33	0
Tax liabilities	4	-
Accruals and deferred income	807	785
Total	1,822	1,111
Total interest-free liabilities	2,240	1,290

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

29 MANAGEMENT OF FINANCING RISKS

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

Exchange rate risk

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

Sensitivity analysis in accordance with IFRS 7 for exchange rate changes.

2016

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

2015

1,000 €	USD	GBP
Non-current liabilities	-	-
Open position	-	-
Current assets		
Trade and other receivables	-	321
Current liabilities		
Interest-free liabilities	–4	–96
Open position	–4	225
Net position	–4	225

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 had EUR 7.7 million (EUR 7.2 million) in liquid assets on the balance sheet date, including EUR 3.2 million in Genetic Analysis AS shares. The aim of the investment activities related to the company's liquid assets is to achieve profit at very low risk of capital loss. The investment portfolio consists of fixed-income investments, money market investments and corporate loans. Sufficient diversification of investments between asset categories, investment instruments and counterparties is essential. The company uses at least two partners in its investment activities.

The Group's equity ratio was 83.0 per cent (87.9 per cent).

Analysis of the maturities of financial liabilities in 2016

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

Analysis of the maturities of financial liabilities in 2015

1,000 €	<1 year	1–5 years	>5 years	Total
Accounts payable and other interest-free liabilities	326	-	-	326
Repayment of loans from financial institutions	128	-	-	128
Interest expenses on loans from financial institutions	2	-	-	2
Total	456	-	-	456

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.

On 31 December 2016, accounts receivable totalled EUR 1.7 million (EUR 0.8 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 €	2016	Impairment loss	Net 2016	2015	Impairment loss	Net 2015
Undue	1,285		1,285	426		426
Less than 60 days overdue	297		297	222		222
61–120 days overdue	72		72	81		81
121–360 days overdue	12	–4	8	28	–1	27
More than 360 days overdue	7	–6	1	4	–4	0
Total	1,673	–10	1,663	761	–5	756

EUR 5 thousand (EUR 3 thousand) was recognised in credit losses for 2016.

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 €	2016	2015
Total shareholders' equity	10,750	10,310
Balance sheet total	12,989	11,728
Advances received	–33	0
Equity ratio	83.0%	87.9%

30 RELATED-PARTY TRANSACTIONS

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

Salaries and other short-term employment benefits

1,000 €	2016	2015
Parent company		
Management Teams	616	492
President & CEO	191	191
Members of the scientific advisory board	232	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 is EUR 202 thousand (EUR 221 thousand). In addition, Franco Aiolfi was paid other compensation amounting to EUR 36 thousand (EUR 36 thousand).

1,000 €	2016	2015
Subsidiaries		
Managing Directors	135	126

Board of Directors' fees

1,000 €	2016	2015
Parent company		
Osmo Suovaniemi	11	16
Franco Aiolfi	11	15
Eero Lehti	11	15
Seppo Luode	11	15
Mikko Salaspuro	11	15
Janina Andersson	11	12
Parent company total	64	88

Share-based payments

1,000 €	2016	2015
Parent company		
Management Teams	-	20
President & CEO	-	155
Key sales personnel	-	41
Members of the scientific advisory board	-	-

On 31 December 2016, the members of the Board of Directors and President & CEO owned a total of 2,265,350 Series A shares and 3,335,967 Series B shares. These correspond to 38.1 per cent of all of the shares in the company and 68.3 per cent of all of the votes. The Chairman of the Board of Directors, Osmo Suovaniemi, is the majority owner of Interlab Oy, and Interlab Oy owns 2,164,497 Series B shares. Franco Aiolfi, a member of the Board of Directors, is the majority owner of Euroclone S.p.A. via a company called Arsfin Consult S.r.l. Euroclone S.p.A. owns 172,807 series B shares.

At the end of 2016, the Group's President & CEO held 127,060 options (127,060). In total, the members of the Group Management Team owned 337,060 (60,000) option rights at the end of 2016, while external parties held 30,000. Each option owned by a member of senior management entitles the holder to one Series B share, which corresponds to 2.24 per cent of all shares and 0.47 per cent 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.

Other operating expenses

1,000 €	2016	2015
Consultancy, administration and logistics fees		
Companies under the control of members of the Board of Directors	244	244
Total	244	244

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 2015 and 2016.

