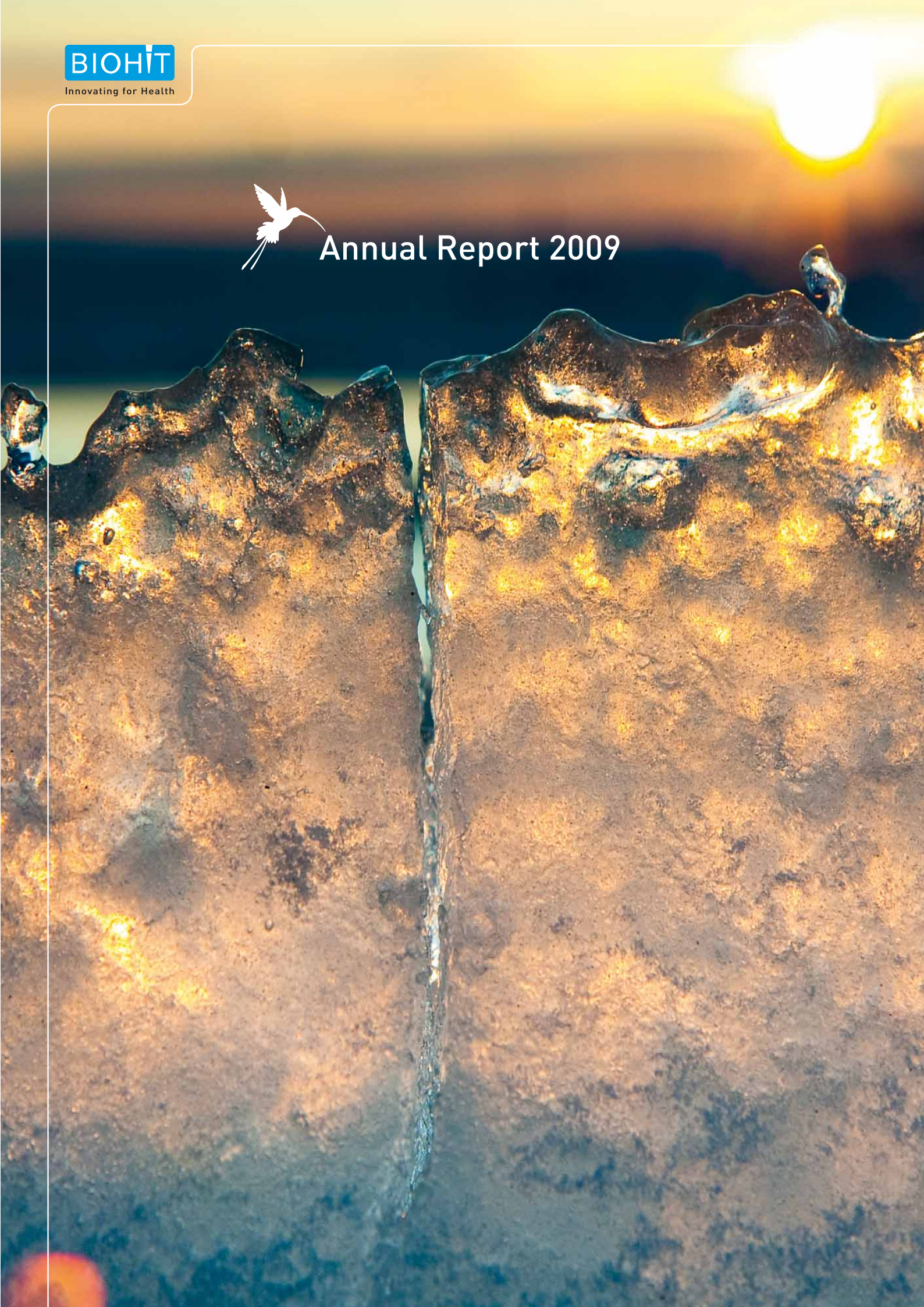
BIOHIT

Innovating for Health

# Annual Report 2009



BIOHIT
Innovating for Health

# CONTENTS



"The pioneer in safe liquid handling and the reliable diagnosis and prevention of diseases of the gastrointestinal tract."

# BIOHIT IN BRIEF

**Biohit Oyj is a globally operating Finnish biotechnology company that was established in 1988. The company's mission is to improve human health and quality of life.**

Biohit specialises in safe liquid handling products for laboratories as well as diagnostic products and systems for diagnosing and preventing diseases of the gastrointestinal tract. The company adapts a goal-oriented and long-term innovation and patenting strategy with scientific communities. New technology based on research results and innovations is used to produce new solutions for medical science, research institutions and industrial laboratories. These solutions promote research and human wellbeing.

Biohit has two business segments: liquid handling and diagnostics.

**Liquid handling products** include electronic and mechanical pipettes, disposable tips as well as pipette maintenance and calibration services.

Biohit's accurate and safe liquid handling products are used globally in research institutions, universities, healthcare and industrial laboratories. The majority of the electronic pipettes used worldwide have been designed by Biohit.

**The diagnostics business** comprises products and analysis systems for the early diagnosis of gastrointestinal diseases, such as the blood sample-based GastroPanel examination for the diagnosis of stomach illnesses and associated risks, quick tests for the diagnosis of lactose intolerance and *Helicobacter pylori (H. pylori)* infection in connection with gastroscopy, and the ColonView examination for the early detection of intestinal bleeding (faecal occult blood) that indicates a risk of colorectal cancer. The Acetium innovation reduces carcinogenic acetaldehyde in the stomach.

Biohit's diagnostic products generate savings for the healthcare sector, which is under great pressure to cut costs. Healthcare costs in many countries have almost spiralled out of control, and the needs of the rapidly growing aging population are only adding to the problem.

**The Biohit Group employs** around 370 people in eleven countries. The Group is headquartered in Helsinki, Finland, and has subsidiaries in France, Germany, the UK, Russia, India, China, Japan and the USA. The company also has a representative office in Singapore. Biohit has production facilities in Finland (Kajaani and Helsinki) and China (Suzhou). Biohit's products are also sold through about 450 distributors in 70 countries.

**Biohit was listed** on the Helsinki Stock Exchange (now NASDAQ OMX Helsinki) in 1999. Biohit's Series B share is quoted on NASDAQ OMX Helsinki in the Small cap/Healthcare group and is traded under the code BIOBV.

Read more at **www.biohit.com**

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# 2009 IN SUMMARY


**The global recession did not have a major impact on the Biohit Group's net sales in 2009. Sales picked up substantially in the last quarter. Particularly strong growth was seen in Asia. The Group's operations remained profitable.**

### Steady liquid handling business

In spite of the state of the global economy, the trend in sales of Biohit's liquid handling products and maintenance services was satisfactory in almost all market areas in 2009. In terms of net sales, the liquid handling business posted its best quarterly performance of all time in the last quarter.

### Bolstering the growth potential of the diagnostics business

Sales of diagnostic products saw the greatest relative growth in 2009. Net sales of test kits in particular saw favourable development, but still fell short of satisfactory levels.

Biohit focused on strengthening the growth potential of the diagnostics business during the reporting period. The focus has been on the commercialisation of the GastroPanel concept and new products in the markets in which a breakthrough is first expected.

### Consumer healthcare products – a new area for Biohit

The diagnostics business has expanded into consumer healthcare products.

In cooperation with researchers at the University of Helsinki and its scientific advisors, Biohit has developed numerous methods for preventing the carcinogenic effects of acetaldehyde in the gastrointestinal tract (mouth, pharynx, oesophagus and stomach). One of these is the Acetium capsule, which reduces carcinogenic acetaldehyde in an anacidic stomach. It will be included in the over-the-counter ranges of pharmacies in Finland in 2010.

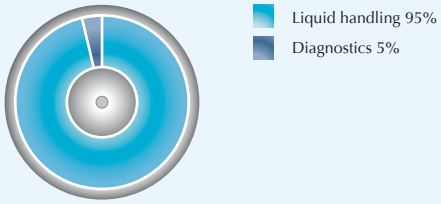
### Further investments

In 2009, Biohit made vigorous investments in new product development. In addition, the company has substantially stepped up the production capacity of new pipette tips at its Kajaani plant and made outlays on the development of the order-delivery chain throughout the Group.

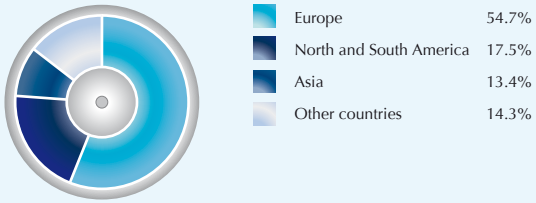
# 2009 IN FIGURES

| | 1-12/2009 | 1-12/2008 |
|---|---|---|
| Net sales, EUR million | 35.4 | 35.1 |
| Operating profit/loss, EUR million | 1.2 | 1.3 |
| Profit/loss before taxes, EUR million | 0.7 | 1.0 |
| Gross investments, EUR million | 2.4 | 1.2 |
| % of net sales | 6.9 | 3.5 |
| R&D expenditure, EUR million | 2.4 | 2.0 |
| % of net sales | 6.8 | 5.8 |
| Average number of personnel | 370 | 369 |
| Number of personnel at the end of the year | 383 | 360 |
| Equity ratio, % | 46.8 | 46.5 |
| Earnings per share, EUR | 0.03 | 0.07 |
| Equity per share, EUR | 0.99 | 0.97 |
| Average number of shares during the period | 12,937,627 | 12,937,627 |
| Total number of shares at the closing date | 12,937,627 | 12,937,627 |

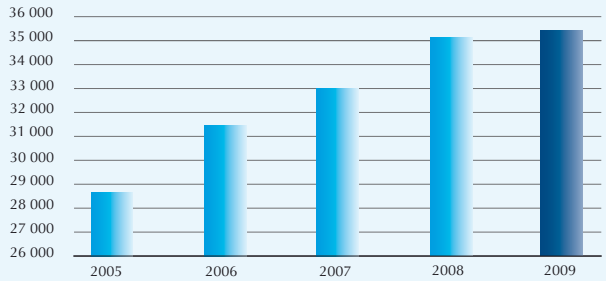
## Net sales by business segment 2009



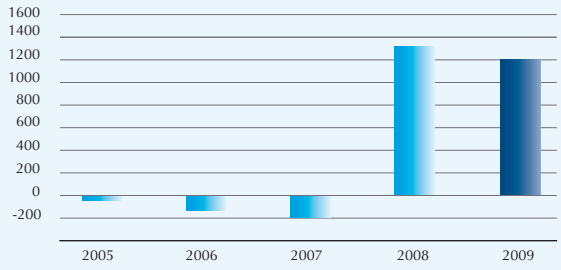

## Net sales by geographical area 2009



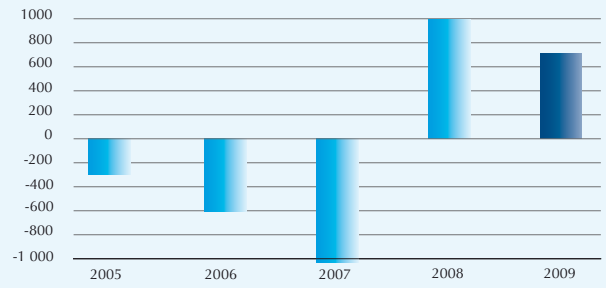

## Net sales 2005-2009, EUR 1,000



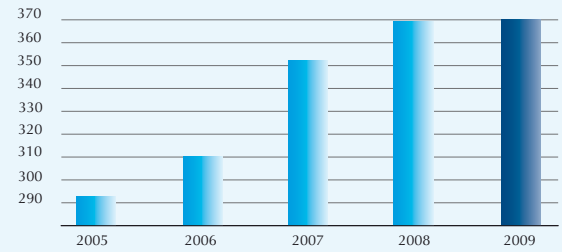

## Operating profit/loss 2005-2009, EUR 1,000



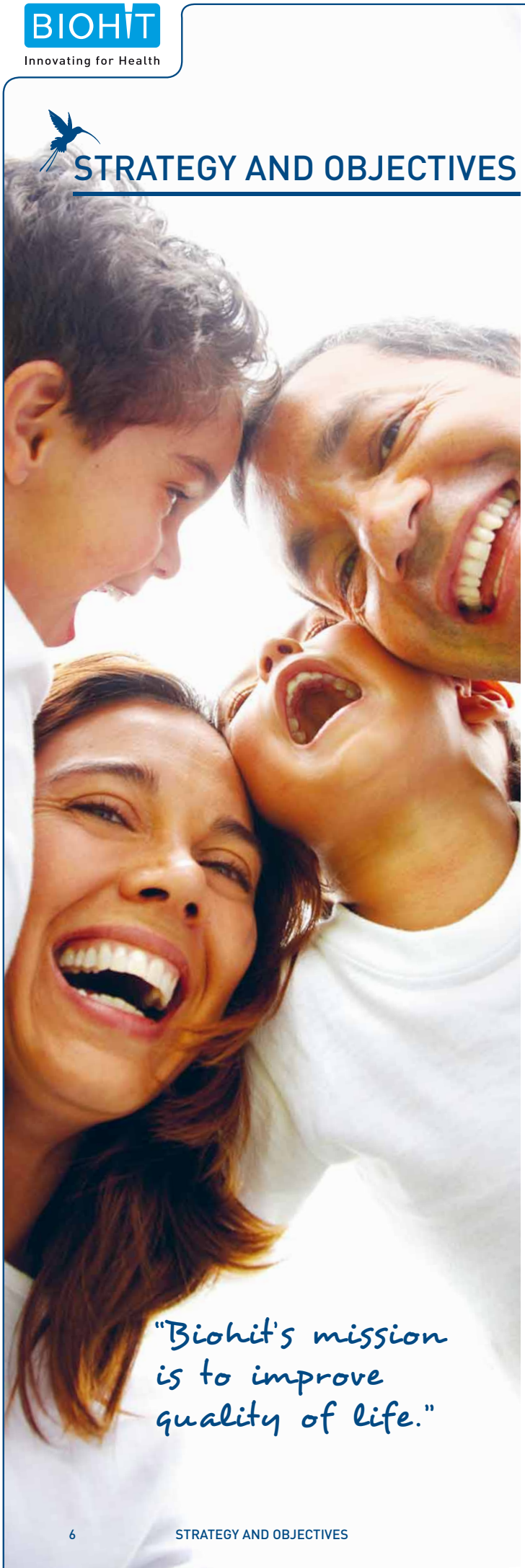

## Profit/loss before taxes 2005-2009, EUR 1,000




## Average number of personnel 2005-2009



# STRATEGY AND OBJECTIVES




**Biohit's mission** is encapsulated in the company's slogan, "Innovating for Health". The company's mission is to improve quality of life by preventing disease, inhuman suffering and financial losses. To this end, the company develops new solutions for medical science, research institutions and industrial laboratories, thereby promoting research, diagnostics and treatment.

**Biohit's vision** is that by 2015, it will be one of the world's leading biotechnology companies, growing at a faster than average rate, and producing, manufacturing and selling medical products and systems that improve health, the quality of life and cost-effectiveness in focused areas.

Biohit achieves profitable growth by making outlays on medical innovations that are commercialised with optimal partnership and distribution solutions. Biohit expands its presence on five continents by setting up research and business alliances, especially in the European, North American and Asian markets.

### Growth through bolstering competitive factors

The cornerstone of Biohit's international operations is the competitive edge provided by the innovativeness and user-friendliness of its products. The company aims to leverage these competitive factors with maximum efficiency and safeguard the profitable global growth of both its liquid handling and diagnostics businesses.

### Robust foundations for the growth of the liquid handling business

Biohit is a major international supplier of liquid handling products. The company has established a robust foundation for its international operations thanks to its technological expertise in electronic liquid handling products and its long-term development of production technology. Biohit aims to keep increasing its market shares in its main market areas, and particularly in North America and Asia.

The main sub-objectives and methods for achieving this goal are:

- Outlays on the user-friendliness, safety and quality of the products
- Development of increasingly customer-oriented business models
- Higher efficiency in product distribution
- Bolstering the Biohit brand, particularly in emerging markets

### International expansion of the diagnostics business

Tapping the market potential of Biohit's diagnostics business requires not only bolstering and optimising business resources, but also increasing the effectiveness of marketing.

The company seeks to become a major international player in the diagnostics business as well. The main sub-objectives and methods for achieving this goal are:

- Building an international cooperation network specialising in diagnostics and analysis systems
- Opening up the market for GastroPanel laboratories
- Continuous outlays on research and product development to generate innovations
- Commercialising products that eliminate carcinogenic acetaldehyde and opening up market channels
- Continuing and expanding cooperation with expert opinion leaders

# PIONEER IN LIQUID HANDLING AND DIAGNOSTIC TESTS

Biohit's roots extend back to the 1970s, when Professor Osmo Suovaniemi established two companies, Labsystems and Eflab. They developed the first single and multichannel precision pipettes with adjustable volumes as well as instruments based on vertical photometry. Development was driven by Suovaniemi's strategy of aggressive innovation and patenting. In line with this strategy, the companies expanded their operations, developed new products and kicked off exports. The next steps included launching diagnostic products for the testing of cancers and HIV (www.google.com -> search: "Osmo Suovaniemi vertical measurement principle" and "Being an inventor in Finland"). From day one, the companies relied on high technology, the best expertise in the industry and an international approach.

Since the 1970s, Professor Osmo Suovaniemi's innovations, such as multichannel pipettes and the vertical measurement principle, have revolutionised microplate-based immunoassays worldwide and have been utilised extensively and successfully (www.biohit.com / Company / History). These innovations have become global laboratory and industrial standards. They also resulted in the rapid and massive development of reliable and safe non-radioactive microplate-based immunoassays. For example, Biohit's GastroPanel, SLE and Cellular fibronectin (cFn) tests as well as Celiac disease and Inflammatory Bowel Disease (IBD) panels are based on these immunoassays. Today, most of the analysers and analysing systems used in research, industry and clinical laboratories are based on the vertical measurement principle and can be used with Biohit's immunoassay panels and tests as well as with any other microplate-based immunoassays for infectious diseases, tumor markers and numerous other diseases as well as in basic research, high throughput screening (HTS) and drug development.

The GastroPanel innovation was built on this proven background and the innovations of Professor Osmo Suovaniemi, which "*revolutionised laboratory routines worldwide in the 1970s and 1980s*", the groundbreaking gastritis research of Professors Max Siurala and Pentti Sipponen and their collaborators, and the discovery of "the bacterium *Helicobacter pylori* and its role in gastritis and peptic ulcer disease" by Barry J. Marshall and J. Robin Warren in 1982, for which they won the 2005 Nobel Prize in Medicine (www.biohit.com / Diagnostics / Literature and brochures / GastroPanel Laboratories). These and some of Biohit's other innovations and tests, such as the microplate components of Biohit's Analysing Systems, promote safe, ethical and cost-effective evidence-based and preventive medicine in gastroenterology, including Point-of-Care (POC) tests that are expected to play a very important role in driving the future growth of the industry.

### The first electronic pipette launched in 1990

In 1988, Suovaniemi established Biohit Oy, which developed the world's first single and multichannel electronic pipettes based on new inventions.

Biohit also expanded into medical research and the early diagnosis of diseases. The company was able to earmark substantial investments into diagnostics R&D thanks to the profitable growth of its liquid handling business. Biohit started up the injection moulding and assembly of pipettes in Kajaani in 1990.

### Subsidiaries and partners pave the way to the international market in the 1990s

In 1991, Biohit stepped up its drive to go international by establishing its first subsidiary in France. The second subsidiary was established in the UK in 1992. The next year, the company launched multichannel mechanical pipettes and partnered up with the German company Eppendorf and the French company bioMérieux. In 1993, the American company Ortho Diagnostic Systems, a division of Johnson & Johnson, became a partner. The next year, Biohit established a joint venture in Japan, and Suovaniemi's doctoral thesis (M.D.) was published. The subject of his thesis was the vertical measurement invention, its applications and electronic liquid handling devices.

### Development of GastroPanel begins in 1996

The development of the GastroPanel analysis programme was started in 1996. It was planned as a breakthrough product in patient-friendly and economical diagnostics. In the liquid handling business, cooperation with Becton Dickinson and 3M began in 1997. The scope and international reach of Biohit's operations enabled the company to list itself on the Helsinki Stock Exchange in 1999. A state-of-the-art production facility was completed in Kajaani in the following year. In addition, Biohit began selling instruments and bolstering its international cooperation and customer service network in the United States and Russia.

In 2001, after five years of development, clinical evaluations of GastroPanel tests were started in numerous countries to diagnose *Helicobacter pylori* infection and atrophic gastritis, as well as to screen the risk of gastric cancer and peptic ulcers. That same year, Biohit developed a test kit for cellular fibronectin, completed production facilities for diagnostic products in Helsinki and started its service laboratory operations.

### Into China in the 2000s

In 2003, Biohit launched electronic multichannel eLINE pipettes and opened a representative office in China.

The next year saw the launch of quick tests for the diagnosis of *H. pylori* infection and lactose intolerance. The GastroPanel test kit's *H. pylori* and Gastrin-17 tests received approval from the US Food and Drug and Administration (FDA). In 2005, China's State Food and Drug Administration (SFDA) granted Biohit marketing authorisation for the Pepsinogen I & II and Gastrin-17 tests included in the GastroPanel examination. Biohit established a subsidiary and started pipette assembly in China in 2006.

### Development of the Acetium capsule completed in 2009

A major product development breakthrough was made in 2009, enabling Biohit to expand its business into consumer healthcare products. Almost 30 years of international research and development resulted in a product for the prevention of carcinogenic acetaldehyde in an anacidic stomach.

The Acetium capsule was unveiled in January 2010. The primary target group is persons suffering from gastric mucosal injury and a functional disorder (atrophic gastritis) and the resulting anacidic stomach caused by *H. pylori* infection or an autoimmune disease. Another target group is users of PPI medication (protein pump inhibitors).


# BUSINESS ENVIRONMENT

**Biohit acts on the global market. The company's key customer groups are healthcare, research institution and industrial laboratories, as well as general practices, healthcare centres and other organisations providing healthcare services. Consumers are a new customer group for Biohit.**

The products are developed and manufactured primarily in Finland. The company also has a pipette assembly unit in China.

In its main market areas, Biohit has subsidiaries that are responsible for sales and marketing of products and services. In countries where Biohit does not have its own operations, its products are sold by partners and distributors.

### Slower growth in the global market for liquid handling products

Liquid handling products – pipettes and tips – are basic laboratory tools. According to the company's own estimate, the average annual growth in the total market for pipettes has been 5%. Market growth has slackened due to the global recession. Growth has mainly focused on electronic pipettes (about 10% annually) as well as disposable tips (about 20% annually). The largest market areas are North America and Europe, but the importance of Asia is increasing.

More efficient R&D and production processes are leading to increased automation in certain segments. Industry in particular is seeking to move away from handheld pipettes towards computer-controlled analysis systems and liquid handling equipment that makes use of robotics.

Operating in the liquid handling market are several larger global manufacturers and marketers as well as numerous smaller players. Increased supply and cheap production have heated up price competition. However, strict quality and safety standards have made market entry difficult for copycat products manufactured mainly in Asia.

Biohit has made substantial investments in quality at all of its production facilities and in all of its operations. The company is still the global market leader in electronic pipettes and OEM (Original Equipment Manufacturer) liquid handling products, and is a pioneer when it comes to promoting high quality and the safe usage of its products.

Rapid delivery of disposable products to customers has become a major competitive factor, and thus Biohit is making outlays on raising the efficiency of distribution processes throughout the Group.

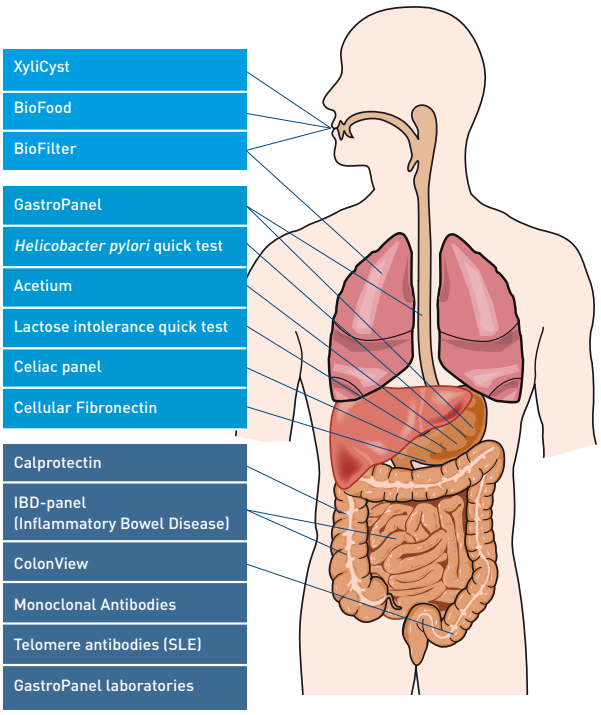
As the level of precision and safety demanded in liquid handling rises and quality assurance regulations become stricter, equipment performance and measurement traceability have become a challenge for many laboratories. Pipette accuracy must be ensured with calibration and performance testing that complies with quality standards. Providing accredited calibration services gives Biohit a competitive edge.

### Growing demand for diagnosing diseases of the gastrointestinal tract

Diseases of the gastrointestinal tract are a major source of healthcare costs all across the globe. Many treatment practices

are also insufficient and many patients either do not receive appropriate treatment or are unsatisfied with their treatment. Aging populations are leading to an increase in serious illnesses, such as gastric, oesophageal and colorectal cancers, peptic ulcers, vitamin B12 deficiency, dementia, coronary thromboses, strokes and calcium deficiency, which in turn leads to a rise in osteoporosis and broken bones. This puts a rapidly growing burden on wellbeing and national health, and also on people's ability to remain in employment longer.

Biohit's diagnostic products and systems have been developed to alleviate the medical, ethical and financial problems associated with these diseases. Both patients and healthcare providers benefit from rapid and reliable diagnoses.




*Biohit's products for diagnosis, screening and prevention of gastrointestinal diseases*

Biohit's products can be used to diagnose and screen for abdominal complaints, *Helicobacter pylori* infection, atrophic gastritis and its associated risks (such as gastric cancer, peptic ulcers, and vitamin B12, iron and calcium deficiency), lactose intolerance, celiac disease, inflammatory bowel disease, and oesophageal and colorectal cancer. Globally, the prevalence of *Helicobacter pylori* infection extends to over 50 per cent of the population and it is estimated that about 500 million people suffer from atrophic gastritis.

Operating in the diagnostics market are both larger global companies as well as smaller companies, such as Biohit, which specialise in certain diagnostic fields. Harnessing the huge market potential of Biohit's diagnostic products requires proactive sales and marketing and cooperating with strong partners specialising in diagnostics.

**Acetaldehyde is classified as a Group I carcinogen**

Awareness of the danger posed by acetaldehyde in foods, tobacco smoke, alcohol and anacidic stomachs is growing worldwide. This will probably lead to the prevention of the risks posed by acetaldehyde and the restriction or full prohibition of its use.

In October 2009, the International Agency for Research on Cancer (IARC), which forms part of the World Health Organisation (WHO), classified acetaldehyde generated or ingested along with alcoholic beverages as a Group I carcinogen.