Sales of goods and services to related party companies	2016	2015
Sales of goods		
Biohit Healthcare (Hefei) Co. Ltd	3,067	620
Anhui Machinery Development	-	820
Sales of services		
Biohit Healthcare (Hefei) Co. Ltd	500	-
Total	3,567	1,440

Ownership stakes in joint ventures

Biohit Healthcare (Hefei) Co. Ltd *)	40%

*) See notes 5 and 10.

31 COLLATERAL AND CONTINGENT LIABILITIES

1,000 €	2016	2015
Collaterals given on behalf of the parent company		
Guarantees	104	3
Other liabilities		
Leasing commitments:		
Due for payment in one year	59	50
Due for payment in more than 1 year but less than 5 years	54	36
Total	113	85
Other rental commitments:		
Due for payment in one year	262	208
Due for payment in more than 1 year but less than 5 years	454	647
Total	716	855
Total other liabilities	829	941
Total collaterals and contingent liabilities	933	944

32 EVENTS AFTER THE REPORTING PERIOD

Ownership arrangement in Biohit Oyj's Chinese Joint Venture – 2017 operating result expected to be positive

Biohit Oyj and Anhui Wisdom-Win Investment Co. Ltd have signed a resolution authorised by shareholders of Biohit HealthCare (Hefei) Co. Ltd, a joint venture operating in Hefei, China, concerning reduction of the joint venture share capital for an amount equal to Biohit Oyj's shareholding. Biohit Oyj owns 40% of the company, and the agreement is for reduction of the entire share capital. As a result of the transaction Biohit Oyj estimates its operating result to turn clearly positive for 2017. The company does not classify Biohit HealthCare (Hefei) Co. Ltd shares as an asset available for sale as the book value of the asset is not in principal determined by the assets transaction value and the share capital reduction requires approval from the authorities.

Key indicators

INDICATORS OF FINANCIAL TRENDS

1,000 €	IFRS 2012	IFRS 2013	IFRS 2014	IFRS 2015	**IFRS 2016**
Net sales	2,048	3,452	4,363	6,051	8,195
Change in net sales (%)	–94.9%	68.6%	26.4%	38.7%	35.4%
Operating profit/loss	–4,586	–5,860	–4,504	–2,900	–3,356
Proportion of net sales (%)	–223.9%	–169.8%	–103.2%	–47.9%	–41.0%
Profit/loss before extraordinary items and taxes	–3,659	–5,921	–4,312	–2,903	–3,275
Proportion of net sales (%)	–178.7%	–171.5%	–98.8%	–48.0%	–40.0%
Profit/loss before taxes	–3,659	–5,921	–4,312	–2,903	–3,275
Proportion of net sales (%)	–178.7%	–171.5%	–98.8%	–48.0%	–40.0%
Return on equity (%)	–8.3%	–20.4%	–24.5%	–25.3%	–31.1%
Return on investments (%)	–7.1%	–19.4%	–23.8%	–22.8%	–29.4%
Equity ratio	88.7%	82.2%	87.5%	87.9%	83.0%
Investments in fixed assets	281	1,827	447	832	115
Proportion of net sales (%)	13.7%	52.9%	10.2%	13.8%	1.4%
Research and development expenditure	970	1,063	2,067	2,038	1,968
Proportion of net sales (%)	47.4%	30.8%	47.4%	33.7%	24.0%
Balance sheet total	40,007	27,306	14,508	11,728	12,989
Average number of personnel	35	44	50	52	53

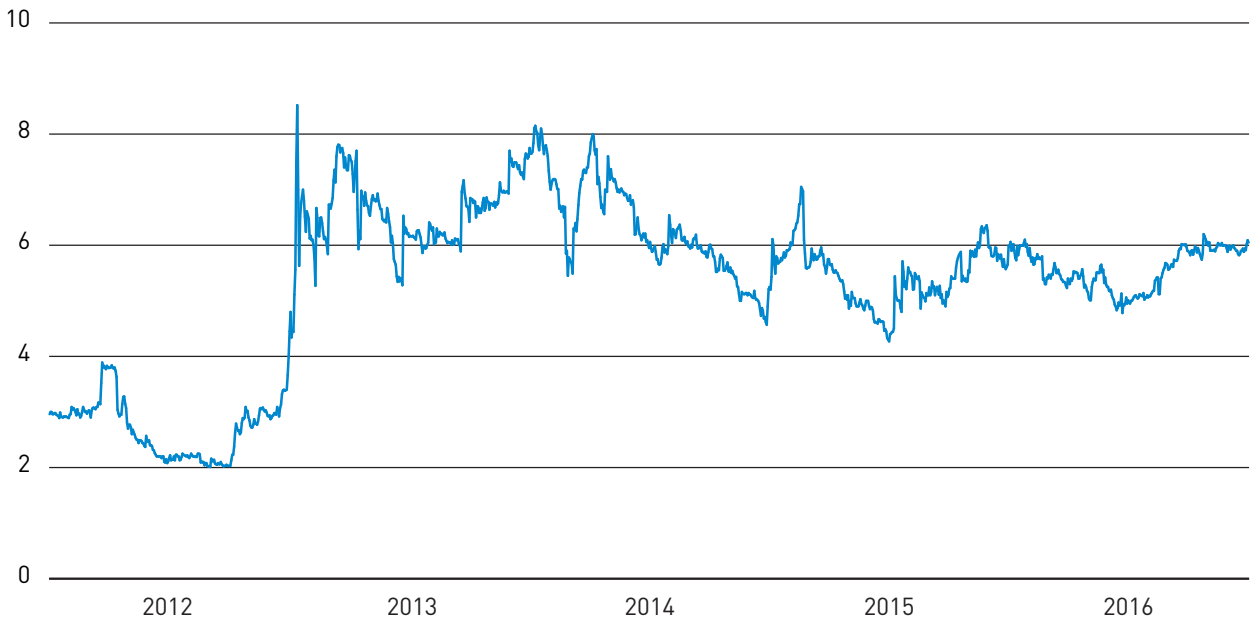
SHARE-SPECIFIC INDICATORS

	IFRS 2012	IFRS 2013	IFRS 2014	IFRS 2015	**IFRS 2016**
Undiluted earnings per share (EUR)	–0.27	–0.43	–0.32	–0.20	–0.22
Shareholders' equity attributable to the owners of the parent company (EUR)	2.61	1.63	0.90	0.72	0.73
Price-to-earnings ratio (P/E)	0.0	0.0	0.0	0.0	0.0
Dividend per share	0.50	0.72			
Repayment of capital per share	0.24	0.00			
Dividend payout ratio (%)	n/a	n/a			
Effective dividend yield (%)	18.42	9.57	0.00	0.00	0.00
Series B share price trend (EUR)					
- average	2.70	6.59	6.35	5.45	5.57
- low	2.00	4.00	4.57	4.22	4.71
- high	4.13	9.10	8.17	7.14	6.42
- price 31 Dec	4.00	7.56	4.68	5.61	6.05
Market capitalisation (EUR 1,000) (presuming the same market value for Series A shares as for Series B shares)	54,462	104,408	66,155	80,495	88,926
Turnover of Series B shares (thousands)	5,376	8,593	4,029	4,014	2,159
- proportion of the total (%)	50.5%	79.3%	37.2%	37.0%	19.9%
Average ex-rights adjusted number of shares	13,727,251	13,941,286	13,941,286	14,276,519	14,685,071
- taking into consideration the diluting effect of options and convertible bonds	13,915,143	14,521,286	14,521,286	14,703,579	15,052,131
Ex-rights adjusted number of shares at the end of the financial period	13,810,593	14,135,593	14,135,593	14,348,533	14,698,533
- taking into consideration the diluting effect of options and convertible bonds	14,223,768	14,715,593	14,715,593	14,775,593	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.