The microbes living in the gastrointestinal tract produce acetaldehyde from alcohol and sugar in the mouth and anacidic stomach. In addition, many foods and alcoholic beverages in themselves contain levels of carcinogenic acetaldehyde that exceed risk limits. Exposure to acetaldehyde is connected to about 4 million new cases of cancer worldwide every year, or close to 40 per cent of all cancers.

Together with the scientific community, Biohit has developed numerous unique methods for decreasing carcinogenic acetaldehyde in the gastrointestinal tract. No similar products are available on the market. The Acetium capsule, which reduces carcinogenic acetaldehyde in an anacidic stomach, will be available in pharmacies Finland in 2010.

| LIQUID HANDLING<br>Products and services | Customers |
|---|---|
| Mechanical and electronic pipettes<br>Disposable pipette tips | Laboratories: Pharmaceutical, chemical and other industrial laboratories, Research institutions, Clinical laboratories, Universities and other educational institutions |
| Customised pipetting equipment and integrated dispensing modules (OEM products) | Large companies that manufacture diagnostic tests and analysis systems |
| Maintenance and calibration services | All laboratories, especially accredited laboratories |


| DIAGNOSTICS<br>Products and services | Customers |
|---|---|
| GastroPanel<br>ColonView quick test | Primary healthcare, General practitioners and occupational healthcare, Hospitals, Private practices<br>Service laboratories |
| Lactose intolerance and *Helicobacter pylori* quick tests | Specialised healthcare, Gastroenterologists, Hospitals |
| Products that eliminate carcinogenic acetaldehyde (Acetium, XyliCyst, BioFood) | Consumers, Food industry, Pharmaceutical industry |

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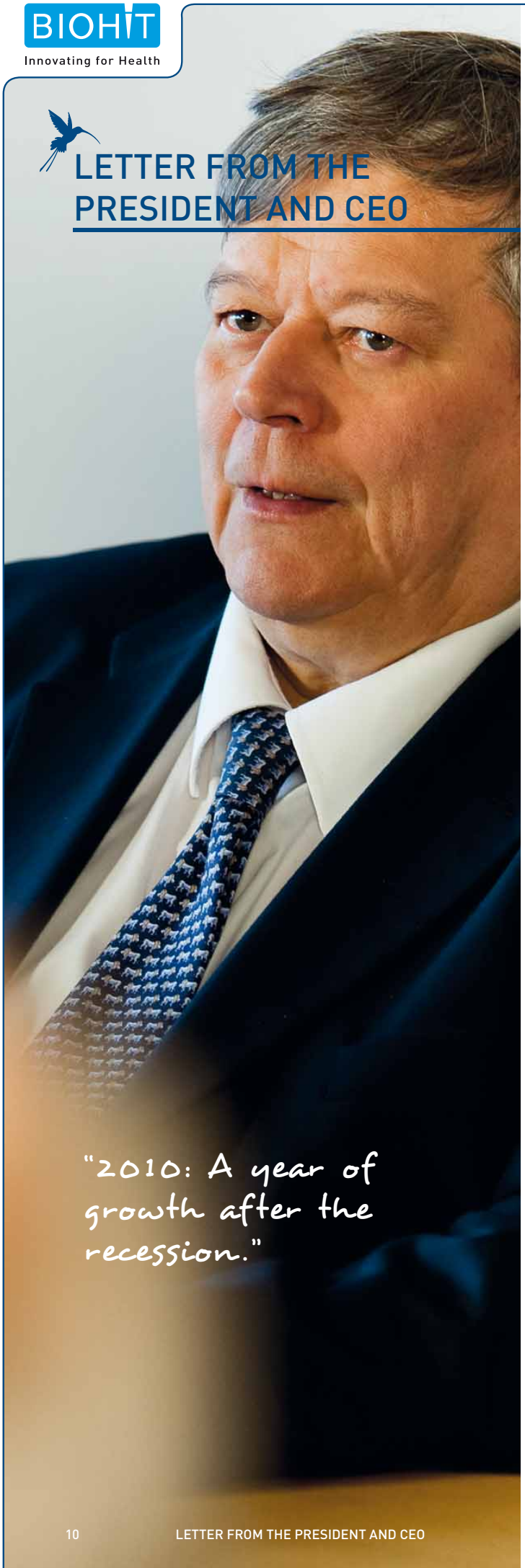
# LETTER FROM THE PRESIDENT AND CEO




**Our earnings trend has now been positive for two consecutive financial years and we have expanded our business in spite of the global recession. We believe that this development will continue in 2010.**

In 2009, Biohit was more successful than the average industrial export company. For instance, the net sales of Finnish technology companies contracted by about 30 per cent last year. The rate of growth in Biohit's net sales slackened somewhat to only one per cent, with net sales amounting to EUR 35.4 million.

The fact that net sales swung to growth in the last quarter may be considered to be a sign that positive trends have begun in our important market areas. Thanks to the favourable development that begun in the last quarter, the full-year result rose into the black. Our earnings trend was also improved by the moderate development of the growth in fixed costs.

Our belief in a positive future is evident from the growth in our total investments, which doubled compared with the previous year, unlike industrial investments in general. We substantially stepped up our R&D expenditure as well. The reliability and cost-effectiveness of liquid handling products are important competitive factors for us. The same is true of our expertise in diagnostics, which can prevent erroneous medical diagnoses and unnecessary treatments. The growing cost-effectiveness of healthcare and the need for the early diagnosis of diseases are a key part of our outlays on good treatment and patient satisfaction.

Last year, Biohit expanded its business into consumer healthcare products for preventing serious illnesses. After many years of R&D, we made the Acetium capsule ready for its marketing launch. Acetium eliminates carcinogenic acetaldehyde produced in an anacidic stomach.

### Changes in the business environment usher in pressures

The global recession made itself felt in Biohit's business operations last year. Outlays on R&D were slashed in all our market areas, which weakened demand for mechanical and electronic pipettes. Furthermore, growth in the demand for mechanical pipettes has been rather low in Europe and North America in recent years. Instead of pipettes, growth has focused on disposable tips and maintenance.

The search for cost-effective solutions is playing an ever more central role in diagnostics as well. More accurate diagnoses and other solutions are required in primary healthcare for determining the health of patients quickly, safely and cost-effectively, particularly due to the growth of the aging population.

People of all ages are now more interested than ever in their health and especially the health effects of their diets. Greater knowledge of the harmful substances in foods increases the need to develop new methods for not only the diagnosis, but also the prevention of diseases of the gastrointestinal tract and other illnesses. To cater to this need, we seek to expand into a new business area – consumer products for preventing the harmful effects of carcinogenic acetaldehyde.

### The liquid handling business is in transition

The strengths of our liquid handling business are innovative, user-friendly and safe products. We believe that the demand for such solutions will keep growing. That said, the manner in which product distribution channels are committed to promoting sales and marketing will be even more crucial in the future. Distribution channels are becoming more integrated in different market areas and smaller companies are falling by the wayside. Changes in the markets will have a substantial bearing on how Biohit's liquid handling business should be developed in the future.

Biohit has an extensive network of subsidiaries and distributors, covering all the major market areas. At the end of the fi-

nancial year, we expanded our network by establishing a subsidiary in India. In line with our strategy, we seek to be as close as possible to the end-users so that we can ensure that our products are user-friendly and meet the needs of our customers.

Boosting the efficiency of distribution processes increases customer satisfaction. During the review period, we continued to develop order-delivery processes in accordance with the lean management model. Our aim is to streamline the entire order-delivery chain to ensure optimal efficiency. During the past year, the progress of this project has led not only to faster delivery times, but also improved the turnover rate of inventories of completed products, freeing up working capital for the development of business functions.

Our outlays on production technology and substantial capacity increases will also ensure that we are able to meet growing demand for our pipette tips. The concerted development of our maintenance business has improved the life cycle management of our pipettes and thereby improved the satisfaction of our growing end-user base. With good reason, we can state that Biohit is the pioneer in the maintenance of liquid handling products. In many countries, Biohit is the first company whose calibration services have been granted official accreditation. In 2009, Biohit became the first company in its field to be granted accreditation for its calibration services in Russia.

The development of the maintenance and pipette tip business will help ensure that Biohit will continue to be a major player in the international pipette market. End-users expect full service – pipette development alone is not enough to increase market shares. Thanks to its full product range that promotes liquid handling safety, Biohit has held on to its market share and has also successfully increased its share in Asia, for example.

### Diagnostics business expands into consumer products

Diseases of the gastrointestinal tract are a major national health problem, particularly due to the aging of the population. Most of the examinations previously used for diagnosing diseases were inaccurate and occasionally even led to wrong treatments. Patients have simply been left without safe and sufficient care – which could have been averted with the reliable and early diagnosis of the disease or its risks. This is also a major problem for the national economy. The inadequate diagnosis of diseases of the gastrointestinal tract leads to costs that could be avoided. It is estimated that in Finland alone, about a third of the population suffers from dyspepsia symptoms (such as occasional or chronic upper abdominal pain or heartburn). These complaints and diseases lead to substantial problems with wellbeing and on-the-job stamina, which cause large financial losses worldwide.

There is a global and growing need for our diagnostic products in primary healthcare. For this reason, we have made marketing outlays especially on the launch of the GastroPanel examination in different markets. GastroPanel comprises a unique, patented test panel with four tests for diagnosing upper abdominal complaints (dyspepsia) from simple blood samples. The GastroPanel examination and GastroSoft software for the interpretation of the results are intended for the diagnosis and prevention of atrophic gastritis caused by *H. pylori* infection or autoimmune disease and the resulting risks. These risks include gastric and oesophageal cancer and the malabsorption of vitamin B12, iron, calcium and certain drugs.

Last year, in addition to developing diagnostic tests, Biohit expanded vigorously into methods for preventing gastrointestinal diseases. In October 2009, the International Agency for Research on Cancer (IARC), which forms part of the World Health Organisation (WHO), classified acetaldehyde generated or ingested along with alcoholic beverages as a Group I carcinogen. This provided new momentum for the further commercialisation of our innovations. Even before this, Biohit had long been working with researchers at the University of Helsinki to develop methods for eliminating the carcinogenic effect of acetaldehyde produced in the human gastrointestinal tract. One of these methods is the Acetium capsule, which will be launched in Finland in 2010. The unveiling of the product at the Lääkäripäivät (Medical Convention and Exhibition) in Helsinki in early 2010 raised great interest. The Acetium capsule is one product application of our acetaldehyde-binding products. It is primarily intended for people who have an anacidic stomach due to either atrophic gastritis or PPI medication. Studies have shown that microbes produce carcinogenic acetaldehyde from alcohol and sugar in an anacidic or low-acid stomach.

With the commercialisation of the Acetium capsule, Biohit has taken a step towards business targeted directly at consumers. Acetium is also a natural strategic follow-up to the GastroPanel examination, which can be used to reliably assess whether the patient has an anacidic stomach caused by atrophic gastritis. The need for products such as GastroPanel and Acetium is evident from the fact that an estimated 100,000 people suffer from atrophic gastritis in Finland – and over 500 million worldwide.

The development of the diagnostics business during the report year zeroed in on business in Finland. Product sales have grown in the Finnish market. We have launched major cooperation projects with Yhtyneet Medix Laboratoriot, the Terveystalo Group and others.

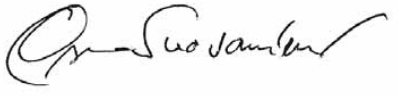
### 2010: a year of growth after the recession

As in earlier years, Biohit racked up the bulk of its net sales in 2009 in the European market. Our strategy is to keep bolstering our business in markets outside Europe, particularly North America and Asia. Although the effects of the recession will most likely still be felt in our main market areas in 2010, we are seeing the clearest signs of market recovery in Asia. In this situation, our investments in the Asian market have proven to be well-timed, and will safeguard the continued growth of net sales in 2010.

Our goal for 2010 is to be even closer to the end-users of our products. In both our product development and marketing, we want to ensure that our products are safe and meet our customers' needs. We will continue to develop our delivery processes in the liquid handling business. We expect that our outlays on logistics development will yield cost-savings and further improve overall profitability. We will continue to invest in product development in both the liquid handling business and the diagnostics business in order to ensure that our products will be innovative and distinctive in the years to come, too.

Our earnings trend has been positive for two consecutive financial years and we have expanded our business in spite of the global recession. There are no factors on the horizon that would put the brakes on this trend when the economy starts to boom again. We expect our result before taxes for 2010 to be profitable.

Our personnel headcount outside Finland has increased strongly during the past two years. At present, our foreign units employ more Biohit personnel than our Finnish units. All our units and personnel are united by a strong feeling of belonging and their commitment to their work. I would like to thank all our employees and partners for your valuable contributions in these challenging times and your goal-directed work to bolster the Biohit brand and increase awareness of our user-friendly product solutions. I am confident that we have been able to do our part in improving human wellbeing.



**Osmo Suovaniemi, MD, PhD**
Professor
President and CEO

BIOHIT
Innovating for Health

# LIQUID HANDLING BUSINESS


**Biohit's liquid handling products – electronic and mechanical pipettes and disposable pipette tips – are used all over the world in research institutions, universities and healthcare, and also in industrial laboratories in the pharmaceutical, food and other industries.**

Biohit has more than 20 years of experience in pipette development and use, thanks to which the company is a pioneer in accurate, safe and user-friendly liquid handling products.

Most of the electronic liquid handling devices used in laboratories worldwide have been developed by Biohit. The eLINE's many unique features have made it the electronic pipette market leader, and sales have been rising steadily.

Biohit also provides maintenance services and training for its customers. The company's portfolio of products and services aims to provide full customer care to ensure end-user satisfaction over the entire product life cycle.

### Global network handles product distribution

Biohit's global distribution channel takes care of sales to end customers. Subsidiaries are responsible for distribution in the company's main market areas. Biohit also cooperates with both major multinational distributors and smaller local companies. These companies complement each other in the various customer segments.

A focus on in-house product development, new technologies, a strategy of goal-oriented innovation and patenting, and forming strong partnerships has also brought results in the OEM business. Biohit delivers customised liquid handling products to companies such as 3M, bioMérieux, and three companies in the Johnson & Johnson Group. The company also manufactures private label products for partners.

### Sales of pipette tips and maintenance are on the rise

In 2009, the global recession led to cost cutting in R&D, especially in the pharmaceutical industry in developed countries. This has had a negative impact on total market trends and particularly on the demand for pipettes in Europe and the United States. The net sales and operating result of Biohit's liquid handling business thus fell short of expectations.

In all market areas, demand for Biohit's products has centred on disposable products, such as pipette tips, and on the maintenance of pipettes. However, during the last quarter, Biohit's sales picked up – also in the case of pipettes – and total net sales rose to the previous year's level. Pipette sales have been boosted by public sector investments in particular. In geographical terms, growth has continued mainly in Asia.

### New liquid handling products increase research safety

In their efforts to counter a variety of health problems and risks of pandemics, researchers need safer and more reliable equipment such as accurate pipettes and filter tips. In order to respond to this demand and drive profitable growth, Biohit developed and launched new liquid handling products in 2009. The easy-to-use eLINE Lite Dispenser – intended for automatic multiple dispensing – rounds out the company's range of innovative electronic pipettes.

The unique SafetySpace Filter Tips are designed for use in demanding research and they meet high quality and purity demands. The new tips improve pipetting safety and enable more accurate and reliable results, even when handling demanding liquids. The SafetySpace Filter Tips have also been well-received outside Europe, Biohit's largest market area.

Disposable pipette tips are becoming increasingly important to Biohit's business. Guarantees of pipette precision and safety are only valid if Biohit pipettes are used with Biohit tips.

### Maintenance business increases product life spans and customer satisfaction

The net sales of the maintenance business have seen steady growth, especially at Biohit's own maintenance units.

As the leading player in the business, Biohit considers it vital to manage the entire product lifecycle and to both maintain and increase customer satisfaction. As laboratory investments decrease, the need for pipette maintenance and calibration services grows. Such services are becoming increasingly important as the current generation of equipment in use begins to age and pipetting quality, safety and traceability standards become stricter. Biohit and its trained retailers offer an end-to-end service, providing maintenance for both its own pipettes and those of other manufacturers (www.pipettedoctor.com).

Tighter quality requirements increase interest in accredited calibration services. Accreditation is a procedure based on international criteria for reliably verifying laboratory competence and the credibility of performance tests. Biohit's calibration laboratory in Russia received accreditation from the Russian authorities (Gosstandart) at the end of 2009, being the first company in this business to receive such certification. Biohit now has accredited calibration laboratories in five countries: Finland, France, Germany, the UK and Russia.

In 2009, Biohit also launched new pipette maintenance and calibration software (www.quantrapro.net).

### Biohit offers training to enable end-users to get better results

Ergonomic laboratory equipment plays a central role in preventing repetitive strain injuries (RSI) and other occupational diseases. Additionally, pipetting errors with reagents or patient and research samples may lead to serious malpractice or misleading research results.

Biohit has over ten years of experience in harnessing its expertise in providing training for end-users. The training events have been very popular. They have helped laboratory personnel to improve their working methods, thereby reducing absences due to repetitive strain injuries and minimising erroneous pipetting results.

### Outlook for the future

The users of liquid handling products are setting ever-stricter requirements on their usage safety and the cost-effectiveness of different solutions. Product quality will be increasingly important in developing markets as well.

The market for electronic pipettes is growing. More and more users of mechanical pipettes are changing to electronic pipettes for reasons of safety and the reliability of the liquid handling process. One of Biohit's most important success factors is strong outlays on electronic pipette development with a view to retaining market leadership.

End-to-end service for customers means providing pipettes, tips, disposable tips, maintenance and training through our efficient distribution network. This is Biohit's key success factor in meeting the challenges of the future.

| LIQUID HANDLING BUSINESS | 2009 | 2008 |
|---|---|---|
| Net sales, EUR million | **33.6** | 33.6 |
| Percentage of the Group's net sales | **95%** | 96% |
| Operating profit, EUR million | **3.2** | 3.7 |

## ERGONOMIC PIPETTE KEEP RESEARCHERS' HANDS HEALTHY

From day one, the guiding principles behind Biohit's innovative product development have been ergonomics and reliability, which ensure safe product usage.

Research Assistant **Sari Nuutinen** operates a pipette for hours on end. Her laboratory work – such as performing enzymatic lipid assays – requires absolute concentration and accuracy. She works at the genetics unit of the Department of Chronic Disease Prevention, which is part of the National Institute for Health and Welfare (THL, Helsinki).

Like 96-well microplates, pipettes have been one of Sari Nuutinen's daily tools for years.

In the past, she used mechanical pipettes.

"Operating the pipette was mechanical and monotonous, subjecting my arm to long-term strain. This led to tennis elbow," Sari says. Because of this ailment, she had to go on sick leave.

In autumn 2007, she was provided with new tools: Biohit's electronic eLINE pipettes. They enabled her to change her working methods. The fact that her employer was paying attention to the ergonomic demands of laboratory work also improved occupational satisfaction.

Thanks to eLINE's design, pipetting can be performed with either hand.

"Often, when I'm working and my right hand gets too tired, I transfer the pipette to my left hand. No force is required to attach pipette tips, the tips stay on well, and it's easy to remove them," she says.

Nuutinen's contributions to researching the causes, spread, prevention and treatment of chronic diseases help promote the health and wellbeing of the people in Finland.

The National Institute for Health and Welfare operates under the Ministry of Social Affairs and Health.

BIOHIT
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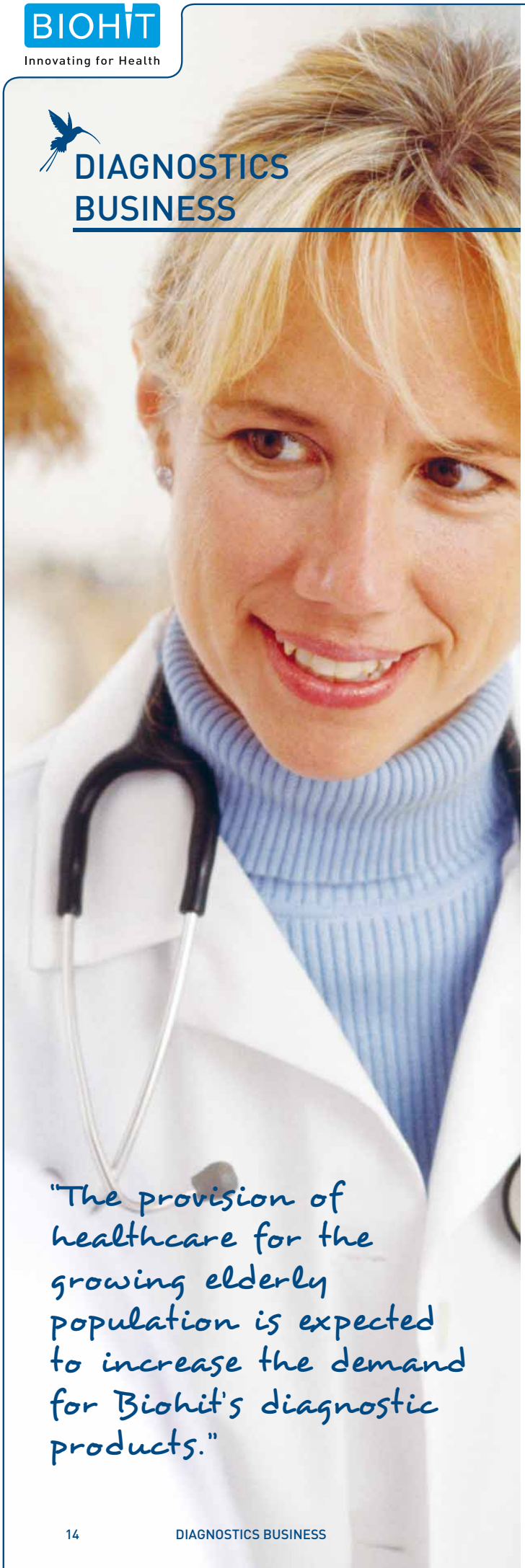
# DIAGNOSTICS BUSINESS



"The provision of healthcare for the growing elderly population is expected to increase the demand for Biohit's diagnostic products."

**The key objective of the diagnostics business is to develop products for the diagnosis and prevention of diseases of the gastrointestinal tract: Biohit's reliable and cost-effective diagnostic tests and products that reduce carcinogenic acetaldehyde. Reliable diagnostic methods speed up diagnosis and yield cost-savings in healthcare.**

Biohit's products are sold primarily in hospitals, healthcare centres and at general practitioners, and also to service laboratories that conduct diagnoses and screenings of gastrointestinal diseases. The company's market authorisations enable it to export diagnostic products for research and clinical use to all the EU countries, Russia, Canada, Brazil, India and China, for example.

The product range includes the blood sample-based GastroPanel examinations for the diagnosis of stomach illnesses and associated risks and the new Acetium capsule that reduces carcinogenic acetaldehyde in the stomach. Acetium is targeted at consumers.

Biohit markets different-sized GastroPanel laboratories to hospitals, general practitioners and service laboratories. In addition to test kits, this package includes liquid handling products, instruments, software as well as installation, training and maintenance services.

### Sales of test kits increase in 2009

The sales of the diagnostics business saw the greatest relative growth in 2009, but are not yet at a satisfactory level. Sales of test kits grew by 34% on the previous year. On the heels of the growth in net sales, the operating result of the diagnostics segment also improved compared with the previous year.

The growth potential of the diagnostics business was strengthened in 2009 by investing in the development of GastroPanel products and related business models in cooperation with healthcare players. The business models have been successfully tried out in Finland and in the future they will be used in the marketing of GastroPanel products in other countries.

In addition, Biohit has bolstered the sales organisation of the diagnostics business and focused on market areas in which it is first expected to make a breakthrough. The newly established UK subsidiary Biohit Healthcare Ltd focuses solely on sales of diagnostic products. In spite of the tough market, the company's sales saw year-on-year growth of more than 50% in 2009 in local currency terms.

### Cost-effectiveness in healthcare

The rapid aging of the population and growing need for treatment force healthcare providers to cut costs. The effectiveness of treatment must be increased. There is thus a great need for safe, ethical and cost-effective products to diagnose and prevent complaints and diseases of the gastrointestinal tract.

Both *H. pylori* infection and atrophic gastritis caused by *H. pylori* or autoimmune disease – and its related risks – either involve minor symptoms or are asymptomatic. Atrophic gastritis of the corpus (the body of the stomach) is the most significant

risk factor for stomach cancer. According to the latest research it is also a major risk factor for oesophageal cancer.

Atrophic gastritis also hinders the absorption and utilisation of certain drugs and vitamin B12, zinc, iron and calcium from food. The resulting vitamin B12 deficiency can lead to dementia, depression and peripheral nervous system injuries. Systemic calcium deficiency, along with vitamin B12 deficiency, is becoming a national disease among the aging population, causing osteoporosis and subsequent bone fractures. Atrophic gastritis of the antrum (the lower part of the stomach) is a particularly significant risk factor for stomach cancer and peptic ulcers.

Gastrointestinal complaints and diseases are very common and they have a great variety of causes and symptoms. For this reason, diagnosis methods and treatment practices for these diseases vary and are in some respects inadequate. Consequently, there is a danger that patients do not receive appropriate treatment.

Diagnostic and preventative R&D for the early detection of diseases of the gastrointestinal tract has been part of Biohit's long-term strategy for years.

### Reliable research for risk diagnosis

The GastroPanel innovation can very reliably distinguish a healthy stomach from a sick one. GastroSoft, the GastroPanel software provides a report that makes it easier for both primary healthcare staff and the patient to quickly interpret the test results.

GastroPanel provides comprehensive information on healthy stomachs, *H. pylori* infection related to upper stomach symptoms (dyspepsia), atrophic gastritis and related risks, and the possible excessive acidity of the stomach. This information is more reliable than that provided by earlier examinations.

GastroPanel is a cost-effective examination. It facilitates decisions on the right course of treatment in primary healthcare and makes it possible to allocate specialised healthcare resources more efficiently.

Intestinal diseases may also be the cause of stomach complaints. Biohit produces the ColonView quick test for screening the risk of colorectal cancer and its early diagnosis in primary healthcare. ColonView examinations are an easy and cost-effective way of finding patients who have faecal occult blood and therefore a greater risk of having colorectal cancer or its pre-stages. Such patients should then be referred for colonoscopy.

The risk group for colorectal cancer includes the older segment of the population and those whose close relatives have been diagnosed with this cancer. Diagnosing cancer or its pre-stages early enough significantly improves the prognosis. For this reason, screening programmes for colorectal cancer have been recommended and started in numerous countries. A few years ago, Finland launched a screening research programme for colorectal cancer, which will be expanded gradually.

In addition, Biohit's quick tests are used in specialised healthcare for the diagnosis of lactose intolerance and *H. pylori* infection in connection with gastroscopy.

### Eliminating carcinogenic acetaldehyde from the body and certain foodstuffs

The World Health Organisation (WHO) has classified acetaldehyde as a Group I carcinogen. In cooperation with researchers at the University of Helsinki and its scientific advisors, Biohit has developed numerous methods for substantially reducing human exposure to acetaldehyde.