Shares and shareholders

CLOSING SHARE PRICE



SHAREHOLDINGS BY OWNER GROUP 31 DECEMBER 2016

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

Series B shares	Number of owners pcs	%	Number of shares pcs	%
1. Households	6,180	96.7	8,245,300	70.3
2. Financial and insurance institutions	10	0.2	10,170	0.1
3. Companies and housing companies	174	2.7	2,806,432	23.9
4. Non-profit organisations	7	0.1	3,681	0.0
5. Public bodies	1	0.0	3,000	0.0
6. Nominees and foreign owners	20	0.3	648,858	5.5
In joint account	0	0.0	5,592	0.0
Total number of Series B shares	6,392	100.0	11,723,033	100.0
Total number of Series A and Series B shares	6,402		14,698,533	

Series A shares	Number of owners pcs	%	Number of shares pcs	%
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 pcs	%	Number of shares pcs	%
1–1,000	5,444	85.2	1,511,425	12.9
1,001–10,000	842	13.2	2,439,892	20.8
10,001–100,000	100	1.6	2,258,702	19.3
More than 100,001	6	0.1	5,507,422	47.0
Shares in joint accounts	0	0.0	5,592	0.0
Total number of Series B shares	6,392	100.0	11,723,033	100.0
Total number of Series A and Series B shares	6,402		14,698,533	

LARGEST REGISTERED SHAREHOLDERS 31 DECEMBER 2016

10 largest owners in terms of the number of shares	Series A shares	Series B shares	Total number of shares	%
Suovaniemi Osmo Antero	2,265,350	965,217	3,230,567	22.5
Interlab Oy	0	2,164,497	2,164,497	15.1
Suovaniemi Ville Roi	208,280	371,300	579,580	4.0
Suovaniemi Joel	208,280	334,500	541,280	3.8
Suovaniemi Oili	111,600	288,935	400,535	2.8
Genetic Analysis AS	0	350,000	350,000	0.5
Härkönen Matti	57,200	267,965	325,165	2.3
Suovaniemi Vesa Jukka Markku	74,800	187,819	262,619	1.8
Oy Etra Invest Ab	0	200,000	200,000	1.4
Luostarinen Reijo	10,000	90,000	100,000	0.7

10 largest owners in terms of the number of votes	Series A shares	Series B shares	Total number of shares	%
Suovaniemi Osmo Antero	2,265,350	965,217	46,272,217	65.0
Suovaniemi Ville Roi	208,280	371,300	4,536,900	6.4
Suovaniemi Joel	208,280	334,500	4,490,600	6.3
Suovaniemi Oili	111,600	288,935	2,520,935	3.5
Interlab Oy	0	2,164,497	2,164,497	3.0
Suovaniemi Vesa Jukka Markku	74,800	187,819	1,683,819	2.4
Härkönen Matti	57,200	267,965	1,411,965	2.0
Genetic Analysis AS	0	350,000	350,000	0.5
Luostarinen Reijo	10,000	90,000	290,000	0.4
Oy Etra Invest Ab	0	200,000	200,000	0.3

Senior management ownership 31 December 2016

On 31 December 2016, the members of the Board of Directors and President & CEO owned a total of 2,265,350 Series A shares and 3,335,967 Series B shares.

These correspond to 38.1 per cent of all of the shares in the company and 68.3 per cent of all of the votes.
The Chairman of the Board of Directors, Osmo Suovaniemi, is the majority owner of Interlab Oy, and Interlab Oy owns 2,164,497 Series B shares.

Franco Aiolfi, a member of the Board of Directors, is the majority owner of Euroclone S.p.A. via a company called Arsfin Consult S.r.l. Euroclone S.p.A. owns 172,807 series B shares.

Formulae for calculating key indicators

Return on equity (%)	profit/loss for the financial period / shareholders' equity (average for the year)	X100
Return on investments (%)	profit before extraordinary items + interest and other financial expenses / balance sheet total – interest-free liabilities (average for the year)	X100
Equity ratio (%)	shareholders' equity on the balance sheet / balance sheet total – advances received	X100
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	X100
Effective dividend yield (%)	dividend per share / last transaction rate in the financial period	X100
Price-to-earnings ratio (P/E)	last transaction rate in the financial period / earnings per share	

Parent company income statement (FAS)

1,000 €	Note	1 Jan – 31 Dec 2016	1 Jan – 31 Dec 2015
Net sales	2	**6,039**	**4,047**
Change in inventories of finished products and work in progress		39	–124
Other operating income	3	339	422
Materials and services	4	–2,348	–1,347
Personnel expenses	5	–3,122	–3,106
Depreciation and impairment	6	–211	–184
Other operating expenses	7	–3,442	–2,957
Operating profit/loss		**–2,706**	**–3,249**
Financial income and expenses	9	125	–278
Profit/loss before appropriations and taxes		**–2,581**	**–3,527**
Profit/loss for the financial period		**–2,581**	**–3,527**

Parent company balance sheet (FAS)

1,000 €	Note	31 Dec 2016	31 Dec 2015
ASSETS			
Fixed assets			
Intangible assets	10	290	360
Tangible assets	11	634	724
Investments			
Shares in Group companies	12	232	232
Other investments	12	1	1
Total fixed assets		1,157	1,317
Current assets	13	732	562
Inventories	13	732	562
Long-term receivables	14	255	-
Short-term receivables	14	1,667	1,151
Financial securities	15	7,122	6,507
Cash at bank and in hand	16	38	186
Total current assets		9,814	8,406
TOTAL ASSETS		**10,971**	**9,723**
LIABILITIES AND SHAREHOLDERS' EQUITY			
Shareholders' equity			
Share capital	17	2,350	2,350
Fair value reserve	17	1,024	36
Invested unrestricted equity fund	17	3,252	1,271
Retained earnings	17	4,809	8,336
Profit/loss for the financial period	17	–2,581	–3,527
Total shareholders' equity		**8,854**	**8,466**
Liabilities			
Long-term liabilities	18, 19	256	301
Short-term liabilities	20	1,862	956
Total liabilities		**2,117**	**1,256**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**10,971**	**9,723**

Parent company cash flow statement

1,000 €	Note	2016	2015
Cash flow from operating activities:			
Profit/loss before extraordinary items		–2,581	–3,527
Adjustments:			
Planned depreciation		211	184
Unrealised exchange rate gains and losses		–2	3
Other income and expenses unconnected to payment		188	357
Financial income and expenses		–125	–34
Change in working capital:			
Increase (–) / decrease (+) in short-term interest-free trade receivables		–1,049	–227
Increase (–) / decrease (+) in inventories		–117	196
Increase (+) / decrease (–) in short-term interest-free liabilities		760	–272
Realised exchange rate gains and losses		–31	–16
Interest paid and payments on other operating financial expenses		–125	–212
Income and interest received from business activities		271	250
Cash flow from operating activities		**–2,599**	**–3,298**
Cash flow from investments:			
Investments in tangible and intangible assets		–35	–237
Proceeds from disposal of tangible and intangible assets		5	80
Investments in other instruments		2,609	3,126
Loans granted		-	–25
Cash flow from investments		**2,579**	**2,944**
Cash flow from financing activities:			
Paid share issue		-	485
Withdrawal of short-term loans		187	-
Repayment of short-term loans		–316	–128
Cash flow from financing activities		**–128**	**357**
Increase (+) / decrease (–) in cash and cash equivalents		–149	3
Cash and cash equivalents at the beginning of the period		186	183
Cash and cash equivalents at the end of the period	16	38	186

Notes to the parent company financial statements

1. ACCOUNTING PRINCIPLES

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

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

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

VALUATION OF PROPERTY, PLANT AND EQUIPMENT

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

The planned depreciation periods are as follows:

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

VALUATION OF INVENTORIES

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

VALUATION OF FINANCIAL SECURITIES

Financial securities, which belong to current assets, are measured at fair value in accordance with section 5.2a of the Finnish Accounting Act. The fair value of investments is determined based on price quotations on active markets, i.e., the buy quotation on the closing date of the financial period. Unrealised profits and losses due to changes in fair value are recognised on the balance sheet under the fair value reserve and on the income statement under financial income and expenses for the period during which they are realised.

RESEARCH AND DEVELOPMENT EXPENDITURE

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

PRINCIPLE FOR REVENUE RECOGNITION

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

MAINTENANCE AND REPAIRS

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

PENSIONS

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

DEFERRED TAXES

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

ITEMS DENOMINATED IN FOREIGN CURRENCIES

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

2 NET SALES BY BUSINESS SECTOR

1,000 €	**2016**	2015
Diagnostics	6,039	4,047
Total	6,039	4,047

NET SALES BY AREA

1,000 €	**2016**	2015
Finland	640	709
Europe, other	911	952
North and South America	252	118
Asia	3,635	1,496
Other countries	601	772
Total	6,039	4,047