Biohit's products are based on a unique innovation that binds and inactivates reactive acetaldehyde produced by microbes from alcohol or sugar or released from cigarette smoke. This is performed with a natural amino acid, cysteine, that the Acetium capsule releases locally and slowly.

The primary target group of Acetium is persons suffering from gastric mucosal injury and a functional disorder (atrophic gastritis) caused by *Helicobacter pylori* infection or an autoimmune disease and the resulting anacidic stomach. In Finland, the number of estimated sufferers reaches nearly 100,000. Atrophic gastritis is more common in Eastern Europe and Asia than in western countries. Globally, the prevalence of *Helicobacter pylori* infection extends to over 50% of the population. An anacidic stomach caused by atrophic gastritis can be safely and cost-effectively diagnosed from blood samples using GastroPanel examinations. It is estimated that about 500 million people suffer from atrophic gastritis worldwide.

The second target group of Acetium comprises persons with gastroesophageal reflux disease who are required to take medications that reduce gastric acid secretion (PPI drugs and H2 blockers). These drugs are used to reduce the acidity of the stomach and the resulting complications of reflux disease. In Finland, PPI users alone account for about 460,000 people. In the industrialised countries, the target group is thought to include 5-10 per cent of the adult population.

In addition to Acetium, Biohit is also commercialising other products that neutralise acetaldehyde. Cysteine released from a lozenge or chewing gum (XyliCyst) can remove nearly one hundred per cent of acetaldehyde dissolved in the saliva from cigarette smoke. A filter containing cysteine (BioFilter) can eliminate over 90 per cent of acetaldehyde in tobacco smoke. Acetaldehyde remaining in alcoholic beverages and foodstuffs can be bound with a specifically defined addition of cysteine during their production process (BioFood method).

### Outlook for the future

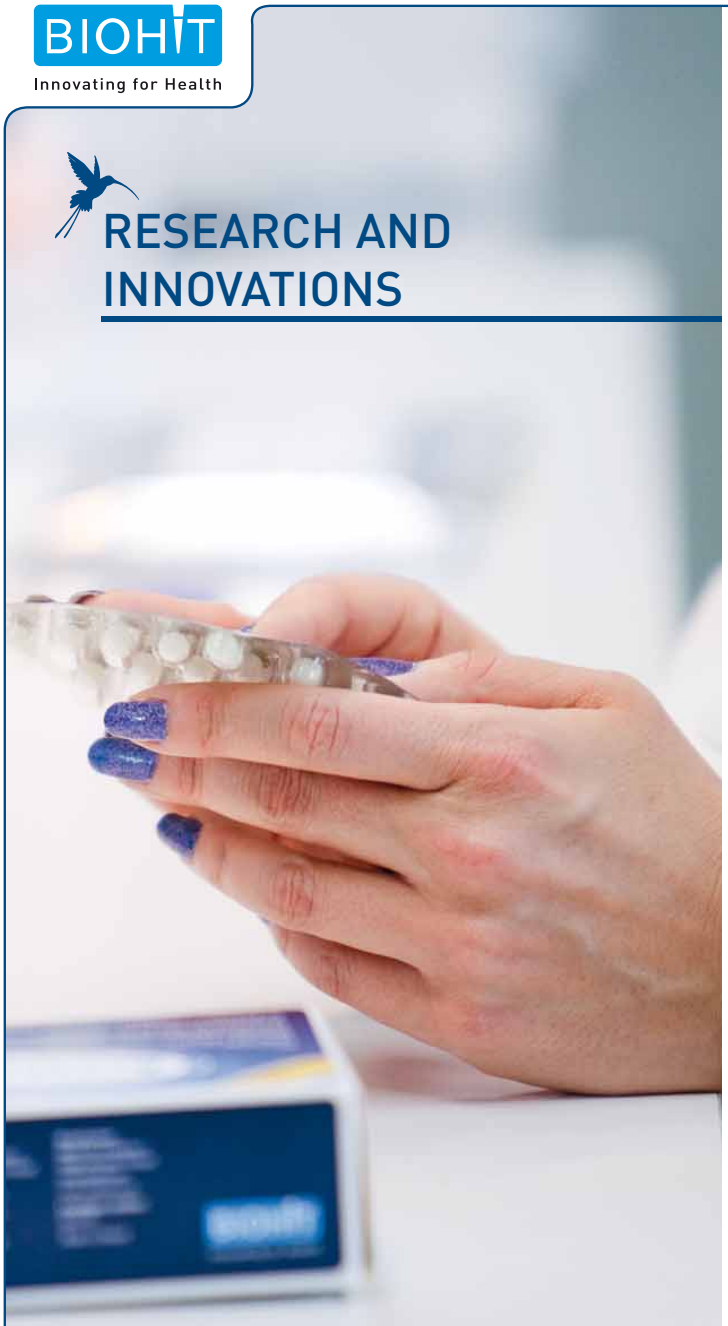
The aging of the population continues and thus it is expected that the cost-effectiveness and reliability of Biohit's diagnostic products increase the potential demand for them in healthcare.

As awareness of carcinogenic acetaldehyde increases among authorities and the general public, a substantial and strongly growing market for products and processes to eliminate acetaldehyde is expected in the healthcare sector and industry.

Biohit's challenge is to introduce its diagnostic products, analysis systems and GastroPanel laboratories into healthcare systems around the world. Developing and deepening cooperation with distribution partners is also crucial in safeguarding growth in the diagnostics business.

| DIAGNOSTICS BUSINESS | 2009 | 2008 |
|---|---|---|
| Net sales, EUR million | **1.8** | 1.5 |
| Percentage of the Group's net sales | **5%** | 4% |
| Operating profit/loss, EUR million | **-2.0** | - 2.4 |

# RESEARCH AND INNOVATIONS



"Acetaldehyde risk factors are based on strong scientific evidence."

**The most important principle guiding Biohit's R&D is to promote human health and wellbeing. To achieve this aim, the company engages in firm cooperation with many leading industry experts, universities and research institutions in a variety of countries. Biohit's patent-protected products are the result of long-term basic and applied research. They have also contributed to the launch of new studies and the development of safe, ethical and cost-effective medicine.**

In the development of liquid handling products, Biohit has been able to utilise the pipette and vertical measurement inventions that the founder of the company, Professor Osmo Suovaniemi, made in the 1970s. These inventions have also facilitated the development of safe and cost-effective immunological microplate tests for numerous cancers and infectious diseases (such as hepatitis and HIV) around the world (www.biohit.com -> Company -> History).

### GastroPanel invention is the fruit of long-term R&D

GastroPanel builds on the research of Australian professors Barry J. Marshall and J. Robin Warren, who discovered *Helicobacter pylori* in 1982. They received the Nobel Prize for Medicine for this discovery in 2005 (http://nobelprize.org/medicine/laureates/2005/press.html). They showed that serious gastric diseases such as gastritis and peptic ulcers are caused by *H. pylori* infection.

GastroPanel is a blood test that reliably diagnoses *H. pylori* infection. The test also provides information about the gastric mucosa that could previously only be obtained through the histological examination of biopsy samples taken through gastroscopy. GastroPanel and its immunoassays based on vertical measurement enable research about *H. pylori* to be put to more effective use in practical medicine.

In recent years, the GastroPanel test has benefited over 40,000 patients worldwide. Leading gastroenterologists and scientists have launched the 'Healthy Stomach Initiative' programme. It seeks to create a treatment practice of reliable and cost-effective diagnosis for healthy stomachs. The team of experts has chosen GastroPanel tests for inclusion in the population studies that will be conducted in several countries within the framework of this programme. Those with diseased stomachs will be referred for further studies and treatment.

The US National Cancer Institute (Bethesda, MD) and the Cancer Institute, Chinese Academy of Medical Sciences (Beijing) published a joint article in 2008. This article presented research results confirming a conclusion published earlier in the year, namely that atrophic gastritis increases the risk of oesophageal cancer. This study also indicates that GastroPanel's Pepsinogen I and II tests may be more reliable at detecting atrophic gastritis than the examination of biopsy samples taken through gastroscopy.

In dyspepsia patients or people in health checks who present minor symptoms or are often asymptomatic, a *Helicobacter*

*pylori* 13C urea breath test, stool antigen test or antibody detection tests alone cannot diagnose atrophic gastritis and its risks, which are gastric and oesophageal cancer and the malabsorption of vitamin B12, iron, calcium and certain drugs, and their associated risks.

### Acetaldehyde risk factors are based on strong scientific evidence

The international scientific community has studied the adverse effects of acetaldehyde for over 30 years.

Test animal studies conducted in the 1980s proved that acetaldehyde is carcinogenic in test animals.

Based on these studies, as early as the 1990s scientists suggested that acetaldehyde was possibly carcinogenic to humans and exposure to it should therefore be minimised.

Based on evidence gathered from epidemiological, genetic and biochemical studies during the last decade, an expert panel appointed by the WHO stated in October 2009 that the acetaldehyde contained in alcoholic beverages and produced endogenously from alcohol is a Group I human carcinogen comparable to tobacco and asbestos. Endogenous acetaldehyde refers to acetaldehyde produced by microbes in saliva.

The favourable results achieved in the first clinical trials of the Acetium capsule were presented at the Gastropäivät (Finnish Gastroenterology Seminar) held in Helsinki in February 2009.

# A YOUNG RESEARCHER DEVELOPS ACETIUM

**Ten years ago, MSc (Pharm.) Tuuli Marvola, 33, was invited to study methods for eliminating the adverse effects of acetaldehyde in the human body. She will be the ninth researcher to complete a doctoral thesis on the topic.**

Acetaldehyde research has exceptionally strong traditions in Finland. During the 1970s, the laboratories of Oy Alko Ab researched the effects of acetaldehyde on test animals. Researcher **Peter Eriksson**, PhD, was the first Finn to complete a thesis on this topic. From 1976 to 1978, **Mikko Salaspuro**, PhD, M.D., worked as a visiting researcher in New York, in the laboratory of one of the world's most renowned alcoholic liver disease researchers, Doctor **Charles S. Lieber**. The laboratory had researched the effects of alcohol on acetaldehyde levels in human blood.

This marked the beginning of the extensive R&D that resulted in Acetium capsules.

It was not long ago that Tuuli Marvola made the first Acetium capsules by hand at the Division of Biopharmaceutics and Pharmacokinetics of the University of Helsinki. Tuuli's father, the Professor Emeritus in biopharmaceutics **Martti Marvola**, had started working with Professor Mikko Salaspuro's team in 2000.

The research team showed that a tablet that slowly releases cysteine could bind two thirds of the acetaldehyde produced in the oral cavity by microbes.

Cysteine binds and inactivates acetaldehyde extremely effectively, while reducing its toxicity. Cysteine is one of the most common natural amino acids. It is present in many foodstuffs (such as milk, eggs, flour and many vegetables) and human proteins. Cysteine is absorbed from food only in the small intestine, which is why a supplement is required for cysteine to be directly effective in the mouth or stomach.

"In 2001, in my MSc thesis, I examined what kind of supplements that release cysteine in the mouth can be used to bind acetaldehyde that dissolves in the saliva, especially when smoking," says Tuuli.

After completing the thesis in spring 2002, she stayed on at the faculty as a research assistant. Then she started to do her own research, setting her sights on a doctoral thesis.

"I started examining supplements that release cysteine in the stomach and large intestine."

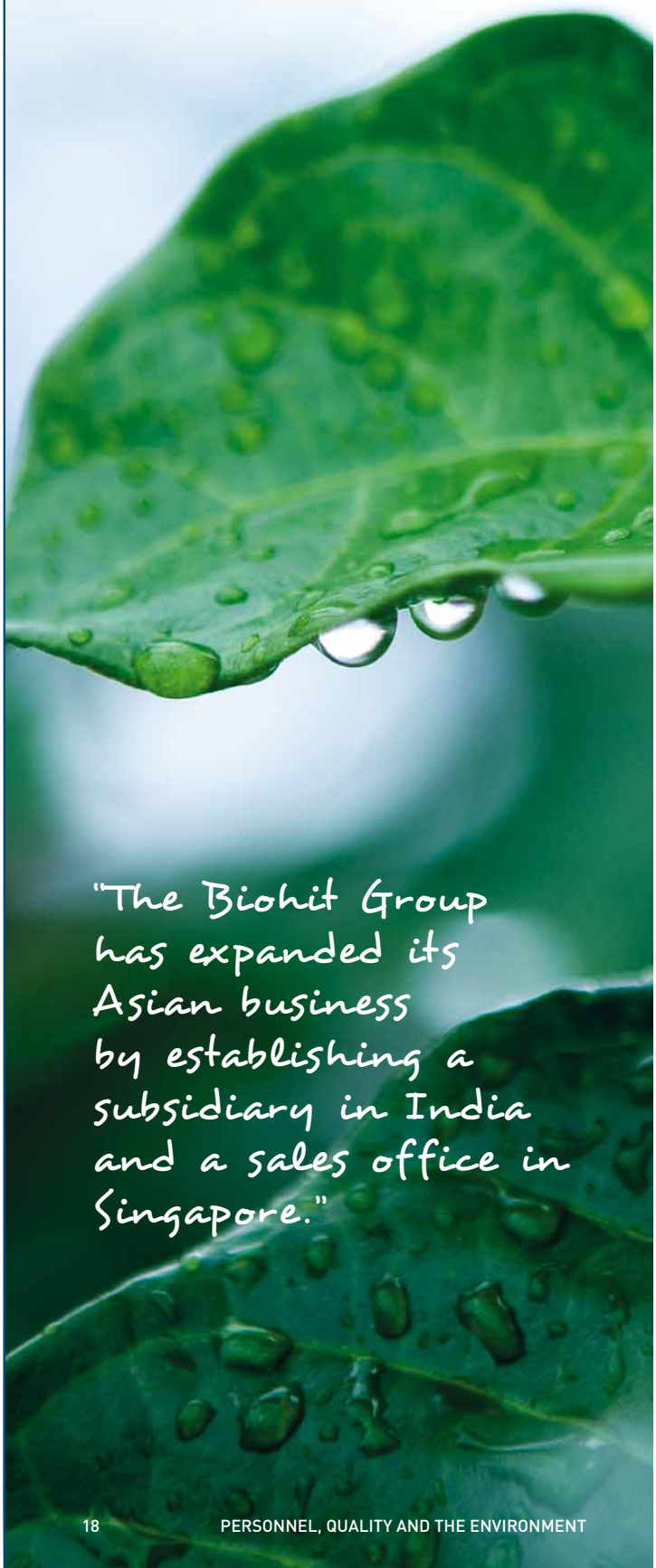
Microbes in the human body produce acetaldehyde from alcohol. Alcoholic beverages and numerous foods also contain acetaldehyde. Calvados, sherry, port wine, cider and other fruit-based drinks have a particularly high acetaldehyde content. Part of the acetaldehyde in tobacco smoke dissolves in the smoker's saliva.

The Acetium capsule is designed for people who have low-acid or anacidic stomachs that enable microbial activity to continue. These people also comprise the major risk group for gastric cancer.

"Hydrochloric acid in the stomach ordinarily kills any ingested oral microbes. However, in an anacidic stomach, they can produce acetaldehyde from carbohydrates and ethanol. Acetium prevents the toxic effects of acetaldehyde," says Tuuli, explaining how Acetium works.

She developed a composition for the capsule that enables the controlled release of cysteine in the stomach. Tuuli has now transferred from the university to Biohit to commercialise the Acetium innovation.

# PERSONNEL, QUALITY AND THE ENVIRONMENT




## Biohit combines experience and innovation. The Group's personnel work in eleven countries.

The production facilities located in Kajaani, Helsinki and Suzhou, China, all have clearly defined tasks and areas of expertise. Biohit's headquarters in Helsinki is home not only to the company's administrative functions, but also to R&D, pipette component manufacture as well as diagnostics production, sales and marketing. The Kajaani plant is specialised in pipette assembly and automated pipette tip production. China has both a sales organisation and a pipette assembly plant that primarily serve the growing Asian market.

About 200 people – over half of Biohit's personnel – work for the subsidiaries, focusing on product sales and marketing, as well as pipette calibration and maintenance services. At the end of 2009, Biohit established a subsidiary in India and in winter 2010 opened a sales office in Singapore. As from the beginning of 2010, the company has also had its own representative in Switzerland, one of the most important markets in Europe.

Biohit's progress and success is based on the profound expertise of, and cooperation between, personnel working in all its countries. Many of the company's key personnel have up to 30 years of experience in product development – both in liquid handling products, instruments and diagnostic tests and analysis systems. In order to safeguard continuity, Biohit also seeks to recruit young talents whose fresh ideas complement the work of more experienced experts. Additionally, Biohit engages in firm cooperation with many leading industry experts, universities, research institutions and customers in a variety of countries.

### Biohit focuses on the quality of products and operations as a whole

Biohit's competitiveness and success are founded on innovations generated from long-term research, its expert and motivated staff and a well-managed production chain. The company seeks to maintain the reliability of the manufacture and delivery of its products while ensuring that they are as cost-effective and environmentally friendly as possible. Biohit seeks to ensure the efficiency and accurate scheduling of the order-delivery process.

The company's strengths are its extensive product range, modular products, and versatile, cutting-edge production technology. Materials expertise, product development and traceability are vital aspects that competitors focusing on cheap production lack. Biohit manufactures almost all of its liquid handling products itself, using clean rooms, demanding raw materials, and injection mould tools based on state-of-the-art technology. The components used in liquid handling products are made exclusively by Biohit units in Finland under strict quality controls.

As part of its delivery chain developments, Biohit is taking part in the FinnLean programme, which was launched in autumn 2008 and is supported by TEKES (Finnish Funding Agency for Technology and Innovation). Biohit seeks to establish an enterprise model adapted to its specific needs and operating methods.

Not only authorities but also customers have high quality and safety requirements. A significant proportion of Biohit's customer base consists of those in either the healthcare industry or industries producing healthcare products and services. OEM cooperation with major partners is one area in particular that

requires continual investment in quality system development.

All of Biohit's products and processes from R&D to production and from marketing to sales comply with ISO 13485 quality standards, which cover the manufacture of medical device, and also with ISO 9001 and ISO 14001 quality and environmental standards. All of Biohit's products are also CE/IVD (In Vitro Diagnostics) registered and approved. ISO 8 Clean Room certification is being sought for the pipette tip production process in Kajaani.

**Quality assurance and maintenance services ensure top quality throughout each product's life cycle**

Strict quality control in line with standards is an essential aspect of production strategy. The sterility of samples and equipment is vital in many scientific fields, as even minor contamination can lead to misleading research results. Every pipette is performance tested and calibrated separately according to the ISO 8655 standard in an accredited test laboratory. The quality and sterility of disposable pipette tip batches is tested and certified by an independent laboratory.

Biohit also offers accredited calibration services and has accredited laboratories in Finland, France, Germany, the UK and Russia.

**Protecting the environment is important to us**

Biohit seeks to develop and manufacture products that will cause as little environmental loading as possible throughout their entire life cycles. The company complies with certified ISO 14001 environmental standards.

At the design stage, Biohit looks into ways of reducing the hazardous substances and materials used in its products and production processes. For example, disposable pipette tips and their packaging are manufactured from one hundred per cent recyclable materials. The majority of the plastic used at Biohit's plants also goes for reuse. Production processes do not use hazardous substances, such as paints or solvents, and manufacture is partly carried out in clean rooms.

The majority of waste is generated by the company's production facilities, which is why Biohit has invested not only in recycling but also in new production technologies that are able to more efficiently use raw materials and generate less waste. In recent years, Biohit has succeeded in, for example, increasing waste-to-energy usage and reducing electricity consumption and mixed waste volumes.

The use of hazardous substances in the diagnostics business is minimal. Any hazardous waste that poses a risk of infection is delivered to partners specialised in the processing of such waste.

Environmental efficiency in logistics is sought by minimising the amount of transportation required.

Biohit is a member of The Environmental Register of Packaging PYR Ltd, SELT Association (Electrical and Electronics Equipment Producers' Entity) and Recser Oy. As a manufacturer of electronic liquid dispensers, the company complies with the European WEEE and RoHS Directives.

| | |
|---|---|
| Finland | 46% |
| Europe (excluding Finland) | 23% |
| Asia | 18% |
| North America | 6% |
| Other countries (Russia) | 8% |

*Personnel by market area*

# CHINESE PLANT ADOPTS LEAN MANAGEMENT

Biohit has developed production and logistics management since autumn 2008 as part of the FinnLean project. Biohit's plant in Suzhou, close to Shanghai, has achieved good results with the lean management process. The plant previously had the challenge of managing the movements of over 200 product components at different times between the Finnish manufacturing unit, assembly in China and retailers' warehouses.

Material flows have now been standardised, warehousing has been centralised and intermediate storages have been dismantled. The warehousing of completed products has been reduced, the plant has shifted over to shorter production series and consequently shorter delivery times. The order system is now simpler and faster, making it possible to scale down distributors' stocks.

"The amount of materials tied down in production has decreased by more than 20 per cent, while production increased by about 260 per cent in 2009," says **Mai Dongliang**, the Suzhou Plant Manager.

Completed products are now delivered to distributors overnight or in just two days in the entire market area, which comprises China, and some parts of Asia.

"Previously, we estimated sales per product group at the beginning of every month. This too frequently led to the production of the wrong products in the wrong quantities. Now we only manufacture the products ordered by our retailers," says **Annie Zhang**, the Logistics Manager of the plant.

The plant has a real-time monitoring system that enables both supervisors and employees to see from a monitor what products are required and when they must be ready for delivery. The system is so simple that the users do not need computer skills.

"We now have a continuous flow of components as well as uninterrupted production and unbroken delivery chain for our customers," says Annie.

The new approach also benefits retailers. They can now use more of their time on sales and marketing. Constant contact between the plant and retailers produces more accurate and better-timed order details that can be used to direct production in line with changes in the market and demand.

"Faster delivery times have improved customer service, increased the turnover rate of completed stock and significantly reduced the need for sales credit. All in all, we have freed up working capital to develop our business operations," says Managing Director Eirik Pettersen.

# BOARD OF DIRECTORS


Reijo Luostarinen


Jukka Ant-Wuorinen


Kalle Kettunen


Eero Lehti


Mikko Salaspuro


Osmo Suovaniemi

**Reijo Luostarinen, born 1939**
- DSc (Econ.), Professor
- Chairman and non-independent member of the Board since 1993
- Professor and Director of International Business at the Helsinki School of Economics (HSE)

**Jukka Ant-Wuorinen, born 1950**
- MSc (Econ.)
- Independent member of the Board since 2009
- Chairman of the Boards of ANTON Invest Oy, Newcodent Oy and Rukasuites

**Kalle Kettunen, born 1964**
- MSc (Eng.), MBA
- Independent member of the Board since 2008
- CEO of Telko Oy

**Eero Lehti, born 1944**
- MSc (Soc.Sc.)
- Independent member of the Board since 2009
- Member of Parliament since 2007
- Founder of Taloustutkimus Oy and the Chairman of its Board
- Head owner of Suomen Lehtiyhtymä Oy and the Chairman of its Board

**Mikko Salaspuro, born 1939**
- MD, PhD, Professor
- Independent member of the Board since 2008
- Specialist in internal medicine, gastroenterologist, and Professor of Alcohol Diseases at the University of Helsinki

**Osmo Suovaniemi, born 1943**
- MD, PhD, Professor
- Founder of Biohit and its President and CEO and a non-independent member of the Board

*For additional information on the previous work experience and other positions of trust of the Board and Management Team members, see the company's Internet site.*
*Details of management shareholdings can be found on page 23 of this Annual Report and on our website www.biohit.com/investors. Information on compensation is presented in the Corporate Governance Statement provided as an attachment to the Report of the Board of Directors.*

# MANAGEMENT TEAM, LIQUID HANDLING BUSINESS


Osmo Suovaniemi


Jussi Heiniö


Petteri Rehu


Mikko Patrakka


Erkki Vesanen


Kalle Härkönen

**Osmo Suovaniemi, born 1943**
- MD, PhD, Professor, JOKO and LIFIM management training programmes
- Founder, President and CEO of Biohit Oyj

**Jussi Heiniö, born 1962**
- LLM
- Administration and Legal Affairs
- With Biohit Oyj since 1997

**Petteri Rehu, born 1972**
- MSc (Econ.)
- Financial Management
- With Biohit Oyj since 2009 (until 31 March 2010)

**Mikko Patrakka, born 1970**
- MSc (Industrial Mgmt)
- Sales and Marketing
- With Biohit Oyj since 2007

**Erkki Vesanen, born 1956**
- MSc (Engineering, Electronics)
- Research and Development
- With Biohit Oyj since 1989


Seppo Riikonen

**Kalle Härkönen, born 1968**
- MSc (Agr. & For.)
- Production
- With Biohit Oyj since 2001

**Seppo Riikonen, born 1957**
- Measurement and Adjustment Technician, diploma in marketing from the Institute of Marketing
- Quality Systems and Information Technology
- With Biohit Oyj since 1989

# MANAGEMENT TEAM, DIAGNOSTICS BUSINESS


Osmo Suovaniemi


Jussi Heiniö


Petteri Rehu


Yrjö E K Wichmann


Lea Paloheimo


Terhi Lampén

**Osmo Suovaniemi, born 1943**
- MD, PhD, Professor, JOKO and LIFIM management training programmes
- Founder, President and CEO of Biohit Oyj

**Jussi Heiniö, born 1962**
- LLM
- Administration and Legal Affairs
- With Biohit Oyj since 1997

**Petteri Rehu, born 1972**
- MSc (Econ.)
- Financial Management
- With Biohit Oyj since 2009 (until 31 March 2010)

**Yrjö E K Wichmann, born 1958**
- MSc (Soc.Sc.)
- Head of the diagnostics business
- With Biohit Oyj since February 2010


Marjo Nikulin


Tapani Tiusanen

**Lea Paloheimo, born 1951**
- PhD (clinical biochemistry), Hospital Chemist, 'Quality and Leadership' programme at the Danish Technical Institute
- Research and Development, Business Development
- With Biohit Oyj since 2001

**Terhi Lampén, born 1973**
- MSc (Econ.)
- Sales and Marketing
- With Biohit Oyj since March 2010

**Marjo Nikulin, born 1958**
- PhD (Biochemistry)
- Production and Quality
- With Biohit Oyj since 1999

**Tapani Tiusanen, born 1956**
- PhD (Physics), DipEMC
- Technology
- With Biohit Oyj since 2008

# MANAGEMENT OF SUBSIDIARIES

**India:**
Biotech Systems (India)
Private Limited
**Venkat Rao,** MBA
Managing Director since 2009

**France:**
Biohit SAS
**Régis Carnis**, MSc (Biochem.)
Managing Director since 1991

**UK:**
Biohit Ltd.
**Ian Hemmings**
Managing Director since 2009

**Germany:**
Biohit Deutschland GmbH
**Matthias Beuse**, PhD (Chem.)
Managing Director since 2009

**Japan**
Biohit Japan Co, Ltd.
**Hideaki Mizoguchi,** BA
Managing Director since 2006

**Russia:**
Biohit OOO
**Victor Peppi**, MBA
Managing Director since 2001

**China:**
Biohit Biotech (Suzhou) Co., Ltd.
**Eirik Pettersen**, MBA
Managing Director since 2006

**USA:**
Biohit Inc.
**Robert P. Gearty**, BA (Biol.)
Managing Director since 2000

# MANAGEMENT SHAREHOLDINGS ON 31 DECEMBER 2009

| NAME | POSITION | SERIES A SHARES | CHANGE IN 2009 | SERIES B SHARES | CHANGE IN 2009 |
|---|---|---|---|---|---|
| Reijo Luostarinen | Chairman of the Board | 10,000 | - | 74,309 | +6,310 |
| Osmo Suovaniemi | Member of the Board President and CEO | 2,265,340 | - | 3,131,704 | +900,000 |
| Kalle Kettunen | Member of the Board | - | - | 41,950 | +3,000 |
| Seppo Riikonen | Management Team member | - | - | 11,520 | - |
| Erkki Vesanen | Management Team member | - | - | 4,260 | - |
| Kalle Härkönen | Management Team member | - | - | 4,333 | - |

*Only those members of the company's management who own Biohit Oyj shares are listed. Shareholdings include any shares held by underage children or companies controlled by the shareholder, but not shares held by spouses. Detailed information on the personal shareholdings of all members of the Board of Directors and the Management Teams is presented on the company's website, www.biohit.com/investors.*

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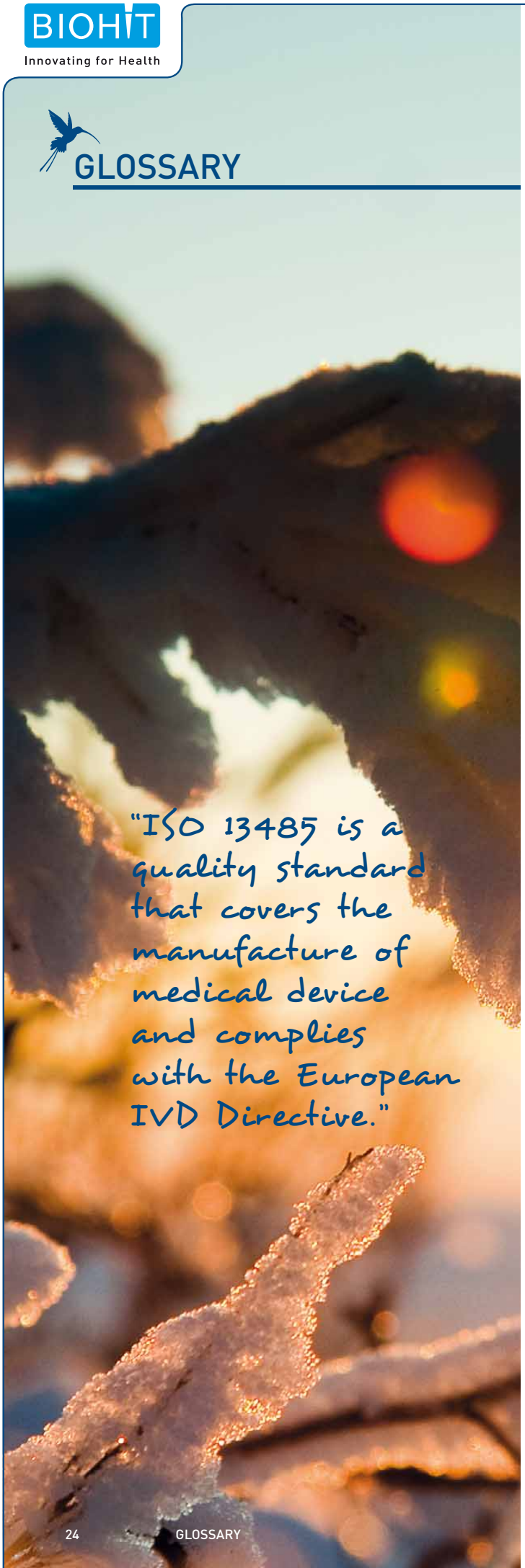
# GLOSSARY




**Accredited calibration**
Accreditation is a procedure based on international criteria for reliably verifying laboratory competence and the credibility of performance tests. The laboratory is audited by independent certification institutions (such as FINAS, COFRAC, DKD, UKAS and Gosstandart). An accredited calibration service is able to identify whether uncertainty factors are associated with the pipette itself or, for example, with the measuring process. (See also Calibration)

**Acetaldehyde**
The International Agency for Research on Cancer (IARC), which forms part of the World Health Organisation (WHO), has classified acetaldehyde as a Group I carcinogen. The human digestive tract can be exposed to acetaldehyde in many ways. Acetaldehyde is present in large quantities in, for example, tobacco smoke, from which it dissolves into the saliva. Certain mouth and throat bacteria are also able to produce acetaldehyde from alcohol and, in suitable conditions, from sugars. Continual use of alcohol and bad oral hygiene boost this type of acetaldehyde production in the mouth and throat. Mouth and throat bacteria also travel into the stomach during swallowing.

The acid in a normally acidic, healthy stomach effectively destroys these bacteria. If stomach acidity falls, due to, for example, continual PPI usage or atrophic gastritis, these bacteria can live in the stomach mucosa. They then produce acetaldehyde when alcohol or sufficiently sugary food is consumed. The gastrointestinal tract can also be exposed to acetaldehyde by certain alcoholic drinks (such as calvados) or fermented foods whose production process leads to a high concentration of acetaldehyde.

**Amino acid**
Amino acids are organic compounds that have both the amino (-NH2) and carboxyl group (-COOH) present in the same molecule. As they contain both acidic and basic groups, they are classed as ampholytes.

**Atrophic gastritis**
A functional disorder of the stomach involving damage to the mucosa.

**Biomarker**
A measurable human molecule (such as a protein), the levels of which can indicate a person's state of health or the presence of a disease.

**Calibration**
Adjustments to ensure that liquid dispensers (pipettes) dispense the exact volumes chosen. In practice, this involves adjusting piston motion so that the volume of liquid measured in the test equals the volume chosen on the pipette. A pipetting event can only be as precise as the pipette's calibration. (See also Accredited calibration)

**Colonoscopy**
Endoscopic examination of the colon.

**Cysteine**
One of the 20 most common natural amino acids. Cysteine is

a natural amino acid that is present in many foodstuffs (such as milk, eggs, flour and many vegetables) and human proteins (for example, in the hair and nails). Cysteine is absorbed from food only in the small intestine, which is why a supplement is required for cysteine to be directly effective in the mouth (gum, tablet) or stomach (capsule).

**DNV**
Det Norske Veritas – an international company focusing on risk identification and management. One of the world's best-known certification bodies.

**Dyspepsia**
Occasional or chronic pain or complaints in the upper abdomen.

**ELISA**
Enzyme-linked immunosorbant assay – a test procedure that employs antibodies and enzyme reactions. This enzyme immunoassay is carried out using a microplate.

**FINAS**
Finnish Accreditation Service. The Finnish national accreditation body, which operates independently as part of the Measurement Technology Centre (MIKES).

**Gastrin-17**
An aminopeptidase whose levels in the blood indicate the structure and function of the antrum (the lower part of the stomach). Gastrin-17 is secreted by gastrin cells in the antrum. Secretion into the bloodstream is stimulated by a combination of factors, but primarily food proteins. Gastrin-17 is one of the most efficacious stimulants for the secretion of gastric acid. The greater the loss of cells and glands in the stomach mucosa of the antrum (atrophy; atrophic gastritis) due to *H. pylori* infection, the lower the concentration of Gastrin-17 that will be measured in a blood sample, and the greater the risk of gastric cancer and peptic ulcer originating in the antrum.

**Gastroenterology**
A branch of medicine that studies the digestive system.

**Gastroscopy**
An endoscopic examination of the oesophagus, stomach and duodenum.

***Helicobacter pylori***
*Helicobacter pylori (H. pylori)* is a Gram-negative bacteria that inhabits the stomach mucosa of infected individuals. It causes an inflammatory reaction that, after a short acute phase, becomes a chronic infection: chronic gastritis.

**ISO 9001**
A general international quality standard that forms part of a company's quality assurance.

**ISO 13485**
A quality standard that covers the manufacture of medical device and complies with the European IVD Directive.

**ISO 8 Clean Room**
An international standard for the management systems and purity level of clean rooms.

**ISO 14001**
An international standard for environmental management.

**ISO 8655**
An international quality standard for the manufacture and testing of piston-operated volumetric apparatus.

**ISO 17025**
General competence requirements for carrying out tests and calibrations. An accredited pipette calibration laboratory that calibrates pipettes according to precise technical requirements.

**Lean management**
A production philosophy based on producing goods with lower inputs and to the customer's requirements. The aim is to ensure that the entire production and logistics chain is as streamlined as possible. It is important that the process as a whole runs smoothly. In practice, this means seeking to minimise lost working time and materials as well as unnecessary processes without negative impacts on the amount and quality of manufactured products. The process thus also yields added value for customers, as they get the products they want at the lowest cost and as fast as possible.

**OEM**
Original Equipment Manufacturer. The name refers to a company that designs, manufactures or packages the final product under its own name. The product may include third-party components, such as instruments, software or applications.

**Pepsinogen I and II**
Pepsinogens are the inactive precursors to pepsin enzymes. They are secreted in the stomach and converted to pepsin in the presence of hydrochloric acid. Pepsinogen I is formed by the primary cells of the corpus (the upper part of the stomach). Pepsinogen II is produced throughout the entire stomach and also in the duodenum. Some Pepsinogen diffuses into the bloodstream and can therefore be measured from a blood sample. The greater the atrophy of the corpus, as a result of long-term *Helicobacter pylori* infection or autoimmune disease, the lower the concentration of Pepsinogen I – or the Pepsinogen ratio (PgI:PgII) – that will be measured in a blood sample, and the greater the risk of gastric or oesophageal cancer and the risk of malabsorption of vitamin B12, iron, calcium and certain drugs.

**Performance testing**
Pipette calibration verification procedures that employ gravimetrics, photometrics or other methods.

**Point-of-care test**
A diagnostic test that can immediately be used to analyse a patient that arrives for examination.

**Private label**
Products designed and manufactured for another company, which markets the products under its own brand name.

**RoHS**
Restriction of the Use of Hazardous Substances – an EU Directive that seeks to harmonise member state legislation on limiting the use of hazardous electric and electrical waste.

**WEEE**
Waste Electrical and Electronic Equipment Directive – an EU Directive that seeks to reduce the generation of electric and electrical waste and to promote its reuse and recycling.

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# INFORMATION FOR SHAREHOLDERS


### Annual General Meeting

Biohit Oyj's Annual General Meeting will be held at 5 p.m. on Friday, 23 April 2010, at Pörssisali, Fabianinkatu 14, 00100 Helsinki, Finland.

Please register by 4 p.m. on 20 April 2010
- Online: www.biohit.com/investors
- E-mail: yhtiokokous@biohit.com
- Phone: +358 9 773 861
- Mail: Biohit Oyj, Annual General Meeting, Laippatie 1, 00880 Helsinki, Finland

### Dividend payout

The Board of Directors proposes to the Annual General Meeting that no dividend be paid for the financial year 1 January – 31 December 2009.

### Shares

| | |
|---|---|
| Total number of shares: | 12,937,627 |
| - Series A shares (20 votes/share): | 2,975,500 |
| - Series B shares (1 vote/share): | 9,962,127 |

The Biohit Series B share is quoted on NASDAQ OMX Helsinki in the Small cap/Healthcare group. The shares are traded under the code BIOBV.

More detailed information on the Biohit Oyj share is presented on pages 36-37 of the Financial Statements, and is also available on the company's website www.biohit.com/investors.

### Financial reporting

Biohit Oyj's stock exchange releases, interim reports, Financial Statements and Annual Report are all published in both Finnish and English. They are available on the company's website www.biohit.com immediately after publication. The website also contains other key information for investors. A printed version of the Annual Report is also available in both English and Finnish. The website also contains an online form for ordering electronic copies of the company's releases, which will be e-mailed to you.

You can order the Annual Report and other publications and releases
- Online form: www.biohit.com/investors
- E-mail: comms@biohit.com
- Phone: +358 9 773 861

### Financial calendar 2010

| | |
|---|---|
| Interim report Jan-Mar/2010 | 7 May 2010 at 9:30 a.m. |
| Interim report Jan-June/2010 | 6 Aug 2010 at 9:30 a.m. |
| Interim report Jan-Sep/2010 | 4 Nov 2010 at 9:30 a.m. |

The 2009 Financial Statement Bulletin was published on 12 February 2010, and the Financial Statements, Report of the Board of Directors and Auditor's Report on 31 March 2010.

### Silent period

Biohit observes a silent period for three weeks prior to the publication of financial results. During this period, management and other personnel will not comment on the company's financial position or markets, nor will they meet with capital market or financial media representatives.

However, if an event that requires immediate publication does occur during the silent period, Biohit will publish the information without delay in accordance with disclosure regulations, and can also comment on the matter in question.

### Investor relations:

**Osmo Suovaniemi**
President and CEO
Tel. +358 9 7738 6250
osmo.suovaniemi@biohit.com

**Jussi Heiniö**
VP of Administration and Legal Affairs
Tel. +358 9 7738 6223
jussi.heinio@biohit.com

### Communications and requests for materials:

**Josefin Hoviniemi**
Marketing and Communications Director
Tel. +358 9 7738 6363
comms@biohit.com

# A SUMMARY OF STOCK EXCHANGE RELEASES IN 2009

All of Biohit's stock exchange releases can be read in full on the company's website, www.biohit.com/investors. Bulletins may contain outdated information

13 February 2009 Financial Statements release of the Biohit Group 1 January – 31 December 2008

30 March 2009 Notice of the Annual General Meeting of Biohit Oyj

31 March 2009 Biohit's Financial Statements and report of the Board of Directors have been published

16 April 2009 Biohit's Annual Report 2008 has been published

21 April 2009 Resolutions of the Annual General Meeting of Biohit Oyj

8 May 2009 Interim Report of the Biohit Group 1 January – 31 March 2009

14 May 2009 Peter Tchernych, new director for Biohit's diagnostics business

24 June 2009 Notification of a change in Biohit Oyj share ownership in accordance with the Securities Markets Act, Chapter 2, Section 10

7 August 2009 Interim Report of the Biohit Group 1 January – 30 June 2009

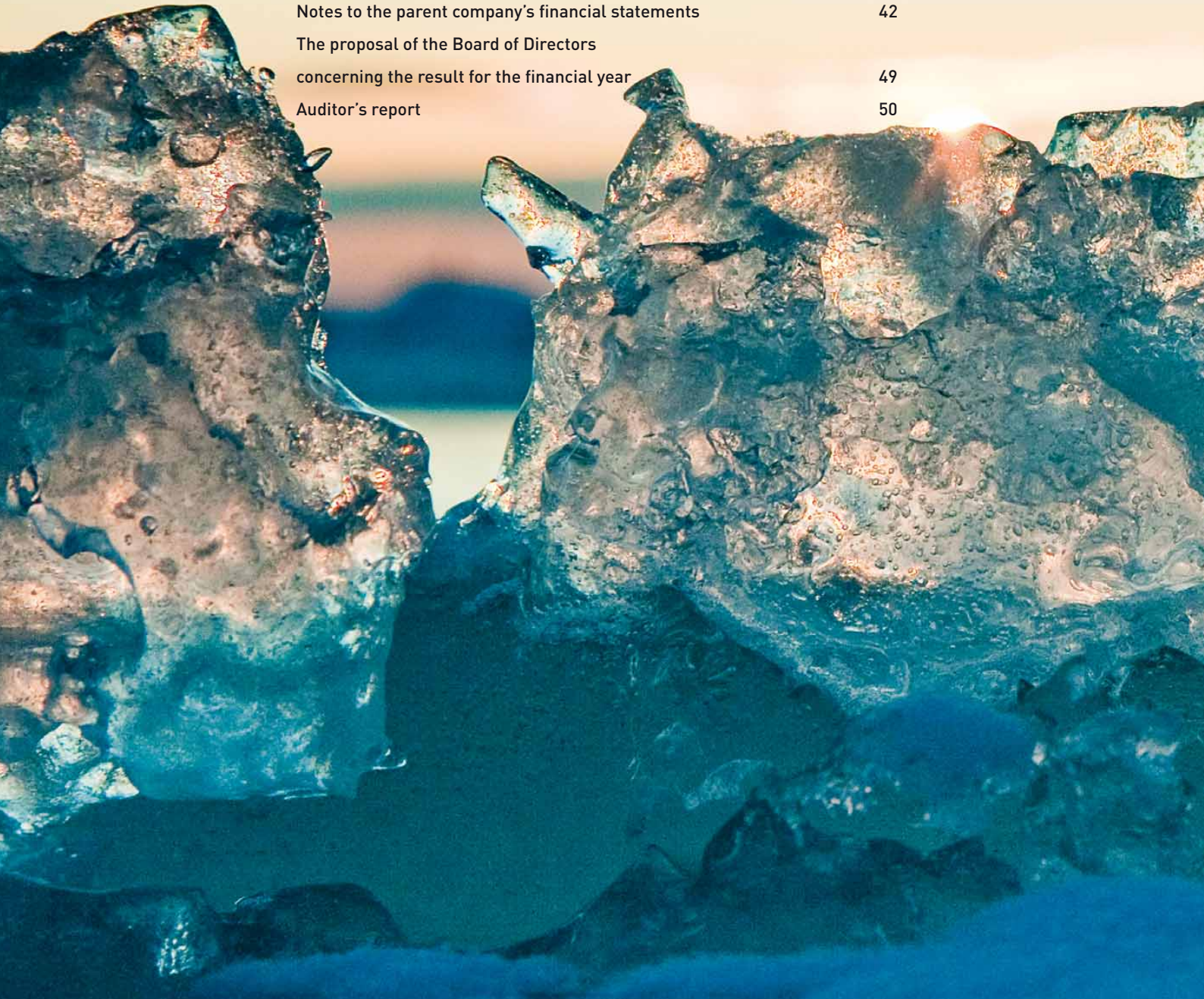
24 September 2009 Director of Biohit's diagnostics business resigns

6 November 2009 Interim Report of the Biohit Group 1 January – 30 September 2009

31 December 2009 Biohit's financial information in 2010

# FINANCIAL STATEMENTS 2009





BIOHIT
Innovating for Health

# REPORT OF THE BOARD OF DIRECTORS 2009

The Finnish biotechnology company Biohit develops and manufactures laboratory equipment and accessories as well as diagnostic tests and analysis systems for use in research institutions, healthcare and industrial laboratories. Biohit operates in two business areas: the liquid handling business and the diagnostics business. The company is developing both its business areas as separate units with a view to growing into a profitable and leading global supplier in both product areas.

Liquid handling products include electronic and mechanical pipettes, disposable tips as well as pipette maintenance and calibration services for research institutions, healthcare and industrial laboratories.

The diagnostics business comprises products and analysis systems for the early diagnosis of gastrointestinal diseases, such as the blood-sample based GastroPanel examinations for the diagnosis of stomach illnesses and associated risks, quick tests for the diagnosis of lactose intolerance and *H. pylori* infection in connection with gastroscopy, and the ColonView examination for the early detection of intestinal bleeding that indicates a risk of colorectal cancer. The Acetium innovation reduces carcinogenic acetaldehyde in the stomach. The key objective of the diagnostics business is to prevent diseases of the gastrointestinal tract.

Biohit employs around 370 people in eleven countries. The company has production facilities in Finland (Kajaani and Helsinki) and China (Suzhou). Its subsidiaries in Germany, France, the United Kingdom, Russia, India, China, Japan and the United States, as well as the sales representative in Singapore, focus on product sales and marketing. Biohit's products are also sold through about 450 distributors in 70 countries.

Biohit's Series B share (trading code BIOBV) is quoted on NASDAQ OMX Helsinki in the Small cap/Healthcare group.

## Net sales and result

The Group's net sales for the financial year rose by 1% on the corresponding period of last year, totalling EUR 35.4 million (EUR 35.1 million in 2008 and EUR 33.0 million in 2007).

Operating profit was EUR 1.2 million, representing 3.4% of net sales (2008: operating profit EUR 1.3 million, 3.7% of net sales; 2007: operating loss EUR 0.2 million, -0.6% of net sales). The profit before taxes for the reporting period was EUR 0.7 million (2008: profit EUR 1.0 million; 2007: loss EUR 1.1 million).

Earnings per share were EUR 0.03 (2008: EUR 0.07; 2007: EUR -0.12).

The Biohit Group's return on equity was 3.1% (2008: 7.4%; 2007: -11.9%).

Diagnostics sales saw the greatest relative growth in the period now ended. Trends in the global economy have also been reflected in Biohit's business and net sales of pipettes underperformed expectations. However, total net sales remained at the previous year's level thanks to favourable trends in the Asian market and the pickup in sales in the last quarter.

Due to the growth seen in the fourth quarter, the operating result almost reached the previous year's level. However, the result before taxes fell significantly short of the previous year due to a rise in financial expenses. Although interest expenses were down on the comparison period, total financial expenses in the year now ended were substantially higher than in the comparison period. Financial expenses for 2008 were exceptionally low due to exchange rate gains.

### Figures by business segment

Sales and maintenance of liquid handling products accounted for 95% of net sales. Full-year net sales of the liquid handling business amounted to EUR 33.6 million (2008: EUR 33.6 million; 2007: EUR 31.4 million) and the net sales of the diagnostics business to EUR 1.8 million (2008: EUR 1.5 million; 2007: EUR 1.7 million). Sales of test kits accounted for EUR 1.5 million of the net sales of the diagnostics business (2008: EUR 1.2 million; 2007: EUR 1.1 million).

The operating profit of the liquid handling business amounted to EUR 3.2 million (2008: operating profit EUR 3.7 million; 2007: operating profit EUR 2.7 million), while the operating loss of the diagnostics business totalled EUR 2.0 million (2008: operating loss EUR 2.4 million; 2007: operating loss EUR 2.9 million).

### The impact of currency exchange rates

Currency exchange rates did not have a material impact on the total net sales of the liquid handling business. When calculated using comparable currency exchange rates, the net sales of the liquid handling business grew by 1% during the financial year. The reported growth in net sales was 0%.

Excluding the impact of instrument sales, growth for the diagnostics business totalled 44% when calculated using comparable currency exchange rates. The reported figure for net sales growth excluding instrument sales was 34%.

## Balance sheet

On 31 December 2009, the balance sheet total stood at EUR 27.4 million (EUR 27.1 million on 31 December 2008 and EUR 27.3 million in 2007) and the equity ratio was 46.8% (46.5% on 31 December 2008 and 43.6% on 31 December 2007).

## Financing

Net cash flow from operating activities was EUR 2.8 million (2008: EUR 1.2 million; 2007: EUR 1.1 million) during the reporting period, primarily due to a reduction in working capital, which was freed up for investments. At the end of the financial year, liquid assets totalled EUR 1.6 million (EUR 1.3 million on 31 December 2008 and EUR 1.1 million on 31 December 2007). Current ratio was 1.4 (2.5 in 2008 and 2.3 in 2007). The current ratio declined because the EUR 4.1 million convertible bond that was issued in 2005 and which matures in October 2010 was transferred from non-current to current liabilities.

## Research and development

Research and development expenditure during the reporting period amounted to EUR 2.4 million (EUR 2.0 million in 2008 and EUR 2.0 million in 2007), representing 6.8% of net sales (5.8% in 2008 and 6.1% in 2007). EUR 0.4 million (EUR 0.4 million in 2008 and EUR 0.4 million in 2007) in development expenditure was capitalised during the period.

## Investments

Gross investments during the reporting period totalled EUR 2.4 million (EUR 1.2 million in 2008 and EUR 2.1 million in 2007) representing 6.9% of net sales (3.5% in 2008 and 6.3% in 2007). Investments were primarily made in production technology in Helsinki and Kajaani, significantly increasing the production capacity of disposable pipette tips.

## Personnel

The average number of Group personnel during the reporting period was 370 (369 in 2008 and 352 in 2007). Of these, 174 (171 in 2008, 178 in 2007) were employed by the parent company and 196 (198 in 2008, 174 in 2007) by subsidiaries. The Biohit Group's salaries and bonuses totalled EUR 12.3 million (EUR 11.8 million in 2008 and EUR 11.6 million in 2007).

## Risk management and short-term risk

Risk management is one of the areas covered by Biohit's business planning and monitoring system, which regularly monitors the risks associated with the company's business operations, identifies any changes and, if necessary, takes appropriate action.

The objective of Biohit's risk management policy is to identify 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 the company's risk management policy and monitoring its implementation. The President and CEO works with the parent company's operative management and subsidiaries' managements 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 subsidiaries' managements are responsible for those in their own market areas.

In 2010, the major risks and uncertainty factors impacting on Biohit's business concern the financing of its business as well as its diagnostics business.

Although the global recession has had a negative impact on the trend in the sales of Biohit products, the company's net sales and cash flow from operations have been satisfactory. However, the company's liquidity is weakened by the EUR 4.1 million convertible bond maturing in October 2010. Negotiations on the restructuring of the bond are currently in progress. The financing of the company's investments and particularly its diagnostics business hinges on the continuation of the favourable trend in profitability in 2010 and securing additional funding for operations.

The diagnostics business continued to grow in 2009, even though the trend in its sales has not measured up to the company's expectations. However, if the company does not continue its outlays on this business, diagnostics products might not make a breakthrough in the long term. This might result in a EUR 2.6 million impairment of goodwill associated with the diagnostics business. However, the company will seek to bolster the growth potential of the diagnostics business in 2010, such as by strengthening the resources of this business and targeting sales and marketing efforts at key market areas.

The company's business operations are sensitive to the trend in the external value of the euro. In 2009, the weakening of the value of the Russian rouble and the British pound against the euro had a particularly unfavourable impact on the development of the company's net sales. That said, the company has sought to hedge itself against the potential negative effects of currency risks on its profitability by making part of its procurements in currencies other than the euro. In addition, Biohit's Group structure – in other words, the location of its subsidiaries in the main market areas – reduces the currency risk as expenses are incurred in currencies other than the euro.

For more information on the management of financial risks, see Section 2.24 in the Notes to the Consolidated Financial Statements.

## Outlook for 2010

Considering the state of the global economy, the trend in the Group's net sales was satisfactory in 2009. However, in spite of indications that the main market areas are recovering, it cannot be expected that the company will be entirely unaffected by the downturn in 2010. In addition, customers are seeking even more cost-effective solutions in their R&D, which also puts pressure on Biohit's business operations. At the end of 2009 and the beginning of the present year, the company has made strong outlays on developing its own sales and marketing organisation, such as by establishing a sales subsidiary in India. In 2010, the company expects to see a positive trend in its net sales and slightly greater growth than in the previous year.

In the liquid handling business, demand in 2010 is expected to focus particularly on disposable tips and maintenance services. Geographically, it is anticipated that net sales will see growth in Asia and Europe. In the diagnostics business, net sales growth will be driven by rising sales of GastroPanel examinations as well as the Acetium capsule.

It is expected that the company's profitability will be slightly better in 2010 than in 2009 and that its result before taxes will be positive.

## Review by business area

### Liquid handling business

Biohit's liquid handling business develops, manufactures and markets laboratory equipment and accessories. Biohit's mechanical and electronic pipettes and disposable tips are used worldwide in research institutions, universities and hospitals and in the pharmaceutical, food and other industries. The majority of the electronic pipettes used worldwide have been developed by Biohit. For over 20 years, Biohit has focused on innovative and user-friendly products that increase the accuracy and safety of laboratory work.