3 OTHER OPERATING INCOME

1,000 €	**2016**	2015
From Group companies	224	329
Others	115	93
Total	339	422

4 MATERIALS AND SERVICES

1,000 €	**2016**	2015
Purchases during the financial period	2,427	1,274
Change in inventories	-79	73
Total materials and services	2,348	1,347

5 PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

1,000 €	**2016**	2015
Salaries	2,665	2,625
Pension expenses	372	405
Other personnel expenses	85	76
Total personnel expenses	3,122	3,106

In the financial period, the parent company employed an average of	**2016**	2015
Office personnel	44	44
Average number of personnel	44	44
Number of personnel at the end of the financial period	40	40

6 DEPRECIATION

1,000 €	**2016**	2015
Intangible assets	70	77
Plant and equipment	141	107
Total	211	184

7 OTHER OPERATING EXPENSES

1,000 €	**2016**	2015
Travel expenses and other personnel expenses	298	248
Rents and maintenance expenses	298	297
Sales and marketing expenses	746	577
Other external services	1,167	1,000
Write-off of trade receivables	199	2
Other operating expenses	734	833
Total	3,442	2,957

8 AUDITORS' FEES

1,000 €	**2016**	2015
Auditors' fees	31	32
Other services *)	52	6
Total fees paid to the auditor	83	38

*) In 2015, Other services included services related to the Genetic Analysis AS share swap.

9 FINANCIAL INCOME AND EXPENSES

1,000 €	**2016**	2015
Other interest and financial income		
From Group companies	7	12
From others	244	238
Other interest and financial income	251	249
Total financial income	251	249
Interest expenses and other financial expenses		
Merger loss	-	-312
To Group companies	–4	–4
To others	–122	–212
Total financial expenses	–126	–528
Total financial income and expenses	125	–278
Financial income and expenses include foreign exchange gains/losses (net)	7	1

The items above operating profit include foreign exchange losses/gains (net) or EUR -35 thousand (EUR -20 thousand)

10 INTANGIBLE ASSETS

2016

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

2015

1,000 €	Intangible rights	Other long-term expenses	Total
Acquisition cost at the beginning of the financial period	889	849	1,739
Acquisition cost at the end of the financial period	889	849	1,739
Accumulated depreciation and impairment in the financial period	-483	-817	-1,301
Depreciation and impairment in the financial period	-61	-17	-77
Accumulated depreciation at the end of the financial period	-544	-834	-1,378
Book value at the beginning of the financial period	406	32	438
Book value at the end of the financial period	345	15	360

11 TANGIBLE ASSETS

2016

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

2015

1,000 €	Plant and equipment	Total
Acquisition cost at the beginning of the financial period	1,459	1,459
Increases	171	171
Decreases	-261	-261
Acquisition cost at the end of the financial period	1,368	1,368
Accumulated depreciation and impairment in the financial period	-680	-680
Accumulated depreciation of decreases	142	142
Depreciation in the financial period	-107	-107
Accumulated depreciation at the end of the financial period	-644	-644
Book value at the beginning of the financial period	779	779
Book value at the end of the financial period	724	724

12 INVESTMENTS

1,000 €	**Group companies**	**Others**	**Total**
Shares 2016			
Book value at the beginning of the financial period	232	1	233
Book value at the end of the financial period	232	1	233

1,000 €	Group companies	Others	Total
Shares 2015			
Book value at the beginning of the financial period	234	7	241
Decreases	-3	-6	-8
Book value at the end of the financial period	232	1	233

13 INVENTORIES

1,000 €	**2016**	2015
Materials and supplies	411	333
Work in progress	88	35
Finished products/goods	180	195
In transit	53	-
Total inventories	732	562

14 RECEIVABLES

1,000 €	**2016**	2015
Long-term receivables		
Receivables from Group companies		
Loan receivables	255	-
Total non-current receivables	255	-
Short-term receivables		
Receivables from Group companies		
Trade receivables	247	341
Loan receivables	-	355
Other receivables	49	45
Accrued income	7	9
Other receivables		
Trade receivables	1,076	204
Other receivables	209	98
Accrued income	80	100
Total current receivables	1,667	1,151

15 FINANCIAL SECURITIES

Assets measured at fair value 1,000 €	**2016**	**Level 1**	**Level 2**
Traded securities	7,122	3,931	3,191