While the majority of the products are marketed under the Biohit brand, the company also manufactures customised OEM (Original Equipment Manufacturer) products that complement the diagnostic test and analysis systems of many global companies. In addition, the company offers maintenance, calibration and training services for liquid handling products through its distributor network (www.biohit.com/liquidhandling and www.pipettedoctor.com). Biohit's maintenance service aims to improve the management of the product lifecycle and thereby increase customer satisfaction.

### Main events of the financial year in the liquid handling business

According to the company's own estimate, the total market for pipettes grew by 5% on average during the reporting period. Market growth has focused on electronic pipettes. The market for pipette tips is still seeing annual growth of about 20%. This growth is expected to continue.

During the year now ended, the global recession led to cost cutting in R&D, especially in the pharmaceutical industry in developed countries. This has had a negative impact on total market trends and particularly on the demand for pipettes in Europe

and the United States. This also cut into the net sales and earnings of Biohit's liquid handling business.

In all market areas, demand for Biohit's products has centred on disposable products, such as pipette tips, and on the maintenance of customers' existing pipettes. During the last quarter, Biohit's sales picked up – also in the case of pipettes – and total net sales rose to the previous year's level. Pipette sales have been boosted by public sector investments in particular. In geographical terms, growth has continued especially in Asia.

In their efforts to counter a variety of health problems and risks of pandemics, researchers need safer and more reliable equipment such as accurate pipettes and filter tips. In order to respond to this demand, Biohit developed and launched new liquid handling products during the reporting period. The easy-to-use eLINE Lite Dispenser – intended for automatic multiple dispensing – rounds out the company's range of innovative electronic pipettes.

The unique SafetySpace filter tips launched in September meet high quality and purity demands. They are designed for use in demanding research, especially in cell culture, molecular biology and microbiology applications, as well as radioactive work. The new tips improve pipetting safety and enable more accurate and reliable results, even when handling demanding liquids. The SafetySpace filter tips have also been well-received outside Europe, the company's largest market area.

In addition, the company substantially stepped up its pipette tip production capacity at the Kajaani factory at the end of the financial year.

As investments decrease, the need for pipette maintenance services grows. Tighter quality requirements increase interest in accredited calibration services. Accreditation is a procedure based on international criteria for reliably verifying laboratory competence and the credibility of performance tests. Biohit's pipette calibration laboratory in Russia received accreditation from the Russian authorities (Gosstandart) in December, being the first company in this business to receive such certification.

Biohit now has accredited calibration laboratories in five countries: Finland, France, Germany, the UK and Russia. They enable the company to offer accredited pipette calibration services to its customers. In addition, Biohit launched new pipette maintenance and calibration software (www.quantrapro.net) during the reporting period. The net sales of the maintenance business saw steady growth during the reporting period, especially at Biohit's own maintenance units.

During the year now ended, Biohit also continued to focus on boosting the efficiency of the Group's internal order-delivery chain in line with the Lean method. The company has sought to improve the inventory turnover rate and thereby decrease the amount of working capital committed to inventories. In 2009, the amount of working capital committed to inventories declined by 13% and this trend is expected to continue in 2010. Shorter delivery times also increase customer satisfaction.

**Diagnostics business**

Biohit's diagnostics business develops, manufactures and markets tests and analysis systems for the diagnosis and prevention of diseases of the gastrointestinal tract. The tests and systems are based on innovations and reliable research data. Prior to the GastoPanel innovation, the diagnosis of atrophic gastritis (loss of appropriate glands and function of the stomach mucosa) caused by asymptomatic *Helicobacter pylori* infection or autoimmune disease as well as dyspepsia (occasional or chronic pain or complaints in the upper abdomen) required the histological examination of biopsies taken during gastroscopy. As gastroscopies are only performed on a small share of patients suffering from dyspepsia, *H. pylori* infection or autoimmune disease, detections of atrophic gastritis by gastroscopy are more or less incidental findings – and as such are often made too late for those suffering from alarming symptoms of gastric cancer and other diseases.

The 13C urea breath test, faecal antigen test and antibody tests do not provide a diagnosis of atrophic gastritis (which typically involves minor symptoms or is asymptomatic) or its related risks of gastric and oesophageal cancer and the deficiency of vitamin B12, iron and calcium. Atrophic gastritis of asymptomatic and dyspepsia patients that causes an anacidic stomach is the major known risk factor for stomach cancer and, according to recent research, also poses a risk of oesophageal cancer.

In addition to the GastroPanel examinations, the product range includes ColonView quick tests for screening the risk of colorectal cancer in primary and occupational healthcare; lactose intolerance and *Helicobacter pylori* quick tests to supplement gastroscopy examinations; and instruments and analysis systems for laboratories. The Acetium innovation was developed to reduce carcinogenic acetaldehyde in the stomach.

The company also engages in service laboratory operations in Finland and the UK. Additionally, Biohit markets different-sized GastroPanel laboratories to hospitals, general practitioners, and research and service laboratories in numerous countries. In addition to test kits, this package includes liquid handling products, instruments, software as well as installation, training and maintenance services. (www.biohit.com -> Diagnostics)

**Main events of the financial year in the diagnostics business**

Although the trend in the sales of the diagnostics business was fairly good during the year now ended, it is not yet at a satisfactory level. Growth centred on sales of test kits, which improved by 34% on the previous year. On the heels of the growth in net sales, the operating result of the diagnostics segment also improved compared with the previous year. According to the company's estimate, the ageing of the population continues and thus the cost-efficiency and reliability of Biohit's diagnostics products will increase the potential demand for them in healthcare.

Biohit focused on strengthening the diagnostics business and its growth potential during the reporting period. For example, the company has made outlays on commercialising the GastroPanel products and related concepts as well as co-operation with healthcare players, especially in Finland. For example, Yhtyneet Medix Laboratoriot and Terveystalo Group have introduced the examinations into their service range.

In addition, several measures have been taken to safeguard growth potential, such as bolstering the sales organisation of the diagnostics business and focusing on the markets in which it is first expected to make a breakthrough. Biohit spun off its UK diagnostics business during the reporting period by establishing a subsidiary, Biohit Healthcare Ltd, that focuses on sales. In spite of the tough market, in 2009 the company's sales grew by 50% compared with the previous year in local currency terms. The trend in the sales of quick tests has been particularly good.

Diagnostic and preventative R&D for the early detection of

diseases of the gastrointestinal tract has been part of Biohit's long-term strategy for years. During the year now ended, product development focused on improvements to existing products and the development of new products and concepts.

In October 2009, the International Agency for Research on Cancer (IARC), which forms part of the World Health Organisation, classified acetaldehyde generated or ingested along with alcoholic beverages as a Group I carcinogen. The microbes living in the gastrointestinal tract produce acetaldehyde from alcohol and sugar in the mouth and anacidic stomach. In addition, many nutrients and alcoholic beverages in themselves contain levels of carcinogenic acetaldehyde that exceed risk limits. Exposure to acetaldehyde is connected to about 4 million new cases of cancer worldwide every year, or close to 40 per cent of all cancers.

In co-operation with researchers at the University of Helsinki and its scientific advisors, Biohit has developed numerous methods for preventing the carcinogenic effects of acetaldehyde in the human gastrointestinal tract (mouth, pharynx, oesophagus and stomach). One of these is the Acetium capsule, which reduces carcinogenic acetaldehyde in an anacidic stomach. As acetaldehyde has been classified as a Group I carcinogen for humans, exposure to it should be minimised promptly. For persons with anacidic stomachs, currently the only means to minimise exposure is the Acetium innovation. The ageing of the population worldwide and the release of PPI drugs to be sold as OTC products without prescription will increase the need for Acetium. (For additional information, see: www.biohit.com/acetium)

Instead of spinning off the diagnostics business, the main focus during the reporting period has been on the development of business operations. However, spin-off negotiations continued, even though a suitable partner has not as yet been found.

## Administration

The Annual General Meeting held on 20 April 2009 decided that the number of members of the Board of Directors is six. The AGM appointed Jukka Ant-Wuorinen, Kalle Kettunen, Eero Lehti, Reijo Luostarinen, Mikko Salaspuro and Osmo Suovaniemi as members of the Board. Reijo Luostarinen acts as Chairman of the Board.

The President and CEO of the company is Professor Osmo Suovaniemi.

The AGM appointed authorised public accountants Ernst & Young Oy as auditor, with Erkka Talvinko, Authorised Public Accountant, as chief auditor.

The Management Teams of the parent company were confirmed during the financial year. Petteri Rehu, M.Sc. (Econ.), started out as Financial Director in March, and Sales Director Päivi Lipponen, M.A., was appointed to the Diagnostics Management Team in June. Aino Telaranta-Keerie, PhD, who served as the head of diagnostics product development, stepped down from her position when she moved abroad in summer 2009. Peter Tchernych, who started out as the director of Biohit's diagnostics business in June, resigned in August due to personal reasons.

There were also changes in the management of the subsidiaries during the report year. Matthias Beuse, PhD (Chem.), was appointed the new Managing Director of Biohit's German subsidiary (Biohit GmbH) in August. He was previously in the employ of Whatman, a GE Healthcare company. In September, Ian Hemmings was appointed as the new Managing Director of the UK subsidiary (Biohit Ltd). He was previously responsible for the pipette maintenance business in the UK and, during the past year, for the Pipette Doctor concept globally.

In addition, Biohit established a subsidiary in India, Biohit Biotech Systems (India) Private Limited, during the financial year. The subsidiary's operations began on 1 January 2010. The new subsidiary focuses on sales and marketing of Biohit's liquid handling and diagnostics products in the Indian market. Venkat Rao, MBA, who has served in Biohit Oyj's international sales since 2006, has been appointed as its Managing Director.

The company's entire management is presented on Biohit's Internet site (www.biohit.com/investors) and the 2009 Annual Report.

At its meeting on 31 March 2010, Biohit's Board of Directors approved the Corporate Governance statement for the Group. It is presented in greater detail in an appendix to this report ("Corporate Governance Statement of Biohit").

## Shares and shareholders

Biohit's shares are divided into Series A and B shares. Series A shares confer twenty (20) votes at General Meetings and Series B shares confer one (1) vote. However, the dividend paid for Series B shares is higher than that paid for Series A shares by two (2) per cent of its nominal value.

There are 2,975,500 Series A shares and 9,962,127 Series B shares to a total of 12,937,627 shares.

In the event of the dissolution of the company through a merger or some other reason, Series A and B shareholders have an equal right to an equally-sized portion of the compensation paid for the dissolution. If a Series A share is transferred to a Series B shareholder or a new external shareholder, the shareholder receiving the share must notify the Board of Directors without delay and Series A shareholders have the right to buy back shares in accordance with the provisions of the Articles of Association. A Series A share can be converted, upon the request of its holder, into a Series B share by a decision of the Board of Directors, entitling the holder to receive one Series B share for one Series A share.

### Shareholders

At the end of the financial year on 31 December 2009, the company had 3,527 shareholders (3,463 on 31 December 2008). Private households held 72.93% (79.62%), companies 23.6% (16.72%) and public sector organisations 3.03% (3.03%). 0.36% (0.4%) of shares were in foreign ownership or registered in a nominee's name.

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

**Notification of a change in Biohit Oyj share ownership in accordance with the Securities Markets Act, Chapter 2, Section 10**

In accordance with the Securities Markets Act, Chapter 2, Section 9, on 24 June 2009, Biohit Oyj received notification that the combined share of the voting rights conferred by the shares owned by Professor Pentti Sipponen and Patolab Oy – a company in his control – had fallen to under one twentieth.

In a transaction made on the same day, ownership of a total of 900,000 Series B shares held by Pentti Sipponen was transferred to Biocosmos Oy (450,000 shares) and Interlab Oy (450,000 shares) – two companies under the control of Professor Osmo Suovaniemi.

## Convertible bonds

On 27 October 2005, Biohit Oyj floated an issue of convertible bonds targeted at professional investors in Finland. The subscription value of the convertible bond on the date of issue was EUR 4,050,000. Annual fixed interest of 6.5% is paid on the capital of the convertible bond, which has a five-year maturity. Each EUR 4,500 note unit can be converted into 1,000 Series B shares with a nominal value of EUR 0.17. The conversion rate is EUR 4.50. Conversion can be carried out from 4 November 2005 – 30 September 2010. No bonds were converted into shares during the year now ended.

The convertible bond will mature in October 2010. In order to strengthen its liquidity, the company is currently negotiating on the restructuring of the loan.

The main terms of the convertible bonds are presented in the Notes 2.22 to the Financial Statements.

## Capital loans

Biohit's principal shareholders have granted the company a capital loan of EUR 0.8 million for product and other business-related development. The accumulated interest on the capital loan at 31 December 2009 amounted to EUR 0.6 million. The loan meets the provisions laid down in Chapter 12 of the Finnish Companies Act. The main terms of the loan are presented in the Notes 2.22 to the Financial Statements.

## Events after the close of the reporting period

An agreement was made on the manufacture of Acetium capsules after the end of the reporting period. Biohit presented this new product at the Finnish Medical Convention and Exhibition on 11–14 January 2010. The company aims to supply Finnish pharmacies with this over-the-counter product during the first half of the present year. It is intended that international marketing of Acetium will start no later than in 2011. Biohit expects the new product to have a positive effect on the development of its diagnostics unit's net sales and operating profit in 2010.

Yrjö E. K. Wichmann, MSc (Soc.sc.), has been appointed to head up Biohit Oyj's diagnostics business as from 1 February 2010. Wichmann has almost 20 years of experience in finance and investment banking and has held positions as a financial and investment director in the healthcare technology industry.

In addition, Biohit opened a sales office in Singapore to support sales in growing Asian markets.

## The Board of Directors' proposal for the disposal of earnings and distribution of other non-restricted equity

The parent company's distributable funds amount to EUR 8.5 million, which comprises non-restricted equity of EUR 12.2 million and an accumulated loss of EUR 3.7 million. The Board of Directors proposes to the General Meeting that no dividend be paid and that the parent company's EUR 1,017,818.21 loss for the financial year be transferred to retained losses.

Information required by current legislation, such as key financial and per-share figures, and information on share turnover, share price trends and related party transactions, are presented in the Notes to the Financial Statements.

# CORPORATE GOVERNANCE STATEMENT

Biohit has prepared this Corporate Governance Statement on the basis of Section 51 of the Corporate Governance Code for listed companies released by the Securities Market Association. The Corporate Governance Statement has been issued separately from the Report of the Board of Directors. The Report of the Board of Directors, the Auditor's Report and this statement are available on Biohit's website at www.biohit.com/investors.

## 1 RULES OBSERVED BY BIOHIT

Biohit Oyj is a Finnish public limited company whose Series B share is quoted on NASDAQ OMX Helsinki in the Small cap/ Healthcare group. The Biohit Group (hereafter abbreviated 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 administration complies with current legislation, standards and recommendations concerning public listed companies, the regulations of NASDAQ OMX Helsinki Oy, and Biohit Oyj's Articles of Association. Biohit Oyj also follows the Finnish Corporate Governance Code for listed companies that was approved by the Securities Market Association in October 2008 and came into force on 1 January 2009. The Corporate Governance Code is available from www.cgfinland.fi.

## 2 BIOHIT'S ADMINISTRATIVE BODIES

The highest power of decision at Biohit is exercised by its shareholders at the General Meeting. The company's Board of Directors supervises the administration and organisation of the company and the Group's earnings trend. The President and CEO is responsible for the operative management of the company, and he is assisted by two Management Teams.

### 2.1 GENERAL MEETING

Every Biohit shareholder has the right to attend General Meetings, which are convened once a year (Annual General Meeting) or more frequently if necessary (Extraordinary General Meeting). The AGM convenes annually by the end of April. An extraordinary general meeting may be held at the request of the Board of Directors or when stipulated by law. The Board of Directors calls General Meetings and presents issues for consideration at the meeting. General Meetings deal with issues that are the business of General Meetings as set out in the Finnish Companies Act and Biohit's Articles of Association. According to the Finnish Companies Act, company shareholders also have the right to have issues presented for consideration by the General Meeting.

**Annual General Meeting 2009**

In 2009, Biohit's Annual General Meeting was held on 20 April in Helsinki. 2,975,490 Series A shares and 4,427,015 Series B shares were represented at the meeting, corresponding to 57.21% of all the company's shares and 92.03% of the votes. Over half of the members of the Board, all new candidates proposed for Board membership and the chief auditor attended the meeting. Biohit did not hold extraordinary general meetings during the financial year.

### 2.2 BOARD OF DIRECTORS

The Board of Directors, which comprises at least five (5) members elected by the Annual General Meeting, is responsible for the administration and appropriate organisation of Biohit's business operations. The Board of Directors elects a Chairman from amongst its members.

Those elected to the Board of Directors are expected to have the required competence for their tasks and sufficient time to carry out their duties. The majority of Board members should be independent of the company's major shareholders. The Board of Directors evaluates members' independence in accordance with Corporate Governance recommendation 15. Members must provide the Board with sufficient information on their competence and independence, including any changes in these details. After 1 January 2010, the Board must include both men and women.

Board membership commences from the election by the AGM and lasts until the end of the next AGM.

The Board of Directors is responsible for Biohit's administration and appropriate organisation of business operations. The areas of responsibility laid down in the written rules of procedure approved by the Board are as follows:

- To develop shareholder value.
- To ensure the appropriate organisation of accounting and financial management.
- To confirm the parent company and consolidated financial statements and the Report of the Board of Directors for the financial year now ended.
- To confirm the interim reports for each quarter at the end of March, June and September.
- To decide on Biohit's business plan, budget and investment plan.
- To decide on Biohit's financing and risk management policies.
- To approve management remuneration and incentive schemes.
- To appoint the President and CEO.
- To decide on Biohit's strategy, organisational structure, investments and other wide-reaching and significant issues.

The decision-making of the Board of Directors is based on the reports drawn up by the operative management concerning the activities and development of the Group and its business units.

The Chairman is responsible for calling Board meetings and arranging Board activities. In general, the Board convenes once a month, that is, 10–12 times per year. The meeting schedule for the entire term will be confirmed in advance. When necessary, Board meetings are held more frequently or by teleconference.

The Board assesses its activities and working methods once a year. A self-assessment is carried out and discussed at a meeting of the Board.

The Board decides on the internal division of duties so as to best harness the specialist expertise and experience of its members.

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.

**Board of Directors in 2009**
The following persons were elected by the 2009 Annual General Meeting to Biohit's Board of Directors:

**Reijo Luostarinen**, born in 1939, DSc (Econ.), Professor
- Chairman and non-independent member of the Board since 1993
- Professor and Director of International Business at the Helsinki School of Economics (HSE)

**Jukka Ant-Wuorinen**, born 1950, MSc (Econ.)
- Independent member of the Board since 2009
- Chairman of the Boards of ANTON Invest Oy, Newcodent Oy and Rukasuites

**Eero Lehti**, born 1944, MSc (Soc.Sc.)
- Independent member of the Board since 2009
- Member of Parliament since 2007
- Founder of Taloustutkimus Oy and the Chairman of its Board
- Head owner of Suomen Lehtiyhtymä Oy and the Chairman of its Board

**Kalle Kettunen**, born 1964, MSc (Engin.), MBA
- Independent member of the Board since 2008
- CEO of Telko Oy

**Mikko Salaspuro**, born 1939, MD, PhD, Professor
- Independent member of the Board since 2008
- Specialist in internal medicine, gastroenterologist, and Professor of Alcohol Diseases at the University of Helsinki

**Osmo Suovaniemi**, born 1943, MD, PhD, Professor
- Non-independent member of the Board since 1988
- Founder of Biohit and its President and CEO

The Board of Directors convened 10 times in 2009. The average participation rate was 87%.

## 2.3 OPERATIVE MANAGEMENT

**President and CEO**
The President and CEO is responsible for the day-to-day management of the company in accordance with the instructions and regulations given by the Board of Directors. The President and CEO of the parent company is elected by the Board and also acts as Group President. The President also ensures the legality of the company's accounting and the reliable organisation of financial management. The terms of the President's employment are laid down in a written contract that is approved by the Board of Directors. The President cannot be elected Chairman of the Board.

**Group Management Teams**
Biohit has two Management Teams. The Diagnostics Management Team focuses on the diagnostics business and its development, while the Liquid Handling Management Team focuses on the liquid handling business and its development, as well as Group-level administration.

The duty of the Management Teams is to assist the President and CEO in planning and controlling the Group's business operations, in managing daily operations, and in preparing matters to be submitted for consideration by the parent company's Board.

The Management Teams comprise the President and CEO and the heads of the parent company's functions. The following functions are represented: Sales and Marketing, Production, Finance, Research and Development, Administration, and Quality Systems. The President and CEO, or in his absence the VP of Administration and Legal Affairs, acts as Chairman of the Management Teams.

The President and CEO appoints Management Team members and approves their employment contracts in accordance with the instructions given by the Board of Directors.

The Liquid Handling Management Team meets every other week as directed, and the Diagnostics Management Team meets once a month.

The Management Team members are presented on www.biohit.com in the section Management Teams and their shareholdings are presented in the Insider Register section.

**Management of subsidiaries**
The Managing Directors of subsidiaries and their Boards of Directors – which report to the President and CEO of the parent company – are responsible for the management of subsidiary operations. The subsidiaries are responsible for the sales and marketing of Biohit's products in their market areas. The managements of the subsidiaries operate under the management and supervision of the President and CEO and the VP of Administration and Legal Affairs. The Board of Directors of each subsidiary is composed of the VP of Administration and Legal Affairs and the Managing Director of the subsidiary as well as the necessary number of members of the Management Team of Biohit Oyj.

Each subsidiary's Managing Director is responsible for ensuring that business operations are managed, planned, monitored, reported on and developed in accordance with the Group's business plans.

**Management 2009**
The President and CEO of Biohit is Professor Osmo Suovaniemi, MD, PhD (see above). The terms and conditions of the President and CEO's dismissal have yet to be confirmed. In 2009, the Liquid Handling Management Team included, in addition to the President and CEO, Jussi Heiniö (administration), Kalle Härkönen (production), Petteri Rehu (finance, until 31 March 2010), Mikko Patrakka (sales and marketing) and Seppo Riikonen (quality and IT). The Management Team convened a total of 21 times in 2009.

In addition to the President and CEO, the Diagnostics Management Team included Jussi Heiniö (administration), Petteri Rehu (finance), Päivi Lipponen (sales and marketing, until 26 March 2010; Terhi Lampén as of 18 March 2010), Marjo Nikulin (production), Lea Paloheimo (R&D and sales), Tapani Tiusanen (instrument and software development) and, as from the beginning of February 2010, Yrjö Wichmann as the head of the diagnostics business. Peter Tchernych, who started out as the director of Biohit's diagnostics business in June 2009, resigned in August due to personal reasons. The Diagnostics Management Team convened a total of 10 times in 2009.

## 3 MAIN CHARACTERISTICS OF THE 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 the regulations and laws in force 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 the objectives set in the strategy ratified by the Board of Directors are achieved at different levels of the organisation. 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 with innovations. Biohit's business operations are divided into its liquid handling business and diagnostics business, in which the company engages in both manufacturing operations and international marketing and sales.

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 and 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 ratified 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 and CEO works with the parent company's operative management and subsidiaries' managements 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 subsidiaries' managements 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. Subsidiaries report on business and earnings trends and the most significant deviations to Group Management on a monthly and quarterly basis. Group Management reports to the Board of Directors on Group-level operations. The Board and the President and CEO decide on Group-level strategy and operational procedures.

The Boards of Directors of the subsidiaries follow the development of business and ensure that the control instructions and other guidelines accepted and provided by the parent company are followed. As a rule, each subsidiary's Board of Directors convenes after the end of each quarter. Subsidiary Boards work with financial reports and the written quarterly reports drawn up by subsidiary management.

Biohit's steering and control is carried out in accordance with the management system described above. The company provides reporting systems required for the monitoring of operations 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 financial department retains central control of funding and administrative matters within the framework of the instructions provided by the Board of Directors and the President and CEO, and is also responsible for the management of interest and exchange rate risks. The Managing Directors of subsidiaries ensure that subsidiary reporting is carried out in accordance with the instructions given by Group Management. The parent company's administration department controls and provides instructions on Group-level personnel policies and any agreements made within the Group.

**Communications and release of information**

Biohit aims to proactively communicate about the company's operations to all its stakeholders in a consistent and timely manner. The company seeks to take the special needs 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 ratified the company's disclosure policy with a view to ensuring the accuracy and reliability of the information that is released. The policy also specifies who is responsible for communications in different situations.

Biohit's financial department regularly disseminates information on financial administration reporting-related processes in order to ensure the real-time availability of information as required 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 the internal control related to financial reporting is overseen by the Board of Directors, the President and CEO, the members of the Management Teams and the Managing Directors of the subsidiaries. The main focus of control comprises following weekly and monthly financial reports and forecasts and the analysis of deviations from business plans. Monitoring is performed as a rule at all Board and Management Team meetings where reports are reviewed, and is supported by regular contact between Group Management and the company's auditor and the analysis of deviations on at least a quarterly basis. The frameworks of the audits of the Group's subsidiaries and the key audit areas are defined jointly by the Group's financial administration and the chief auditor.

**Internal audit**
Biohit has not appointed a separately organised function for internal auditing purposes. The Group's financial management holds 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 for the financial management to ensure that the financial management instructions approved by the parent company on, for example, authorisations are being adhered to. 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.

## 4 AUDIT

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 firm that has been approved by the Central Chamber of Commerce. The auditor announces the name of the individual auditor who will assume principal responsibility for conducting the audit. The auditor's term of office begins during the current financial year and ends at the next AGM.

Biohit's auditors issue their statutory report to the shareholders in connection with the publication of the company's financial statements. The auditors of the parent company report their findings to the Board of Directors and President. The reports drawn up by the auditors of the parent company are based in part on the audits carried out by the auditors of subsidiaries. These reports are also reviewed by Group Management.

**Auditor 2009**
Biohit's auditor in 2009 was authorised public accountants Ernst & Young Oy, with Erkka Talvinko, Authorised Public Accountant, as chief auditor.

## 5 INSIDERS

Biohit applies the Guidelines for Insiders approved by NASDAQ OMX Helsinki Oy, as well as any relevant amendments.

According to securities market legislation, Biohit's permanent insiders comprise the members of the parent company's Board of Directors, the President and CEO, and the principal auditor of the audit firm. Biohit's Board of Directors has decided that the company's Management Team members will also be classed as permanent insiders.

In addition to the public register of insiders, Biohit also keeps a non-public register of insiders that lists both permanent insiders and project-specific insiders. People listed in the non-public register as permanent insiders are those who regularly receive inside information as part of their business activities. Project-specific insiders are those people who receive inside information in conjunction with a specific project.

Biohit's head of legal affairs is responsible for insider control. He or she ensures that insiders are aware of insider regulations and adhere to trading restrictions. Insiders are not allowed to trade Biohit Oyj securities for 21 days before the publication of the company's financial statement bulletin and interim reports. Project-specific insiders are not allowed to trade Biohit securities before the project has been made public or discontinued.

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

## 6 COMPENSATION

The Annual General Meeting approves the fees of the Board of Directors. Members receive monetary compensation, and there is no share-based incentive scheme for Board members.

The Board approves the President and CEO's fees and terms of employment. Like other Board members, the President is also paid an additional fee for Board membership.

The President approves the fees and terms of employment of Management Team members. Biohit's Board of Directors has approved the principles of the incentive schemes for Management Team members and the President. Bonuses are determined on the basis of the net sales and earnings trends of 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 three month's salary.

The President and CEO approves the salaries and profit-based incentives of subsidiaries' management in accordance with the instructions given by Biohit Oyj's Board of Directors. Profit-based incentives depend on the sales and earnings trends of each unit's product segments.

Biohit does not employ any incentive schemes that pay management in the company's own shares.

**Remuneration and other benefits 2009**
During the financial year that ended on 31 December 2009, remuneration paid to the members of the Board of the parent company totalled EUR 87 thousand (EUR 76 thousand in 2008 and EUR 80 thousand in 2007).

The remuneration paid to President and CEO Osmo Suovaniemi, including benefits and Board fees, totalled EUR 242 thousand in 2009 (EUR 257 thousand in 2008 and EUR 251 thousand in 2007).

The salaries and fees of the Group's Managing Directors totalled EUR 839 thousand (EUR 730 thousand in 2008 and EUR 712 thousand in 2007). No other notable pension arrangements, beyond those mandated by law, have been made with the Managing Directors of Group companies.

Remuneration paid to other Management Team members totalled EUR 854 thousand (EUR 678 thousand in 2008 and EUR 827 thousand in 2007).

The Group's invoiced auditors' fees for the 2009 financial year totalled EUR 124 thousand (EUR 101 thousand in 2008). Authorised public accountants Ernst & Young Oy were also paid a total of EUR 28 thousand (EUR 19 thousand in 2008) for other services.


"In comparable currency terms, net sales of liquid handling products grew by 1% during the financial year and net sales of diagnostic tests by 44%"

BIOHIT
Innovating for Health

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| 1,000 € | Note number | 01.01– 31.12.2009 | 01.01–31.12.2008 |
|---|---|---|---|
| **Net sales** | 2.3 | 35,366 | 35,095 |
| Other operating income | 2.4 | 162 | 175 |
| Change in inventories of finished goods and work in progress | | -278 | -290 |
| Materials and services | 2.5 | -6,471 | -6,681 |
| Employee benefit expenses | 2.6, 2.9 | -14,899 | -14,480 |
| Depreciation | 2.7 | -1,718 | -1,821 |
| Other operating expenses | 2.8, 2.9 | -10,972 | -10,684 |
| **Operating profit/loss** | | 1,190 | 1,314 |
| Financial income | 2.10 | 372 | 423 |
| Financial expenses | 2.10 | -893 | -741 |
| **Profit/loss before taxes** | | 669 | 996 |
| Income taxes | 2.11 | -282 | -99 |
| **Profit/loss for the period** | | 387 | 897 |
| | | | |
| Other comprehensive income | | | |
| Translation differences | | -130 | -247 |
| **Total comprehensive income** | | 257 | 650 |
| | | | |
| Distribution of income | | | |
| To equity holders of the parent company | | 387 | 897 |
| Minority interest | | - | - |
| Total | | 387 | 897 |
| | | | |
| Distribution of comprehensive income | | | |
| To equity holders of the parent company | | 257 | 650 |
| Minority interest | | - | - |
| Total | | 257 | 650 |
| | | | |
| Earnings per share are calculated from the earnings attributable to equity holders of the parent company. | | | |
| Earnings per share, undiluted, EUR | 2.12 | 0.03 | 0.07 |

The notes are an integral part of the financial statements

# CONSOLIDATED BALANCE SHEET

| 1,000 € | Note number | 31.12.2009 | 31.12.2008 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Goodwill | 2.13 | 2,638 | 2,638 |
| Intangible assets | 2.13 | 2,349 | 1,636 |
| Tangible assets | 2.14 | 6,460 | 6,452 |
| Financial assets | 2.15, 2.18 | 9 | 12 |
| Deferred tax assets | 2.16 | 1,937 | 2,010 |
| **Total non-current assets** | | 13,393 | 12,748 |
| **Current assets** | | | |
| Inventories | 2.17 | 5,138 | 5,769 |
| Trade and other receivables | 2.15, 2.18 | 6,888 | 6,800 |
| Financial assets recognised at fair value through profit or loss | 2.15 | 400 | 480 |
| Cash and cash equivalents | 2.15, 2.19 | 1,580 | 1,310 |
| **Total current assets** | | 14,006 | 14,359 |
| **Total assets** | | 27,399 | 27,107 |
| **Equity and liabilities** | | | |
| **Equity attributable to the equity holders of the parent company** | | | |
| Share capital | 2.20 | 2,199 | 2,199 |
| Translation differences | 2.20 | -323 | -194 |
| Fund for investments of non-restricted equity | 2.20 | 12,404 | 12,404 |
| Retained earnings | | -1,530 | -1,917 |
| **Total equity** | | 12,749 | 12,492 |
| **Non-current liabilities** | | | |
| Pension obligations | 2.21 | 118 | 53 |
| Interest-bearing liabilities | | | |
| Capital loans | 2.15, 2.22 | 775 | 880 |
| Other interest-bearing liabilities | 2.15, 2.22 | 3,079 | 7,112 |
| Total interest-bearing liabilities | 2.15, 2.22 | 3,854 | 7,992 |
| Other liabilities | 2.15, 2.23 | 672 | 748 |
| **Total non-current liabilities** | | 4,645 | 8,793 |
| **Current liabilities** | | | |
| Trade payables | 2.15, 2.23 | 1,409 | 1,321 |
| Current interest-bearing liabilities | | | |
| Capital loans | 2.15, 2.22 | - | 73 |
| Other interest-bearing liabilities | 2.15, 2.22 | 5,118 | 1,025 |
| Total interest-bearing liabilities | 2.15, 2.22 | 5,118 | 1,098 |
| Other liabilities | 2.15, 2.23 | 3,478 | 3,403 |
| **Total current liabilities** | | 10,005 | 5,822 |
| **Total liabilities** | | 14,650 | 14,615 |
| **Total equity and liabilities** | | 27,399 | 27,107 |

The notes are an integral part of the financial statements

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

| 1,000 € | | Equity attributable to the equity holders of the parent company | | | | | |
|---|---|---|---|---|---|---|---|
| | Note number | Share capital | Share premium fund | Translation differences | Fund for investments of non-restricted equity | Retained earnings | Total equity |
| **Equity 1 Jan 2008** | | 2,199 | 174 | 53 | 12,230 | -2,814 | 11,841 |
| Translation differences | | - | -174 | - | 174 | - | - |
| Total comprehensive income | 2.20 | - | - | -247 | - | 897 | 650 |
| **Equity 31 Dec 2008** | | 2,199 | 0 | -194 | 12,404 | -1,917 | 12,492 |
| Total comprehensive income | 2.20 | - | - | -130 | - | 387 | 257 |
| **Equity 31 Dec 2009** | | 2,199 | - | -324 | 12,404 | -1,530 | 12,749 |

The notes are an integral part of the financial statements

# CONSOLIDATED CASH FLOW STATEMENT

| 1,000 € | Note number | 2009 | 2008 |
|---|---|---|---|
| **Cash flow from operating activities** | | | |
| Result before taxes | | 669 | 996 |
| Adjustments for: | | | |
| Unrealised exchange rate gains and losses | | 199 | - |
| Depreciation | 2.7 | 1,718 | 1,821 |
| Other | 2.25 | 321 | 318 |
| Change in working capital | | | |
| Increase (-) or decrease (+) in trade and other receivables | | -141 | -291 |
| Increase (-) or decrease (+) in inventories | | 631 | -146 |
| Increase (+) or decrease (-) in current non-interest-bearing liabilities | | 109 | -368 |
| Interest and other financial items paid | | -517 | -951 |
| Interest received | | 12 | 4 |
| Realised exchange rate gains and losses | | 175 | - |
| Income taxes paid | | -380 | -194 |
| **Net cash flow from operating activities** | | **2,796** | **1,188** |
| **Cash flow from investing activities** | | | |
| Investments in tangible and intangible assets | | -2,020 | -1,228 |
| Proceeds from sales of tangible and intangible assets | | 1 | -0 |
| Capital gains from investments in funds and deposits | | 116 | 477 |
| **Net cash flow from investments** | | **-1,903** | **-751** |
| **Cash flow from financing activities** | | | |
| Increase in long-term borrowings | | - | 605 |
| Financial leasing liabilities paid | | -118 | -176 |
| Repayments of long-term borrowings | | -478 | -712 |
| **Net cash flow from financing activities** | | **-596** | **-283** |
| Increase (+) or decrease (-) in cash and cash equivalents | | 298 | 154 |
| Cash and cash equivalents at the beginning of the period | | 1,310 | 1,109 |
| Effect of exchange rates on cash and cash equivalents | | -28 | 46 |
| Cash and cash equivalents at the end of the period | 2.19 | 1,580 | 1,310 |

The notes are an integral part of the financial statements

# 2 NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

## 2.1 COMPANY PROFILE

Biohit Oyj is a Finnish public company that manufactures liquid handling and diagnostics products and diagnostics analysis systems for use in research institutions, healthcare and industrial laboratories. The parent company is domiciled in Helsinki.

Copies of the consolidated financial statements are available on the Internet at www.biohit.com or from the parent company's headquarters, address Laippatie 1, Helsinki, Finland.

At its meeting on 31 March 2010, Biohit Oyj's Board of Directors approved the financial statements for publication. According to the Finnish Companies Act, shareholders have the opportunity to approve or reject the financial statements at the General Meeting held after their publication. The General Meeting can also decide to revise the financial statements.

## 2.2 ACCOUNTING POLICY APPLIED IN THE FINANCIAL STATEMENTS

### Accounting policy

These financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS). They have been drawn up in compliance with the IAS and IFRS standards in force as at 31 December 2009 and SIC and IFRIC interpretations. The term "IFRS standards" in the Finnish Accounting Act and the provisions laid down pursuant to the Act refers to the standards approved by the EU in accordance with the procedures laid down in IAS Regulation (EC) 1606/2002 of the European Parliament, and the interpretations of these standards. The notes to the consolidated financial statements also conform to Finnish accounting and corporate legislation.

The consolidated financial statements have been drawn up on the basis of original acquisition costs, with the exception of available-for-sale investments and financial assets and liabilities measured at fair value through profit or loss. The figures in the financial statements are presented in thousands of euros.

When financial statements are prepared in accordance with IFRS, the Group's management must make estimates and exercise judgement in the application of accounting policies. The note "Accounting principles requiring judgements by management and key sources of estimation uncertainty" provides information on the judgements that have been made by management in the application of the accounting principles employed by the Group and which have the greatest impact on the figures presented in the financial statements.

### Subsidiaries

The consolidated financial statements include the parent company Biohit Oyj and all of its subsidiaries. Subsidiaries are those companies in which the Group has a controlling interest, that is, in which the Group holds over half of the voting rights or otherwise has a controlling interest. "Controlling interest" means the right to dictate a company's financial and business principles in order to benefit from its operations.

The acquisition cost method has been used in eliminating cross-ownership of shares within the Group. The acquisition cost is taken to include surrendered assets at fair value, liabilities that have arisen or for which responsibility has been adopted, equity instruments issued, and all the direct expenses of the acquisition. Acquired subsidiaries are included in the consolidated financial statements as from the moment when the Group has assumed a controlling interest, and divested subsidiaries are included until the moment when the Group ceases to have a controlling interest. All intra-Group transactions, receivables, liabilities, unrealised profits and internal distribution of profits are eliminated when drawing up the consolidated financial statements. Unrealised losses are not eliminated if they are due to impairment. The distribution of profit for the period to the equity holders of the parent company and minority interests is presented in the income statement. Minority interest in equity is presented in the balance sheet as a separate item under shareholders' equity. The minority interest share of accumulated losses is recognised in the consolidated financial statements up to the amount of the investment at most. The Group does not have any associated companies, joint ventures or minority shareholders.

### Translation of items denominated in foreign currency

Figures relating to the result and financial position of each of the Group's business units are measured in the currency of the main operating environment for that unit. The consolidated financial statements are presented in euros, the functional and presentation currency of the parent company.

Foreign currency transactions are recorded in the functional currency using the exchange rates on the date of the transaction in question. Monetary receivables and liabilities are converted using the rates on the closing date. Non-monetary items denominated in foreign currency are translated to the functional currency at the rate on the transaction date. Exchange rate differences on translation have been entered in the income statement. The income statements of foreign subsidiaries have been translated into euros using the average exchange rates for the financial period. Their balance sheets have been translated using the rates on the closing date. The exchange rate difference resulting from the use of the average exchange rate in the translation of income statement items and the closing date rate in the balance sheets has been entered as a separate item under translation differences in consolidated shareholders' equity. Exchange rate differences in monetary items that are classed as net investments in foreign subsidiaries are entered under translation differences. In accordance with the exception permitted by IFRS 1, cumulative translation differences prior to the IFRS transition date are recorded under retained earnings at the time of the transition to IFRS, and will also not be entered into the income statement later on the divestment of a subsidiary.

### Business segments

Biohit has organised its business into two primary business areas: Liquid Handling and Diagnostics. The format of the Group's segment reporting is based on these business segments. Biohit also reports on geographical areas: Europe, Asia, America and other countries.

A business segment produces products and services whose risks and profitability differ from the risks and profitability of other segments. A geographical segment produces products and services in an economic environment whose risks and profitability differ from the risks and profitability in other economic environments.

### Income recognition

The sale of goods and services is recognised as income when the significant risks and rewards incident to ownership are transferred to the buyer, and the payment of goods and services, costs or the possible return of the goods does not involve significant uncertainty. The income recognised is the fair value of the consideration received from the goods or services sold less value-added tax and both bulk and other discounts as well as exchange rate gains or losses on the sale. Interest income is recognised using the effective interest method. Dividend income is booked when the rights to the dividends have materialised.

### Property, plant and equipment

Property, plant and equipment have been valued at the original acquisition cost less accumulated depreciation and impairment. The acquisition cost includes the direct costs of acquisition. Later expenditure is included in the carrying amount of the asset or recognised as a separate asset only if it is probable that the Group will benefit from the future economic benefits of the asset and the acquisition cost of the asset can be reliably measured. Other repair and maintenance expenditure is recognised through profit or loss in the period incurred.

Assets are amortised on a straight-line basis over their estimated useful life. There is no depreciation on land areas. The estimated useful lives of assets are as follows:

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

The residual values and useful lives of assets are reviewed in each financial statement. If necessary, they are adjusted to reflect the changes in the expected economic benefits. Capital gains and losses on the discontinuation or disposal of property, plant and equipment are included in other operating income or expenses.

### Costs of debt

Costs of debt are expensed in the financial period in which they were incurred. The exception is the costs of debt connected to the acquisition cost of a capitalised investment, in which case financing costs based on the Group's average financing costs are capitalised in the acquisition cost. Transaction costs arising directly from the raising of loans – and which are clearly connected with a certain loan – are included in the original periodised acquisition cost of the loan and are periodised as interest expenses using the effective interest rate method.

### Public grants

Public grants received for the acquisition of intangible assets and property, plant or equipment are recognised as decreases in the carrying amounts of property, plant and equipment. Grants are recognised as revenue through smaller depreciation over the useful life of the asset. Grants not related to the acquisition of non-current assets are booked in other operating income.

### Intangible assets

#### Goodwill

In the case of companies acquired after 1 January 2004, goodwill corresponds to the share of the acquisition cost in excess of the Group's share of the fair value of the acquiree's net assets at the time of acquisition. The goodwill on the consolidation of business functions prior to this date corresponds to the carrying amount (as per the previously employed accounting standards), which has been used as the deemed cost. Neither the classification nor accounting treatment of these acquisitions has been adjusted when drafting the opening consolidated IFRS balance sheet.

No regular depreciation is recorded on goodwill. Instead, it is subjected to an annual impairment test. To this end, goodwill is allocated to cash generating units. Goodwill is measured at the original acquisition cost less impairment.

### Research and development expenditure

Research expenditure is expensed in the income statement. Development expenditure on the design of new or more advanced products is capitalised as intangible assets in the balance sheet as from the date when the product is technically feasible, can be utilised commercially, and is expected to yield future economic benefits. Expensed development expenditure is not capitalised later. Amortisation begins when the asset is ready to be used. The useful life of capitalised development expenditure is 5 years, over which time capitalised assets are expensed on a straight-line basis.

### Other intangible assets

An intangible asset is recorded in the balance sheet only if the asset's acquisition cost can be reliably determined and it is probable that the company will benefit from the expected economic benefits of the asset. Other intangible assets with a finite useful life are entered in the balance sheet at the original acquisition cost and expensed in the income statement on a straight-line basis over their known or estimated useful lives. The Group has no intangible assets with unlimited useful lives.

| The depreciation periods are as follows: | |
|---|---|
| Patents | 10 years |
| Development expenditure | 5 years |
| Software | 3 years |
| Other | 5-7 years |

### Impairment of tangible and intangible assets

At each closing date, the Group evaluates whether there are indications of impairment on any asset item. If impairment is indicated, the recoverable amount of the asset is estimated. The recoverable amount for goodwill is also assessed annually regardless of whether impairment is indicated. Impairment is examined at the level of cash generating units, that is, at the lowest unit level that is primarily independent of other units and whose cash flows can be separated out from other cash flows. The discount interest used is determined before taxes and describes the market outlook for the time value of money and the risks associated with the asset items to be tested.

The recoverable amount is the fair value of the asset item less the costs of disposal or the value in use, whichever is higher. Value in use is the estimated net cash flow, discounted to its present value, from the asset item or cash-generating unit in question. An impairment loss is recognised if the carrying amount of the asset item is higher than its recoverable amount. The impairment loss is entered immediately in the income statement. If the impairment loss is allocated to a cash generating

unit, it is first allocated as a reduction to the goodwill of the cash generating unit and subsequently as a reduction to the other asset items of the unit on a pro rata basis. An impairment loss is reversed if the situation changes and the recoverable amount of an asset item has changed since the date when the impairment loss was recorded. However, impairment losses are not reversed beyond the carrying amount of the asset exclusive of impairment losses. Impairment losses on goodwill are never reversed under any circumstances.

### Inventories

Inventories are measured either at the acquisition cost or at the net realisable value, whichever is lower. The acquisition cost is determined using the FIFO principle. The acquisition cost of finished and incomplete products comprises raw materials, direct labour costs, other direct costs, and the appropriate portion of the variable general costs of manufacture and fixed overhead at a normal level of operations. The net realisable value is the estimated selling price in ordinary business operations less the estimated expenditure on product completion and sale.

### Lease agreements

**The Group as lessee**

Lease agreements concerning property, plant and equipment in which the Group holds a material share of the risks and rewards of ownership are classified as finance lease agreements. Assets acquired under finance lease agreements are recognised in the balance sheet at the fair value of the asset when the lease period begins or at the present value of the minimum rents, whichever is lower. Assets acquired under finance lease agreements are amortised over their useful life unless it is probable that the asset will not be redeemed after the end of the lease period. In such cases, amortisation is performed during the contract period. Lease payments are split between the finance cost and a reduction in the liability over the lease period such that the interest rate on the liability outstanding for each financial period remains the same. The lease commitments are included in interest-bearing liabilities.

Lease agreements in which the risks and rewards incident to ownership are retained by the lessor are treated as other lease agreements. Rents payable under other lease agreements are expensed in the income statement on a straight-line basis over the lease period.

The Group does not act as a lessor.

### Pension obligations

Group companies have organised their pension security in accordance with the pension legislation and practices of the country in question. The majority of the Group's pension schemes are defined contribution schemes for which payments are expensed in the period in which they occur. Defined benefit pension schemes are entered into the income statement such that expenses are periodised over the years in employment of the employee on the basis of annual actuarial calculations. Actuarial gains and losses are recognised in the income statement over the average remaining time in service of the persons in the scheme insofar as they exceed either 10% of the pension commitment or 10% of the fair value of assets, whichever is higher.

### Provisions

Provisions are recorded when the Group has a legal or constructive obligation on the basis of a prior event, the materialisation of the payment obligation is probable, and the size of the obligation can be reliably estimated. The amount recognised as a provision represents the best estimate of the expenditure required to fulfil the existing obligation on the closing date. If the time value of money is material, the provision recorded is the present value of expected expenditure.

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

Tax expenses in the income statement comprise taxes on the taxable income for the period and deferred tax liabilities. Taxes on the taxable income for the period are calculated on the taxable income on the basis of the tax base in force in the country in question. If applicable, taxes are adjusted for the taxes of previous periods.

Deferred taxes are calculated on all temporary differences between the carrying amount and taxable value. The largest temporary differences arise from the depreciation of property, plant and equipment, unused tax losses, and the internal margin included in inventories.

No deferred taxes are calculated on goodwill impairment that is not deductible in taxation and no deferred taxes are recognised on the undistributed profits of subsidiaries to the extent that the difference is unlikely to be discharged in the foreseeable future.

Deferred taxes have been calculated using the tax bases set by the closing date. Deferred tax assets have been recognised to the extent that it is probable that taxable income against which the temporary difference can be applied will materialise in the future.

### Financial assets and liabilities

The Group's financial assets are categorised as: financial assets at fair value through profit or loss, loans and other receivables, and available-for-sale financial assets. Financial assets are classified in accordance with the purpose underlying their acquisition, and are categorised on initial recognition. All acquisitions and sales of financial assets are booked on the date of the transaction. Financial assets are derecognised in the balance sheet when the Group has lost its contractual rights to their cash flows, or when the Group has substantially transferred the risks and rewards out of the Group.

*Financial assets at fair value through profit or loss* include financial asset items that have been acquired to be held for trading or which have been measured at fair value through profit or loss on initial recognition (use of the fair value alternative). Held-for-trading assets are investments in fixed-term deposits and are included in current assets. The items in this group are measured at fair value. The fair value of all investments in this group is measured on the basis of released price quotations on well-functioning markets, that is, buy quotations on the closing date. Both realised and unrealised gains and losses due to changes in fair value are recorded in financial items in the income statement on the period in which they were incurred.

*Loans and other receivables* are assets that exclude derivative assets and whose related payments are fixed or definable. They are not quoted on well-functioning markets and are not held for

trading. Assets are measured at the periodised acquisition cost using the effective interest rate method. They are included in the balance sheet as either current or non-current financial assets – non-current if they do not mature within the next 12 months. This category mainly consists of trade receivables.

*Available-for-sale assets* comprise investments in unquoted shares. They are measured at acquisition cost, as they are non-liquid assets whose fair value cannot be reliably determined. Available-for-sale assets are included in non-current assets, as the Group is unlikely to surrender them within 12 months of the closing date.

*Cash and cash equivalents* comprise cash at bank and in hand and other liquid investments with a maturity of less than 3 months.

*Financial liabilities* are originally booked at their fair value on the basis of the consideration received. Transaction costs have been included in the original carrying amount of financial liabilities. All financial liabilities are later valued at the periodised acquisition cost using the effective interest rate method. Financial liabilities are included in current and non-current liabilities and may be interest-bearing or non-interest-bearing.

*Interest-bearing* liabilities comprise financial liabilities requiring the company to make contractual interest or other payments during the term of the loan. *Non-interest-bearing liabilities* comprise liabilities for which the company does not have to make contractual interest or other payments.

The fair value of the *convertible bond liability* has been determined using the market interest rate for a comparable liability on the date of issue. The bond liability will be presented as a periodised acquisition cost until it is amortised through repayment or conversion into shares. The remainder – the equity component of the bond – is presented, less taxes, in the share premium fund.

The principles used for determining the fair values of financial assets and liabilities are presented in note number 2.15 to the financial statements.

### Impairment of financial assets

At every closing date, the Group evaluates whether there is objective evidence indicating impairment in the value of either a single item or a group of financial assets. If there is evidence of impairment, impairment is recognised through profit or loss. If the impairment loss decreases in a subsequent financial year, the recognised loss is reversed through profit or loss, except in the case of available-for-sale investments classed as equity instruments. Impairment of the latter is not reversed in the income statement.

The Group recognises an impairment loss on trade receivables when there is reliable evidence to indicate that the receivable cannot be collected according to the original terms. The impairment loss to be recognised in the income statement is defined as the difference between the carrying amount of the receivable and the estimated present value of future cash flows adjusted using the effective discount interest rate. If the impairment loss decreases in a subsequent financial year and the reduction can be considered as relating to an event after the recognition of impairment, the recognised loss is then reversed through profit or loss.

### Definition of operating profit or loss

The IAS 1 standard – Presentation of Financial Statements – does not include a definition of operating profit. The Group has defined it as follows: operating profit or loss is the net sum remaining after other operating income is added to net sales, less purchasing costs (adjusted for the change in inventories of finished goods and work in progress and the costs incurred from production for own use) and less expenses, depreciation and potential impairment losses caused by employee benefits and other operating expenses. All other income statement items except the above-mentioned are presented below operating profit/loss. Translation differences and changes in the fair value of derivatives are included in operating profit/loss if they are incurred from items related to operational activities; otherwise they are entered under financial items.

### Accounting principles requiring judgements by management and key sources of estimation uncertainty

When preparing financial statements, estimates and assumptions about the future must be made, so actual results may differ from these estimates and assumptions. Management must also exercise judgement in the application of accounting policies. Although estimates are based on the most up-to-date information available, actual results may differ from these estimates. The major areas in which estimation and judgement have been used are described below.

### Impairment testing

The Group tests goodwill and incomplete intangible assets for impairment on at least an annual basis, and evaluates whether there are indications of impairment as presented in the accounting policies above. The recoverable amount from cash generating units has been defined on the basis of value in use calculations. Estimates must be used when performing these calculations.

### Deferred tax assets

In the case of unused tax losses and the deferred tax assets recognised on temporary differences, the Group evaluates annually whether it is probable that the company in question will generate sufficient taxable income before the unused tax losses lapse.

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

The Group has applied the following new or revised standards and interpretations as from 1 January 2009:

- IAS 1 (Revised) *Presentation of Financial Statements*. The changes primarily affect the presentation of the statement of comprehensive income and the statement of changes in shareholders' equity. The formula for the earnings per share key ratio remains unchanged.

- IFRS 8 *Operating Segments*. According to IFRS 8, the segment information presented must be based on internal reports reviewed by the entity's management and the accounting principles applied therein. The adoption of IFRS 8 has not substantially changed the presentation of segment information, as the Group's previously published segment information was already based on the Group's internal reporting structure.

The following standards, amendments or interpretations that came into force in 2009 have not had a material impact on the consolidated financial statements:

- Amendments to IFRS 7 *Financial Instruments: Disclosures – Improving Disclosures about Financial Instruments*. The amendments to the accounting principles increase the number of notes disclosing the fair values of financial instruments.

- IAS 23 (Revised) *Borrowing Costs*. This standard may have an impact if the Group invests in productive goods that require a long production period, such as buildings.

- IAS 32 (Revised) *Financial Instruments: Disclosure* and IAS 1 *Presentation of Financial Statements*. The amendments to these standards require that puttable own equity financial instruments that meet certain criteria are categorised as equity whereas earlier they were treated as financial liabilities. The Group does not have financial instruments that meet these criteria.