Assets measured at fair value 1,000 €	2015	Level 1	Level 2
Traded securities	6,507	6,507	-

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

16 CASH AND CASH EQUIVALENTS

1,000 €	2016	2015
Cash in hand and at bank	38	186

17 SHAREHOLDERS' EQUITY

1,000 €	2016	2015
Share capital 1 Jan	2,350	2,350
Share capital 31 Dec	2,350	2,350
Invested unrestricted equity fund 1 Jan	1,271	786
Subscription of options	-	485
Directed share issue	1,981	-
Invested unrestricted equity fund 31 Dec	3,252	1,271
Fair value reserve 1 Jan	36	194
Increases	987	-
Decreases	-	-158
Fair value reserve 31 Dec	1,024	36
Retained earnings 1 Jan	4,809	8,336
Retained earnings 31 Dec	4,809	8,336
Reported profit/loss for the financial period	-2,581	-3,527
Total shareholders' equity	8,854	8,466

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 Dec	2016	2015
Retained earnings	4,809	8,336
Profit/loss for the financial period	-2,581	-3,527
Invested unrestricted equity fund	3,252	1,271
Total	5,480	6,080

	2016			2015
Parent company's share capital structure	number	% of shares	% of votes	number
Series A shares (20 votes per share)	2,975,500	20.2	84	2,975,500
Series B shares (1 vote per share)	11,723,033	79.8	17	11,373,033
Total	14,698,533	100.0	100	14,348,533

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 14 April 2014, 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 20 per cent of the company's Series B shares. In 2016, the company issued 350,000 new shares under the authorisation granted on 14 April 2014.

18 DEFERRED TAX ASSETS AND LIABILITIES

Deferred tax liabilities

1,000 €	**2016**	2015
Assets classed as available for sale	256	-
Total	256	-

The deferred tax assets due to confirmed losses have not been recognised on the balance sheet. Confirmed losses total EUR 17.5 million (2016: EUR 2.4 million, 2015: EUR 3.2 million, 2014: EUR 4.1 million, 2013: EUR 4.4 million, 2012: EUR 3.4 million).

19 LONG-TERM LIABILITIES

1,000 €	**2016**	2015
Loans from Group companies	-	301
From others	256	-
Total	256	301

Long-term liabilities from others are deferred tax liabilities.

20 SHORT-TERM LIABILITIES

1,000 €	**2016**	2015
Loans from financial institutions, current proportion	-	128
Advances received	33	0
Trade payables	906	193
Accruals and deferred income	488	494
Other liabilities	80	88
Liabilities to Group companies		
Loans from Group companies	301	-
Accruals and deferred income	54	52
Total short-term liabilities	1,862	956

The significant items of accruals and deferred income are salary-related deferred items valued at EUR 332 thousand (EUR 344 thousand).

21 PLEDGES, CONTINGENT LIABILITIES AND OTHER LIABILITIES

1,000 €	2016	2015
Debts for which mortgages have been pledged		
The company has not pledged any collateral.		
Leasing commitments		
Payable in the next financial period	37	31
Payable later	21	20
Total	57	51
Rental commitments		
Payable in the next financial period	169	169
Payable later	422	591
Total	591	759
Other contingent liabilities		
Guarantees	104	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 not contingent liabilities on behalf of Group companies.

Board of Director's proposal regarding the distribution of profits

On 31 December 2016, the parent company's distributable assets (unrestricted equity) amounted to EUR 5,479,775.77, including the loss for the financial period of EUR 2,580,940.29. The Board of Directors proposes to the Annual General Meeting that the company distribute no divided for the last financial year and that the loss for the financial year be transferred to retained earnings.

Helsinki, 20 February 2017

Osmo Suovaniemi
Chairman of the Board of Directors

Mikko Salaspuro
Member of the Board of Directors

Eero Lehti
Member of the Board of Directors

Seppo Luode
Member of the Board of Directors

Franco Aiolfi
Member of the Board of Directors

Janina Andersson
Member of the Board of Directors

Semi Korpela
President & CEO

Auditor's note

A statement has been issued today on the completed audit.