- Amendments to interpretation and standard IFRIC 9 *Reassessment of Embedded Derivatives* and IAS 39 *Financial Instruments: Recognition and Measurement*. The Group does not use embedded derivatives.

- Amendment to IFRS 2 *Share-based Payment – Vesting Conditions and Cancellations*. The Group does not have share-based programmes.

- New interpretation: IFRIC 13 *Customer Loyalty Programmes*. The Group does not use customer loyalty programmes.

**The Group will adopt the following standards, amendments and interpretations that will not have a substantial significance to the Group on 1 January 2010:**

- IFRS 3R *Business Combinations* (revised standard)

- IAS 27 *Consolidated and Separate Financial Statements* (amendment)

- IAS 39 *Financial Instruments: Recognition and Measurement – Eligible Hedged Items* (amendment)

- IFRS 2 *Share-based Payment – Group Cash-settled Share-based Payment Transactions* (amendment)

- IFRIC 12 *Service Concession Arrangements* (new interpretation)

- IFRIC 15 *Agreements for the Construction of Real Estate* (new interpretation)

- IFRIC 16 *Hedges of a Net Investment in a Foreign Operation* (new interpretation)

- IFRIC 17 *Distributions of Non-cash Assets to Owners* (new interpretation)

- IFRIC 18 *Transfers of Assets from Customers* (new interpretation)

The Group will adopt the following standards, interpretations and amendments to existing standards in 2011 or later:

- IAS 32 *Financial Instruments: Presentation* (amendment)

- IFRIC 19[1] *Extinguishing Financial Liabilities with Equity Instruments*

- IFRIC 14 *Prepayments of a Minimum Funding Requirement* (amendment)[1]

- IAS 24 *Related Party Disclosures* (revised)[1]

- IFRS 9[1] *Financial Instruments – Classification and Measurement*

[1)] The standard/interpretation or change has not yet been approved for application in the EU.

## 2.3 SEGMENT-BASED REPORTING

Biohit has organised its business into two primary divisions, based on business area: Liquid Handling and Diagnostics.The Group's segment-based reporting is done by business area. In addition, Biohit reports information by geographical area, with these areas defined as Europe, Asia, the Americas, and other countries.

The Group's business is divided into separate business segments on the basis of the nature of the products and services provided. A segment represents a business unit that offers different kinds of products and services to different markets. Service provision does not generate a significant proportion of earnings. The Liquid Handling segment produces electronic and mechanical pipettes, disposable tips, and maintenance services. The Diagnostics segment produces diagnostic test systems, tests and instruments, and related software. There are no sales or other business transactions between business segments. Segments' assets consist primarily of property, plant, and equipment items; intangible assets; inventories; receivables; and cash and cash equivalents. Segment liabilities consist of business debts and do not include items such as tax liabilities or the liabilities of the Group as a whole. Investments comprise increases in property, plant, and equipment items and increases of intangible assets to be employed longer than one financial period.

Although the Group's two business segments are managed globally, they operate in four separate geographical areas: Europe, the Americas, Asia, and the rest of the world. Sales are allocated to geographical areas on the basis of the country in which the customer is located. Assets and investments of these regions are assigned on the basis of the location of the asset.

Segment-based reporting follows the structure of the company's internal reporting. There are no internal sales between segments.In internal sales between geographical areas within the Group, pricing follows market-based pricing.

| **Business segments 2009** | Liquid Handling | Diagnostics | Unallocated | Total |
|---|---|---|---|---|
| **Result** | | | | |
| Net sales | 33,550 | 1,816 | - | 35,366 |
| Operating margin | 22,301 | 1,258 | - | 23,559 |
| Depreciation | -1,657 | -61 | - | -1,718 |
| Operating profit/loss | 3,231 | -2,041 | - | 1,190 |
| Interest income | - | - | 12 | 12 |
| Interest expenses | - | - | -517 | -517 |
| **Assets** | | | | |
| Reportable assets for the segment(s) | 19,968 | 5,334 | 2,097 | 27,399 |
| Investments | 1,930 | 509 | - | 2,439 |
| **Liabilities** | | | | |
| Reportable liabilities for the segment(s) | 1,359 | 50 | 13,241 | 14,650 |

| Business segments 2008 | Liquid Handling | Diagnostics | Unallocated | Total |
|---|---|---|---|---|
| **Result** | | | | |
| Net sales | 33,588 | 1,507 | - | 35,095 |
| Operating margin | 22,606 | 885 | - | 23,491 |
| Depreciation | -1,760 | -61 | - | -1,821 |
| Operating profit/loss | 3,671 | -2,357 | - | 1,314 |
| Interest income | - | - | 3 | 3 |
| Interest expenses | - | - | -565 | -565 |
| **Assets** | | | | |
| Reportable assets for the segment(s) | 21,052 | 2,761 | 3,294 | 27,107 |
| Investments | 977 | 236 | - | 1,213 |
| **Liabilities** | | | | |
| Reportable liabilities for the segment(s) | 1,314 | 8 | 13,293 | 14,615 |

| **Geographic area information 2009** | Europe | Americas | Asia | Other countries | Total |
|---|---|---|---|---|---|
| Net sales | 19,357 | 6,197 | 4,748 | 5,066 | 35,366 |
| Assets | 21,661 | 1,849 | 3,187 | 702 | 27,399 |
| Investments | 2,374 | 2 | 51 | 12 | 2,439 |

| Geographic area information 2008 | Europe | Americas | Asia | Other countries | Total |
|---|---|---|---|---|---|
| Net sales | 19,518 | 6,367 | 4,014 | 5,196 | 35,095 |
| Assets | 21,334 | 1,869 | 3,084 | 820 | 27,107 |
| Investments | 1,129 | 24 | 54 | 5 | 1,213 |

## 2.4 OTHER OPERATING INCOME

| | **2009** | 2008 |
|---|---|---|
| Capital gains on the sale of property, plant, and equipment | 1 | - |
| Grants | 38 | 42 |
| Other | 123 | 133 |
| Total | 162 | 175 |

## 2.5 MATERIALS AND SERVICES

| | **2009** | 2008 |
|---|---|---|
| Raw materials, consumables, and goods | 5,869 | 5,848 |
| External manufacturing services | 602 | 833 |
| Total materials and services | 6,471 | 6,681 |

Unless otherwise stated, figures are presented in thousands of euros.

## 2.6 EMPLOYEE BENEFIT EXPENSES

| | 2009 | 2008 |
|---|---|---|
| Wages and salaries | 12,324 | 11,828 |
| Pensions Defined benefit plans | 19 | 33 |
| Pensions Defined contribution plans | 1,438 | 1,342 |
| Other personnel expenses | 1,594 | 1,739 |
| Wages and salaries capitalised in non-current assets | -476 | -461 |
| Total | 14,899 | 14,480 |

Details of the management's employee benefits are presented in Note 2.26, 'Related party transactions'.

| **Number of personnel** | 2009 | 2008 |
|---|---|---|
| Average number of salaried personnel | 224 | 244 |
| Average number of non-salaried personnel | 146 | 125 |
| Overall average number of personnel | 370 | 369 |
| Number of personnel at the end of the financial period | 383 | 360 |

## 2.7 DEPRECIATION

| | 2009 | 2008 |
|---|---|---|
| Intangible assets | 302 | 372 |
| Buildings | 192 | 180 |
| Machinery and equipment | 1,224 | 1,269 |
| Total | 1,718 | 1,821 |

## 2.8 OTHER OPERATING EXPENSES

| | 2009 | 2008 |
|---|---|---|
| Travel and other employee-related expenses | 2,187 | 2,252 |
| Rent and maintenance expenses | 2,704 | 2,738 |
| Marketing and sales expenses | 2,429 | 2,417 |
| Other external services | 2,160 | 1,960 |
| Other operating expenses | 1,492 | 1,316 |
| Total | 10,972 | 10,684 |
| | | |
| Invoiced auditors' fees | 124 | 101 |
| Other fees | 28 | 19 |
| | | |
| Total auditors' fees | 152 | 121 |

## 2.9 RESEARCH AND DEVELOPMENT EXPENDITURE

The Group's research and development expenditure totalled EUR 2,409 thousand (EUR 2,044 thousand), representing 6.8% (5.8%) of net sales, of which EUR 420 thousand (EUR 395 thousand) has been capitalised as development expenditure.

## 2.10 FINANCIAL INCOME AND EXPENSES

| | 2009 | 2008 |
|---|---|---|
| Exchange rate gains from financial assets and liabilities | 320 | 414 |
| Gains from financial assets recognised at fair value | 12 | 3 |
| Other financial income | 40 | 6 |
| Total financial income | 372 | 423 |
| Interest expenses on financial liabilities | -517 | -565 |
| Exchange rate losses on financial assets and liabilities | -307 | -1 |
| Wage and salary expenses | -69 | -175 |
| Total financial expenses | -893 | -741 |
| | | |
| Total financial income and expenses | -521 | -318 |

Unless otherwise stated, figures are presented in thousands of euros.

## 2.11 INCOME TAXES

| **Direct taxes** | **2009** | 2008 |
|---|---|---|
| Taxes on taxable income for the period | -208 | -237 |
| Deferred taxes | -74 | 138 |
| Total direct taxes | -282 | -99 |

| **Reconciliation of the tax rate** | **2009** | 2008 |
|---|---|---|
| Profit before taxes | 669 | 996 |
| Taxes at the rate for the parent company, 26% | -174 | -259 |
| Effect of different tax rates of foreign subsidiaries | 57 | -16 |
| Non-deductible expenses and tax-exempt income | -100 | 11 |
| Unrecognised tax assets from tax losses / use of previously unrecognised tax losses | -74 | 168 |
| Use of temporary differences | 8 | -3 |
| Taxes in the income statement | -282 | -99 |

## 2.12 EARNINGS PER SHARE

Undiluted earnings per share are calculated by dividing the result for the period attributable to equity-holders of the parent company by the weighted average number of shares outstanding during the period.

| | **2009** | 2008 |
|---|---|---|
| Earnings for the period attributable to equity-holders of the parent company, EUR 1000 | 387 | 897 |
| Interest on the convertible bonds | 263 | 263 |
| Result for the period for the calculation of earnings per share adjusted for the dilution effect | 650 | 1,160 |
| Average number of shares, undiluted | 12,937,627 | 12,937,627 |
| Conversion of convertible bonds into shares | 900,000 | 900,000 |
| Average number of shares, diluted | 13,837,627 | 13,837,627 |
| Earnings per share (EPS), undiluted, EUR | 0,03 | 0,07 |

In the calculation of earnings per share adjusted for the dilution effect, the weighted average number of shares accounts for the dilution effect of the conversion of convertible bonds into shares. The convertible bonds did not have a dilutive effect in the 2009 and 2008 financial years.

## 2.13 INTANGIBLE ASSETS

| **2009** | Development expenditure | Intangible rights | Goodwill | Other intangible assets | Total |
|---|---|---|---|---|---|
| Acquisition cost, 1 Jan. 2009 | 1,205 | 1,730 | 2,638 | 1,170 | 6,743 |
| Increases | 420 | 102 | - | 811 | 1,334 |
| Transfers between items | 191 | - | - | -507 | -316 |
| Foreign exchange differences | -2 | - | - | -2 | -4 |
| Acquisition cost, 31 Dec. 2009 | 1,815 | 1,832 | 2,638 | 1,472 | 7,757 |
| | | | | | |
| Accumulated depreciation and impairment, 1 Jan. 2009 | -222 | -1,203 | - | -1,045 | -2,470 |
| Depreciation | -135 | -109 | - | -56 | -300 |
| Impairment | | | - | -3 | -3 |
| Foreign exchange differences | - | - | - | 2 | 2 |
| Accumulated depreciation and impairment, 31 Dec. 2009 | -356 | -1,312 | - | -1,101 | -2,770 |
| | | | | | |
| Carrying amount, 1 Jan. 2009 | 983 | 527 | 2,638 | 125 | 4,273 |
| Carrying amount, 31 Dec. 2009 | 1,458 | 520 | 2,638 | 371 | 4,987 |

Unless otherwise stated, figures are presented in thousands of euros.

## INTANGIBLE ASSETS

| 2008 | Development expenditure | Intangible rights | Goodwill | Other intangible assets | Total |
|---|---|---|---|---|---|
| Acquisition cost, 1 Jan. 2008 | 864 | 1,604 | 2,638 | 1,129 | 6,235 |
| Increases | 341 | 126 | - | 140 | 607 |
| Transfers between items | - | - | - | -93 | -93 |
| Foreign exchange differences | - | - | - | -6 | -6 |
| Acquisition cost, 31 Dec. 2008 | 1,205 | 1,730 | 2,638 | 1,170 | 6,743 |
| | | | | | |
| Accumulated depreciation and impairment, 1 Jan. 2008 | -101 | -1,100 | - | -903 | -2,104 |
| Depreciation | -121 | -103 | - | -148 | -372 |
| Impairment | - | - | - | - | - |
| Foreign exchange differences | - | - | - | 6 | 6 |
| Accumulated depreciation and impairment, 31 Dec. 2008 | -222 | -1,203 | - | -1,045 | -2,470 |
| | | | | | |
| Carrying amount, 1 Jan. 2008 | 763 | 504 | 2,638 | 226 | 4,131 |
| Carrying amount, 31 Dec. 2008 | 983 | 527 | 2,638 | 125 | 4,273 |

Intangible rights consist of patents. Assets acquired under finance lease agreements have been capitalised in other intangible assets. The acquisition cost at the end of the year was EUR 474 thousand (EUR 462 thousand), accumulated depreciation EUR 473 thousand (EUR 436 thousand), and the carrying amount EUR 1 thousand (EUR 26 thousand).

### Goodwill impairment test

All goodwill has been allocated to certain GastroPanel products in the Diagnostics segment. In impairment testing, recoverable amounts have been determined on the basis of value in use. Cash flow estimates cover a five-year period. The forecast for 2010 is based on the budget approved by the Board. Estimated cash flows for each of the years 2011–2014 are based on market-specific business plans approved by the Board and an understanding of future trends in key market areas. A growth rate of 10% has been used in calculations for the year 2015. No substantial increase in net sales after that has been assumed. As this is a fledgling business area, growth estimates cannot be based on historical data. In the management's opinion, the business growth expectations used in impairment testing are conservative, and the company's targets have been set considerably higher.

The sales margin used for impairment testing is a cautions estimate that reflects trends in the sales margin and net sales of the previous years. Biohit's management estimates that the growth in unit sales and the increased operational efficiency will keep the sales margin at the 2009 level or even raise it.

The fixed costs used in impairment testing are based on the management's estimates, which take into account the rise in costs caused by market-specific growth expectations. Average annual growth has been forecast at about 2%. Cost-cutting and increased operational efficiency will enable the company to keep expenses in check.

The discount rate used in impairment calculations reflects the impact of business risks on the required return on equity. The cost of debt has been defined according to the existing credit base. The higher risk of commercialising new medical products has been taken into account in definition of the discount interest rate, which has been set at 15% before taxes.

On the basis of impairment testing using the above-mentioned estimates, there is no need to recognise any impairment losses on goodwill in the financial statements for the year ending 31 December 2009.

### Impairment testing sensitivity analysis

The table below presents a breakdown of the maximum changes in each key assumption (in percentage points) that can occur in order for the value of future cash flows to equal the book value.

| | actual for **2009** | 2010–2015 projection | sensitivity, % |
|---|---|---|---|
| Net sales growth (CAGR)* | 34.0 | 28.0 | -2.9 |
| Discount interest rate | | 15.0 | -9.4 |
| Sales margin, % | 76.9 | 75.0 | -16.5 |

The long-term growth rate used in the calculation is 2%. The sensitivity of the long-term growth is -25.5%.

* 2009 net sales growth in comparable currencies was 44%.

Unless otherwise stated, figures are presented in thousands of euros.

**Whether or not the projected net sales figures are achieved depends largely on the following factors:**
The market penetration of Biohit's diagnostics products has taken longer than expected. The FDA has still not granted authorisation for the GastroPanel pepsinogen I and II tests, and this has prevented growth in sales in the United States. To continue the approval process, Biohit will have to submit a new application, accompanied by more extensive research material. The timetable for the approval process is currently difficult to estimate.

Some negotiations with distributors are still ongoing in several European and Asian countries. Delays in these negotiations and difficulties in finding reliable distributors could lead to net sales growth remaining below the forecast values used in impairment testing.

The management's estimates indicate that there is substantial growth potential for the GastroPanel product family in China and India. However, forecasts of future trends cannot be based on historical data, as net sales in these markets have been minimal to date. If approval from local opinion-leaders and physicians is not obtained for the product concept according to schedule, there will be an increased risk that the growth forecasts used in goodwill impairment testing will not be realised.

## 2.14 TANGIBLE ASSETS

| **2009** | Land | Buildings | Machinery and equipment | Total |
|---|---|---|---|---|
| Acquisition cost, 1 Jan. 2009 | 72 | 3,809 | 14,671 | 18,552 |
| Increases | - | 188 | 968 | 1,156 |
| Decreases | - | - | -34 | -34 |
| Transfers between items | - | - | 316 | 316 |
| Foreign exchange differences | - | 11 | -17 | -6 |
| Acquisition cost, 31 Dec. 2009 | 72 | 4,008 | 15,903 | 19,984 |
| | | | | |
| Accumulated depreciation and impairment, 1 Jan. 2009 | - | -1,762 | -10,338 | -12,100 |
| Depreciation | - | -192 | -1,224 | -1,416 |
| Foreign exchange differences | - | -8 | - | -8 |
| Accumulated depreciation and impairment, 31 Dec. 2009 | - | -1,962 | -11,562 | -13,524 |
| | | | | |
| Carrying amount, 1 Jan. 2009 | 72 | 2,047 | 4,333 | 6,452 |
| Carrying amount, 31 Dec. 2009 | 72 | 2,046 | 4,342 | 6,460 |

| 2008 | Land | Buildings | Machinery and equipment | Total |
|---|---|---|---|---|
| Acquisition cost, 1 Jan. 2008 | 72 | 3,801 | 13,991 | 17,864 |
| Increases | - | 8 | 621 | 629 |
| Decreases | - | - | -29 | -29 |
| Transfers between items | - | - | 93 | 93 |
| Foreign exchange differences | - | - | -5 | -5 |
| Acquisition cost, 31 Dec. 2008 | 72 | 3,809 | 14,671 | 18,552 |
| | | | | |
| Accumulated depreciation and impairment, 1 Jan. 2008 | - | -1,590 | -9,070 | -10,660 |
| Depreciation | - | -180 | -1,244 | -1,424 |
| Foreign exchange differences | - | 8 | -24 | -16 |
| Accumulated depreciation and impairment, 31 Dec. 2008 | - | -1,762 | -10,338 | -12,100 |
| | | | | |
| Carrying amount, 1 Jan. 2008 | 72 | 2,211 | 4,920 | 7,203 |
| Carrying amount, 31 Dec. 2008 | 72 | 2,047 | 4,333 | 6,452 |

Commitments to agreements related to property, plant, and equipment acquisitions amounted to EUR 662 thousand (EUR 274 thousand).

Assets acquired under finance lease agreements have been capitalised in machinery and equipment. The acquisition cost at the end of the year was EUR 742 thousand (EUR 278 thousand), accumulated depreciation EUR 324 thousand (EUR 232 thousand), and the carrying amount EUR 418 thousand (EUR 47 thousand).

Unless otherwise stated, figures are presented in thousands of euros.

## 2.15 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

| Balance sheet values of financial assets by category, 31 Dec. 2009 | Loans and receivables | Available-for-sale financial assets | Financial assets recognised at fair value through profit or loss | Total carrying amount | Fair value |
|---|---|---|---|---|---|
| **Non-current financial assets** | | | | | |
| Financial assets | 1 | 8 | - | 9 | 9* |
| Total | 1 | 8 | - | 9 | 9 |
| | | | | | |
| **Current financial assets** | | | | | |
| Trade and other receivables | 6,888 | - | - | 6,888 | 6,888 |
| Investments held for trading | - | - | 400 | 400 | 400 |
| Cash and cash equivalents | 1,580 | - | - | 1,580 | 1,580 |
| Total | 8,468 | - | 400 | 8,868 | 8,868 |
| | | | | | |
| **Total financial assets** | 8,469 | 8 | 400 | 8,877 | 8,877 |

| Balance sheet values of financial assets by category, 31 Dec. 2008 | Loans and receivables | Available-for-sale financial assets | Financial assets recognised at fair value through profit or loss | Total carrying amount | Fair value |
|---|---|---|---|---|---|
| **Non-current financial assets** | | | | | |
| Financial assets | 4 | 8 | - | 12 | 12* |
| Total | 4 | 8 | - | 12 | 12 |
| | | | | | |
| **Current financial assets** | | | | | |
| Trade and other receivables | 6,800 | - | - | 6,800 | 6,800 |
| Investments held for trading | - | - | 480 | 480 | 480 |
| Cash and cash equivalents | 1,310 | - | - | 1,310 | 1,310 |
| Total | 8,110 | - | 480 | 8,590 | 8,590 |
| | | | | | |
| **Total financial assets** | 8,114 | 8 | 480 | 8,602 | 8,602 |

* Available-for-sale investments totalling EUR 8 thousand (EUR 8 thousand) include unquoted investments, which have been presented at cost because their fair value is not reliably available.

The carrying value of other receivables is equivalent to their fair value, because the discount effect is minimal when the maturity of liabilities is taken into account.

| Financial liabilities by category | Carrying amount 2009 | Fair value 2009 | Carrying amount 2008 | Fair value 2008 |
|---|---|---|---|---|
| **Non-current financial liabilities measured at amortised cost** | | | | |
| Convertible bonds | - | - | 3,929 | 3,620 |
| Capital loans | 775 | 775 | 880 | 880 |
| Other interest-bearing liabilities | 3,079 | 3,079 | 3,183 | 3,183 |
| Other liabilities | 790 | 790 | 748 | 748 |
| Total | 4,645 | 4,645 | 8,740 | 8,431 |
| | | | | |
| **Current financial liabilities measured at amortised cost** | | | | |
| Convertible bonds | 3,991 | 3,784 | - | - |
| Capital loans | - | - | 73 | 73 |
| Other interest-bearing liabilities | 1,127 | 1,127 | 1,025 | 1,025 |
| Trade payables and other liabilities | 4,887 | 4,887 | 4,724 | 4,724 |
| Total | 10,005 | 9,798 | 5,822 | 5,822 |
| | | | | |
| **Total financial liabilities** | 14,650 | 14,443 | 14,562 | 14,253 |

Unless otherwise stated, figures are presented in thousands of euros.

The original carrying amount of trade payables and other non-interest-bearing liabilities is equivalent to their fair value, because the discount effect is minimal when one takes into account the maturity of liabilities.

The fair value of convertible bonds has been determined with a discount interest rate of 9.00% (9.00%). The fair value of capital loans cannot be reliably determined, because they are not quoted on well-functioning markets. Items among other interest-bearing liabilities are primarily floating rate liabilities linked to the market interest rate, or else have been drawn down close to the closing date. Their balance sheet values do not substantially differ from their fair values.

## 2.16 DEFERRED TAXES

| Deferred tax assets | **2009** | 2008 |
|---|---|---|
| Intangible assets | 150 | 300 |
| Internal margin on inventories | 339 | 353 |
| Pension obligations | 28 | 29 |
| Unused tax losses | 976 | 845 |
| Accumulated depreciation difference | 443 | 482 |
| Other | 1 | 1 |
| Total | 1,937 | 2,010 |

Changes in deferred taxes have been entered in the income statement. Deferred tax assets for confirmed losses have been recognised to the extent that the management believe it probable that taxable income against which the asset can be utilised will materialise in the future.

On 31 December 2009, Group companies had EUR 3,575 thousand (EUR 2,737 thousand) in confirmed tax losses for which no deferred tax assets have been recorded, as it has been estimated that it is not probable that these losses can be utilised prior to maturity. These losses expire in 2014–2029, and the equivalent deferred taxes are EUR 945 thousand (EUR 652 thousand).

## 2.17 INVENTORIES

| | **2009** | 2008 |
|---|---|---|
| Raw materials and consumables | 2,439 | 2,583 |
| Products in progress | 464 | 730 |
| Completed products and goods | 2,235 | 2,456 |
| Total inventories | 5,138 | 5,769 |

In the course of the financial year, EUR 5,589 thousand (6,208 thousand) was expensed to reduce the carrying amount of inventories. The item includes the carrying amount of EUR 303 thousand (EUR 255 thousand) of obsolete and slowly moving inventories recognised as expenses.

## 2.18 TRADE AND OTHER RECEIVABLES

| **Non-current receivables** | **2009** | 2008 |
|---|---|---|
| Non-current non-interest-bearing receivables | 1 | 3 |
| | | |
| Trade receivables | 6,014 | 5,857 |
| Pre-payments and accrued income | 549 | 600 |
| Other receivables | 324 | 343 |
| Total | 6,888 | 6,800 |

A breakdown of trade receivables by age is presented in Note 2.24.

## 2.19 CASH AND CASH EQUIVALENTS

| Cash and cash equivalents | **2009** | 2008 |
|---|---|---|
| Cash at bank and in hand | 1,580 | 1,310 |
| Total | 1,580 | 1,310 |
| | | |
| Cash and cash equivalents in the cash flow statement | 1,580 | 1,310 |

## 2.20 SHARE CAPITAL AND EQUITY FUNDS

Biohit Oyj's share capital is EUR 2,199,397 and the number of shares 12,937,627, of which 2,975,500 (2,975,500) are Series A shares and 9,962,127 (9,962,127) Series B shares. The Series B shares are quoted on the stock exchange.

Both series have a nominal share value of EUR 0.17. Series A and Series B shares differ to the extent that each Series A share confers on its subscriber the right to 20 (twenty) votes at General Meetings and each Series B share confers the right to one vote. However, in the payment of dividends, a dividend two per cent higher than the nominal value is paid for Series B shares than is paid for Series A shares.

Unless otherwise stated, figures are presented in thousands of euros.

According to the Articles of Association, the company's minimum share capital is EUR 1,063,101.29 and the maximum share capital EUR 4,252,405.16. Within these limits, the share capital can be increased or decreased without amendment to the Articles of Association. There was no change in share capital in 2009 or 2008. The share capital is fully paid-in.

**Description of shareholders' equity funds:**
**Share premium fund:** The equity component of the convertible bonds has been transferred from the share premium fund to the fund for investments of non-restricted equity.

**Translation differences:** The fund includes translations differences resulting from the conversion of foreign subsidiaries' financial statements into euros.

**Fund for investments of non-restricted equity:** This fund includes other equity investments and payments for share subscriptions insofar as it is decided not to enter said amounts in the share capital.