Helsinki, 20 February 2017

PricewaterhouseCoopers Oy
Authorised Public Accountants

Pasi Karppinen
Authorised Public Accountant

Auditor's Report

To the Annual General Meeting of Biohit Oyj

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

OPINION

In our opinion

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

What we have audited

We have audited the financial statements of Biohit Oyj (business identity code 0703582-0) for the year ended 31 December, 2016. The financial statements comprise:

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

BASIS FOR OPINION

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

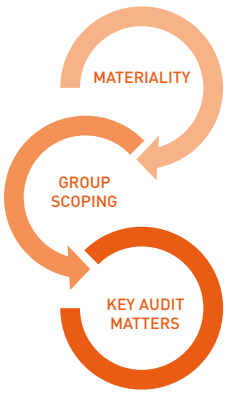
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

OUR AUDIT APPROACH

Overview



Materiality
- Overall group materiality: € 120 thousand

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

Key audit matters
- Cut-off of Revenue recognition and Revenue Occurrence
- Classification and Valuation of Genetic Analysis AS shares

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

Materiality

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

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

Overall group materiality	€ 120 thousand
How we determined it	We used the combination of total assets and certain income statement balances (total revenues and total expenses) to determine overall group materiality.
Rationale for the materiality benchmark applied	Biohit group's business has been clearly loss making since 2011 when it divested its liquid handling business. Based on our assessment total assets and a combination of income statement balances provide a more solid base for determining the materiality than the commonly used benchmarks.

HOW WE TAILORED OUR GROUP AUDIT SCOPE

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

We determined the type of work that needed to be performed at group companies which was performed by the group audit team. Audit was performed for the parent company. For the remaining group companies we performed selected specified procedures 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 and Revenue Occurrence **Refer to the financial statements accounting principles** Biohit Oyj is a Finnish Biotechnology company operating on global markets. Biohit's product portfolio consists of diagnostic tests, analysis systems, products that bind carcinogen acetaldehyde in monoclonal antibodies and service laboratory operations. The Group's revenue is predominately generated from distribution agreements signed with several distributors who then sell the products further to healthcare operators. Distribution agreements determine when the related material risks and rewards have been transferred to the purchaser as to whether the economic benefits of the transactions have been transferred to the company. Relating to revenue recognition there is a risk that revenues recorded in the financial statements have not occurred or timing of revenue recognition is incorrect due to error or fraud.	We performed audit procedures relating to revenue recognition cut-off and occurrence of revenue, to ensure recorded revenue is based on real sales transactions. We performed control testing relating to controls that are relevant to timing of revenue recognition and occurrence. In addition we performed different substantive audit procedures relating to timing of revenue recognition and occurrence. 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.

Classification and Valuation of Genetic Analysis AS shares

Reference to the accounting principles and the financial statements note 2.20.

In January 2016 the company signed a share exchange agreement with Norwegian company Genetic Analysis AS and through the agreement gained 18% ownership of the company. In return Biohit issued 350 000 of its' own B-shares. At the financial year end the value of the shares is 3.2 million euro.

Based on management's judgement Genetic Analysis AS shares are classified as financial assets valued at fair value through other comprehensive income in line with the true nature of the investment. As Genetic Analysis AS is an unlisted entity the fair value is measured using alternative information available in the market.

Due to the estimation uncertainty and significance of the investment in the financial statements we have determined classification and valuation of the Genetic Analysis AS investment to be key audit matter for the audit of the financial statements.

We have gained an understanding of the share exchange agreement and terms and conditions within and performed audit procedures in order to assess whether the company has classified the investment correctly in their financial statement.

We have used PwC's own experts when assessing the valuation of Genetic Analysis shares. At the time of the initial valuation we assessed the valuation model itself and the assumption used in the valuation by preparing our independent valuation calculation at the time of the share exchange.

In addition to the above mentioned procedures we have assessed the appropriateness of the information used in determining the fair value of Genetic Analysis AS shares during the year and specifically at the year end.

We have no key audit matters to report with respect to our audit of 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 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 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 on 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 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

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises information included in the report of the Board of Directors and in the Annual Report, but does not include the financial statements and our auditor's report thereon. We 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 information included in the report of the Board of Directors, 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 2017

PricewaterhouseCoopers Oy
Authorised Public Accountants

Pasi Karppinen
Authorised Public Accountant (KHT)

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