## 2.21 PENSION LIABILITIES

The majority of the Group's pension schemes are defined contribution plans. There is a defined benefit plan in France.

| Pension liabilities for defined benefit plans in the balance sheet | **2009** | 2008* |
|---|---|---|
| Present value of non-funded liabilities | 85 | 86 |
| Present value of funded liabilities | 121 | 96 |
| Unrecognised actuarial gains/losses | -3 | -2 |
| Fair value of assets | -119 | -94 |
| Pension liabilities at end of year | 85 | 86 |

| Changes in the present value of obligations during the period | **2009** | 2008* |
|---|---|---|
| Present value of obligations at beginning of period | 180 | 133 |
| Costs based on work carried out during the period | 19 | 53 |
| Interest expenses | 4 | -2 |
| Benefits paid | 1 | -4 |
| Pension liabilities at end of year | 204 | 180 |

| Changes in the fair value of assets during the period | **2009** | 2008* |
|---|---|---|
| Fair value of assets at beginning of period | 94 | 81 |
| Employer contributions | 24 | 17 |
| Benefits paid | 1 | -4 |
| Fair value of assets at end of period | 119 | 94 |

| Pension expenses from defined benefit schemes recognised in the income statement | **2009** | 2008* |
|---|---|---|
| Costs based on work carried out during the period | 19 | 53 |
| Total | 19 | 53 |

| Mathematical assumptions for defined benefit pension schemes | **2009** | 2008* |
|---|---|---|
| Discount interest rate, % | 3 | 3 |
| Projected increase in wages and salaries, % | 2.0 | 2.5 |
| Projected inflation, % | 4.5 | 4.0 |
| Projected average time remaining in the company's employ (years) | 19.6 | 19.6 |

| Amounts for the financial period and the pervious two periods: | **2009** | 2008 | 2007 |
|---|---|---|---|
| Current value of liability | 204 | 180 | 133 |
| Fair value of assets in the schemes | -119 | -94 | -81 |
| Surplus (+) or deficit (-) | 85 | 86 | 53 |

Payments into pension schemes are expected to total EUR 20 thousand in 2010.
* The figures for pension liabilities in 2008 have been retrospectively adjusted, but the changes are not considered material.

Unless otherwise stated, figures are presented in thousands of euros.

## 2.22 INTEREST-BEARING LIABILITIES

| Interest-bearing liabilities, balance sheet values | 2009 | 2008 |
|---|---|---|
| **Non-current interest-bearing liabilities** | | |
| Loans from financial institutions | 2,784 | 3,130 |
| Convertible bonds | - | 3,929 |
| Capital loans | 775 | 880 |
| Financial leasing liabilities | 295 | 53 |
| Total | 3,854 | 7,992 |
| | | |
| **Current interest-bearing liabilities** | | |
| Loans from financial institutions, current portion | 1,023 | 947 |
| Convertible bonds | 3,991 | - |
| Capital loans, current portion | - | 73 |
| Financial leasing liabilities, current portion | 105 | 77 |
| Total | 5,118 | 1,097 |
| | | |
| **Total interest-bearing liabilities** | 8,973 | 9,089 |

Fair values for financial liabilities are presented in Note 2.15.

Current and non-current interest-bearing liabilities are presented in euros. At the end of the period, the average weighted interest on the company's loans was 4.7% per annum (6.2% in 2008). The fair values of interest-bearing liabilities do not substantially differ from their balance sheet values.

### Convertible bonds

On 27 October 2005, Biohit Oyj floated an issue of convertible bonds targeted at professional investors in Finland. The subscription value of the convertible bonds on the date of issue was EUR 4,050,000. Annual fixed interest of 6.5% is paid on the capital of a convertible bond, which has a five-year maturity. Each EUR 4,500 note unit can be converted into 1,000 Series B shares with a nominal value of EUR 0.17. The conversion rate is EUR 4.50. A bond can be converted into a maximum of 900,000 Biohit Oyj Series B shares. The company's share capital may be increased by a maximum of EUR 153,000 and the number of Series B shares by a maximum of 900,000 new shares as a result of conversions. At maximum, 6.5% of the company's shares can be converted on the basis of the convertible bonds, and 1.0% of the votes conferred by the shares after any increase in share capital. The company is entitled to repay the capital of the bonds in full before the maturity date, provided that the mean rate weighted with the Biohit Series B share turnover on the Helsinki Stock Exchange was at least EUR 10 immediately before the date of the decision regarding the repayment on 20 out of 30 consecutive exchange days.

The convertible bonds mature five years after issue unless the bond-holders do not exercise their right to convert the bonds to shares in the parent company. Conversion can be carried out from 4 November 2005 – 30 September 2010. No bonds were converted into shares during the financial year.

The convertible bonds mature if the bond-holders do not exercise their right to convert the bonds to shares in the parent company. Conversion can be carried out until the due date, 28 October 2010. In the balance sheet, the convertible bonds are divided into equity and liabilities. The liability component has been initially recognised at fair value, which was defined by using the market interest on an equivalent liability at the moment when the bond was issued. The equity component has been calculated as the difference between the cash received from the bond issue and the fair value of the liability. The equity component of the convertible bond, EUR 174 thousand, is presented in the fund for investments of non-restricted equity.

### Covenants related to non-current loans

Loans from financial institutions include EUR 1,167 thousand (EUR 1,113 thousand) in long-term loans with the special condition that the loan will mature immediately when the creditor so demands. The bases for this demand are detailed in Note 2.24.

Unless otherwise stated, figures are presented in thousands of euros.

### Capital loans

Biohit's principal shareholders have granted the company a capital loan of EUR 0.8 million for product and other business-related development. The accumulated interest on the capital loan as of 31 December 2009 totals EUR 0.6 million. The loan meets the terms laid down in Chapter 12 of the Finnish Companies Act. The main terms are as follows:

- In the event of the dissolution and bankruptcy of the company, the payment of the capital, interest, and other compensation is subordinated to payment to all other creditors.
- In other cases, the capital may be repaid only if a full margin remains on restricted equity and other non-distributable items in the balance sheet adopted for the company for the financial period last ended.
- Interest and other compensation can be paid only if the amount to be paid can be used for the distribution of profit in accordance with the balance sheet adopted for the company for the most recent complete financial period.
- Loan interest rates vary between five per cent and six per cent per annum.

Capital loans and their outstanding interest are presented under non-current liabilities.

### Financial leasing liabilities

| **Total minimum rents** | **2009** | 2008 |
|---|---|---|
| Due for payment in the next year | 105 | 78 |
| Due for payment in the next 2–5 years | 295 | - |
| Total | 400 | 78 |
| Future financial expenses | 33 | - |
| Present value of financial leasing liabilities | 433 | 78 |

| **Present value of minimum rents** | **2009** | 2008 |
|---|---|---|
| Due for payment in the next year | 121 | 78 |
| Due for payment in the next 2–5 years | 312 | - |
| Present value of financial leasing liabilities | 433 | 78 |

## 2.23 TRADE PAYABLES AND OTHER LIABILITIES

| **Non-interest-bearing liabilities, balance sheet values** | **2009** | 2008 |
|---|---|---|
| Non-current non-interest-bearing liabilities | | |
| Pension liabilities | 118 | 53 |
| Interest on capital loans | 618 | 596 |
| Other non-current liabilities | 54 | 153 |
| Total | 790 | 801 |
| | | |
| **Current non-interest-bearing liabilities** | | |
| Trade payables | 1,409 | 1,321 |
| Other liabilities | 909 | 493 |
| Advances received | 155 | 250 |
| Tax liabilities | -40 | 172 |
| Accrued liabilities and pre-paid income | 2,454 | 2,488 |
| Total | 4,887 | 4,724 |
| | | |
| **Total non-interest-bearing liabilities** | 5,677 | 5,525 |

Accrued liabilities and pre-paid income include amortised employee benefits and leasing expenses.

## 2.24 MANAGEMENT OF FINANCIAL RISKS

Biohit's risk management has focused on analysing and minimising the following major risks:

### Exchange rate risk

International operations involve exchange rate risks. Weaker trends in the external value of the euro against the US dollar and the Japanese yen improved the Group's profitability during the reporting period. At the same time, the stronger external value of the euro against the British pound and the Russian rouble weakened profitability during the period. The overall effect of exchange rate fluctuations on the Group's profitability was not material. While the strengthening of the euro against other currencies will continue to weaken the Group's profitability in the future, the weakening of the euro will have the opposite effect. The company seeks to protect

Unless otherwise stated, figures are presented in thousands of euros.

itself from exchange rate risks by making procurements in currencies other than the euro. The exchange rate risk is also reduced by the realisation of fixed costs in currencies with a strong net position. During the reporting period, the company used no exchange rate hedges.

On the closing date, 34% (32%) of the Group's external trade receivables and 12% (11%) of its trade payables were in foreign currencies.

### Sensitivity analysis of changes in foreign currency exchange rates in accordance with IFRS7

| **2009 1,000 €** | USD | JPY | CNY | GBP |
|---|---|---|---|---|
| Non-current liabilities | 7 | 33 | - | 44 |
| Open position | 7 | 33 | - | 44 |
| | | | | |
| Current assets | | | | |
| Other financial assets | 356 | 292 | 217 | 204 |
| Trade and other receivables | 2,362 | 2,540 | 137 | 801 |
| Current liabilities | | | | |
| Interest-bearing liabilities | - | - | | 6 |
| Non-interest-bearing liabilities | 1,427 | 2,024 | 75 | 568 |
| Open position | 1,291 | 808 | 279 | 431 |
| | | | | |
| Net position | 1,284 | 775 | 279 | 387 |

| 2008 1,000 € | USD | JPY | CNY | GBP |
|---|---|---|---|---|
| Non-current liabilities | 10 | - | - | 112 |
| Open position | 10 | - | - | 112 |
| | | | | |
| Current assets | | | | |
| Other financial assets | 121 | 189 | 237 | -26 |
| Trade and other receivables | 2,745 | 3,068 | 95 | 695 |
| Current liabilities | | | | |
| Interest-bearing liabilities | - | - | - | 1 |
| Non-interest-bearing liabilities | 1,927 | 2,459 | - | 279 |
| Open position | 939 | 798 | 332 | 389 |
| | | | | |
| Net position | 929 | 798 | 332 | 277 |

The net position includes cash and cash equivalents in foreign currencies, as well as receivables and payables to both Group and non-Group companies, converted into euros at the exchange rate for the closing date.

The below table shows the strengthening or weakening of the euro against the US dollar, the Japanese yen, the Chinese yuan, and the British pound with the other factors remaining constant. The change in percentage points shows the average volatility over the past 12 months. The sensitivity analysis is based on the foreign-currency-denominated assets and liabilities on the closing date. The company did not use any foreign exchange derivatives during the reporting period.

| **2009 1,000 €** | USD | JPY | CNY | GBP |
|---|---|---|---|---|
| Change in percentage points | +/- 5% | +/- 5% | +/- 5% | +/- 10% |
| Effect on profit after taxes | +/- 64 | +/-39 | +/- 14 | +/- 39 |
| Shareholders' equity | +/- 24 | +/- 20 | +/- 9 | +/- 31 |

| 2008 1,000 € | USD | JPY | CNY | GBP |
|---|---|---|---|---|
| Change in percentage points | +/- 5% | +/- 20% | +/- 10% | +/- 30% |
| Effect on profit after taxes | +/- 46 | +/-160 | +/- 33 | +/- 83 |
| Shareholders' equity | +/- 8 | +/-235 | +/- 6 | +/- 96 |

### Interest rate risk

Changes in interest rates have only a slight effect on Biohit's earnings, for which reason the Group has not implemented separate hedging measures during the financial period. The overall potential interest rate risk of deposits and short-term money market investments is not significant. The Group's income and cash flows from operating activities are largely independent of changes in market interest rates. Interest rate risks associated with the Group's granting of credit are managed with fixed-rate lending. On the closing date, 71% (65%) of the Group's credit was tied to a fixed interest rate.

Unless otherwise stated, figures are presented in thousands of euros.

### Sensitivity analysis of changes in interest levels in accordance with IFRS7

The Group has net floating rate liabilities totalling EUR 2,537 thousand (EUR 3,265 thousand). A change of one percentage point in the interest level at the end of the year would mean an effect of +/- EUR 25 thousand on the result before taxes.

The contractual repricing periods for floating-rate liabilities are as follows:

| In **2009** | under 6 months | 6–12 months | 12–36 months | Later | Total |
|---|---|---|---|---|---|
| Loans from financial institutions | 471 | 1,938 | 129 | - | 2,537 |

| In 2008 | under 6 months | 6–12 months | 12–36 months | Later | Total |
|---|---|---|---|---|---|
| Loans from financial institutions | 14 | 3,002 | 129 | 120 | 3,265 |

### Liquidity risk

Growing cost pressures in the Liquid Handling business and the outlays required in the diagnostics business give rise to financial risks whose management requires the optimisation of the operational cost structure and the correct allocation of resources.

Our liquidity risk management aims to safeguard the Group's financing in all situations. The Group's liquid assets on the closing date totalled EUR 1.6 million. The Group's profitability improved in the previous financial year, and this has strengthened the Group's financial position. If trends in the Group's profitability are weaker than expected, this will have a negative impact on liquidity.

The loan refinancing risk (the risk that too large a proportion of the Group's loans will fall due at a time when loan refinancing is financially impossible) is minimised by balancing out the loan maturities. However, convertible bond of EUR 4.1 million will mature in full in 2010 if the bond-holders do not exercise their right to convert them into shares in the parent company. During the reporting period, the company initiated negotiations for convertible bond restructuring.

Biohit's non-current liabilities include EUR 1.2 million in financing with the special condition that the loan will mature immediately if the equity ratio in the consolidated financial statements adopted by Biohit Oyj Group falls below 40% or the debtor or subsidiary has, without prior written consent of the creditor, placed the collateral position of the creditor on a weaker footing than other creditors, or will do so. The equity ratio was 46.8% in 2009 (46.5% in 2008).

### Financial liability maturity analysis 2009

| | <1 year | 1–5 years | >5 years | Total |
|---|---|---|---|---|
| Trade payables and other non-interest-bearing liabilities | 4,887 | 54 | 118 | 5,059 |
| Repayments on loans from financial institutions | 1,023 | 2,687 | 97 | 3,807 |
| Financing costs for loans from financial institutions | 166 | 258 | 18 | 442 |
| Repayments on the convertible bonds | 4,050 | - | - | 4,050 |
| Financing costs for the convertible bonds | 263 | - | - | 263 |
| Repayments on capital loans | - | - | 775 | 775 |
| Financing costs for capital loans | - | - | 618 | 618 |
| Repayments on financial leasing liabilities | 105 | 295 | - | 400 |
| Financing costs for financial leasing liabilities | 16 | 17 | - | 33 |
| Total | 10,510 | 3,311 | 1,626 | 15,448 |

### Financial liability maturity analysis 2008

| | <1 year | 1–5 years | >5 years | Total |
|---|---|---|---|---|
| Trade payables and other non-interest-bearing liabilities | 4,494 | 383 | 53 | 4,930 |
| Repayments on loans from financial institutions | 904 | 2,814 | 306 | 4,024 |
| Financing costs for loans from financial institutions | 161 | 280 | 15 | 456 |
| Repayments on the convertible bond | - | 4,050 | - | 4,050 |
| Financing costs for the convertible bond | 263 | 217 | - | 480 |
| Repayments on capital loans | 73 | - | 880 | 953 |
| Financing costs for capital loans | 48 | - | 596 | 644 |
| Repayments on financial leasing liabilities | 77 | - | - | 77 |
| Financing costs for financial leasing liabilities | 1 | - | - | 1 |
| Total | 6,021 | 7,744 | 1,850 | 15,615 |

### Commodity risk

The company has not hedged against commodity risks with derivatives, as they are not appropriate in view of the nature of the company's business. Biohit engages in long-term delivery contracts to minimise any risks associated with commodity availability.

### Credit and counterparty risk

Business units are responsible for any credit loss risks associated with their trade receivables, and have conducted separate evaluations of the credit risk associated with each customer. Biohit's customer base consists mainly of financially sound companies, and

Unless otherwise stated, figures are presented in thousands of euros.

consequently Biohit does not consider credit loss risks significant. The Group has not taken out any credit insurance. Biohit mainly enters into long-term, active relationships with its customers, so that any changes in customers' credit ratings will quickly come to the company's attention.

At 31 December 2009, trade receivables totalled EUR 6.0 million (EUR 5.9 million). Trade receivables include EUR 0.3 million (EUR 0.3 million) in receivables from a single, financially stable customer. The maximum credit risk amount is equal to the carrying amount of trade receivables.

| **Breakdown of trade receivables by age** | **2009** | 2008 |
|---|---|---|
| Not yet falling due | 4,248 | 4,088 |
| Under 60 days | 1,214 | 1,356 |
| 61–120 days | 358 | 332 |
| 121–360 days | 177 | 57 |
| Over 360 days | 18 | 24 |
| Total | 6,014 | 5,857 |

In 2009, EUR 25 thousand (EUR 39 thousand) was recognised in credit losses from trade receivables.

### Equity structure management

Biohit's equity structure management aims to safeguard the Group's ability to operate in all situations. The equity ratio is used to monitor equity structure, and it should remain above 40%.

The equity structure indicator – the equity ratio – is calculated by dividing the Group's shareholders' equity by the balance sheet total minus advances received and then multiplying the result by 100.

| **Equity ratio** | **2009** | 2008 |
|---|---|---|
| Total shareholders' equity | 12,749 | 12,492 |
| Balance sheet total | 27,399 | 27,107 |
| Advances received | -155 | -251 |
| Equity ratio | 46.8% | 46.5% |

## 2.25 OPERATING CASH FLOW ADJUSTMENTS

| **Other adjustments for transactions with no associated cash flow** | **2009** | 2008 |
|---|---|---|
| Financial income and expenses | 321 | 318 |
| Total | 321 | 318 |

## 2.26 RELATED PARTY TRANSACTIONS

Parties are considered to be related parties if one party is able to exercise control over the other or has substantial influence in decision-making related to the other's finances and business operations. The Group's related parties include the parent company and subsidiaries. Others include members of the Board of Directors, the Group Management Team, and the president & CEO.

| **Salaries and other current employee benefits** | **2009** | 2008 |
|---|---|---|
| **Parent company** | | |
| Management Teams | 854 | 678 |
| President & CEO | 188 | 203 |
| | | |
| **Subsidiaries** | | |
| Managing directors | 839 | 730 |

| **Fees of Board members** | **2009** | 2008 |
|---|---|---|
| **Parent company** | | |
| Osmo Suovaniemi | 14 | 14 |
| Reijo Luostarinen | 19 | 19 |
| Mårten Wikström | 5 | 14 |
| Tero Kauppinen | 5 | 14 |
| Mikko Salaspuro | 14 | 14 |
| Kalle Kettunen | 11 | - |
| Jukka Ant-Wuorinen | 10 | - |
| Eero Lehti | 10 | - |
| Parent company, total | 87 | 76 |
| | | |
| **Subsidiaries** | | |
| Members of the Boards | 246 | 108 |

Unless otherwise stated, figures are presented in thousands of euros.

| Other operating expenses | 2009 | 2008 |
|---|---|---|
| Consulting fees | | |
| Companies controlled by Board members | 39 | 18 |
| Total consulting fees | 39 | 18 |

| Capital loans from related parties | 2009 | 2008 |
|---|---|---|
| Loan amounts | 775 | 880 |
| Interest for the period | 46 | 48 |
| Total interest payment liabilities | 618 | 596 |
| Average loan interest per annum | 5.4 % | 5.4 % |

The main terms for the capital loans are presented in Note 2.22.

**Group's parent company and subsidiaries**

| Parent company Biohit Oyj, Finland | Group's holding |
|---|---|
| Biohit Ltd, UK | 100 % |
| Biohit Healthcare Ltd, UK | 100 % |
| Biohit SAS, France | 100 % |
| Biohit Deutschland GmbH, Germany | 100 % |
| Biohit Japan Co., Ltd, Japan | 100 % |
| Biohit, Inc., USA | 100 % |
| Biohit OOO, Russia | 100 % |
| Biohit Biotech (Suzhou) Co., Ltd, China | 100 % |
| Biohit Biotech Systems (India) Pvt. Ltd, India | 100 % |
| Oy Finio Ab, Finland | 100 % |
| Vantaan Hienomekano Oy, Finland | 100 % |

Oy Finio Ab and Vantaan Hienomekano Oy did not conduct any business operations in 2009 or 2008.

## 2.27 CONTINGENT LIABILITIES

| Liabilities for which corporate mortgages and shares have been pledged as collateral | 2009 | 2008 |
|---|---|---|
| Loans from financial institutions | 3,376 | 3,496 |
| Corporate mortgages | 2,276 | 2,276 |
| Mortgages on real estate | 1,981 | 1,900 |
| Other liabilities | 142 | 237 |
| Mortgages on real estate | 763 | 757 |
| Lease agreements | 1,715 | 2,144 |
| Corporate mortgages | 235 | 235 |

| Operational lease agreements and lease agreements | 2009 | 2008 |
|---|---|---|
| Due for payment in the next year | 1,668 | 1,377 |
| Due for payment in the next 2–5 years | 3,077 | 2,657 |
| Due for payment in more than 5 years | 218 | - |
| Total | 4,963 | 4,034 |

The Group has rented office and warehouse buildings for its use under different types of lease agreements. In addition, other lease agreements for tangible assets that are not finance lease agreements are classified as other lease agreements. Their rents are expensed over the lease period.

Unless otherwise stated, figures are presented in thousands of euros.

# 3. KEY RATIOS

## 3.1 KEY FINANCIAL RATIOS

| | IFRS 2005 | IFRS 2006 | IFRS 2007 | IFRS 2008 | IFRS **2009** |
|---|---|---|---|---|---|
| Net sales | 28,660 | 31,408 | 33,011 | 35,095 | 35,366 |
| Change in net sales, % | 7.3% | 9.6% | 5.1% | 6.3% | 0.8% |
| Operating profit/loss | -33 | -143 | -197 | 1,314 | 1,190 |
| % of net sales | -0.1% | -0.5% | -0.6% | 3.7% | 3.4% |
| Profit/loss before extraordinary items and taxes | -256 | -607 | -1,116 | 996 | 669 |
| % of net sales | -0.9% | -1.9% | -3.4% | 2.8% | 1.9% |
| Profit/loss before taxes | -256 | -607 | -1,116 | 996 | 669 |
| % of net sales | -0.9% | -1.9% | -3.4% | 2.8% | 1.9% |
| Return on equity, % | -1.6% | -6.1% | -11.9% | 7.4% | 3.1% |
| Return on investment (ROI), % | 0.5% | 0.0% | -0.6% | 8.2% | 5.8% |
| Equity ratio, % | 51.5% | 49.4% | 43.6% | 46.5% | 46.8% |
| Investments in fixed assets | 1,988 | 1,928 | 2,081 | 1,213 | 2,439 |
| % of net sales | 6.9% | 6.1% | 6.3% | 3.5% | 6.9% |
| R&D expenditure | 1,630 | 1,689 | 2,005 | 2,044 | 2,409 |
| % of net sales | 5.7% | 5.4% | 6.1% | 5.8% | 6.8% |
| Total assets | 27,851 | 27,320 | 27,337 | 27,107 | 27,399 |
| Personnel, average | 295 | 310 | 352 | 369 | 370 |

## 3.2 KEY RATIOS PER SHARE

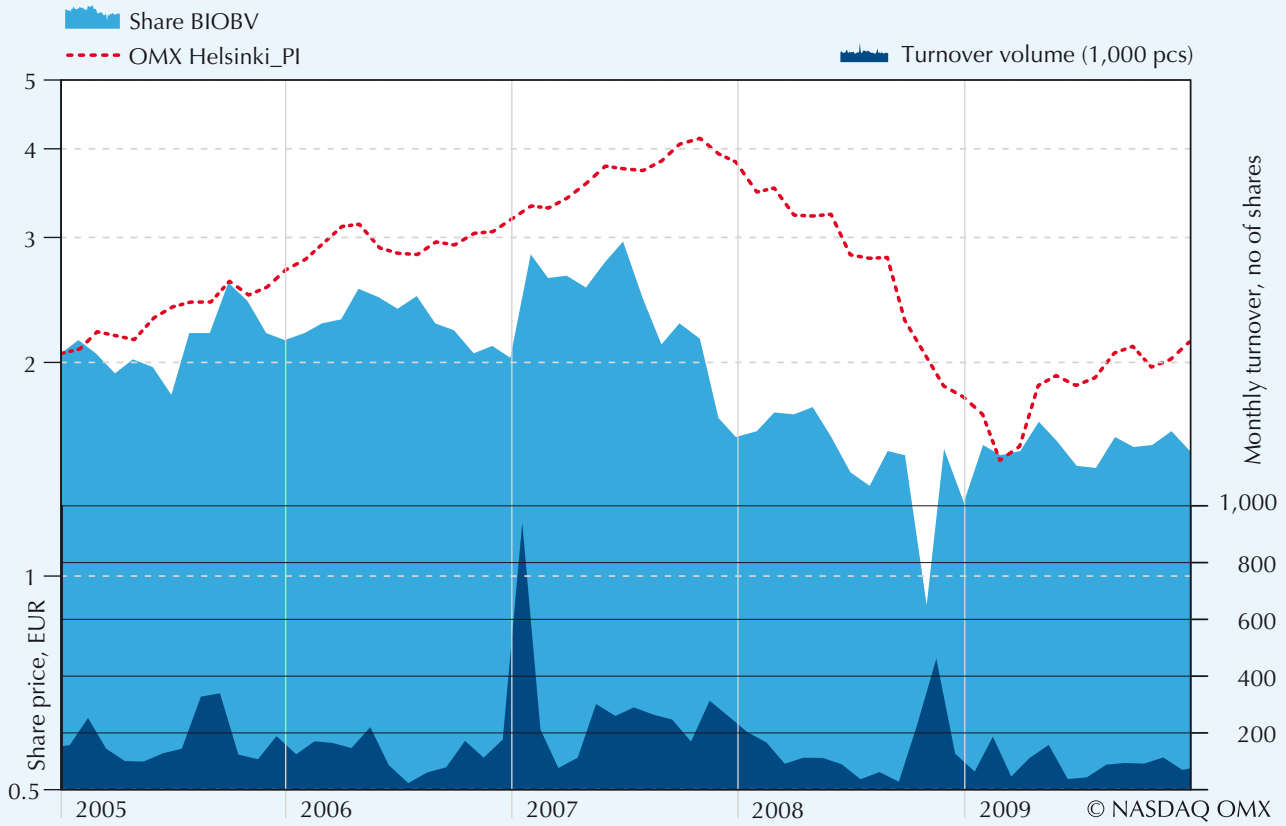
| | IFRS 2005 | IFRS 2006 | IFRS 2007 | IFRS 2008 | IFRS **2009** |
|---|---|---|---|---|---|
| Earnings per share, undiluted, EUR | -0.02* | -0.06* | -0.12* | 0.07* | 0.03* |
| Equity per share attributable to the equity holders of the parent company, EUR | 1.10 | 1.04 | 0.92 | 0.97 | 0.99 |
| Price/earnings ratio, (P/E) | -123 | -31 | -14 | 18 | 50 |
| Dividend per share | - | - | - | - | - |
| Dividend/earnings, % | - | - | - | - | - |
| Effective dividend yield, % | - | - | - | - | - |
| Series B share price trend, EUR | | | | | |
| - average | 2.20 | 2.26 | 2.42 | 1.41 | 1.55 |
| - low | 1.75 | 1.99 | 1.51 | 0.91 | 1.27 |
| - high | 2.87 | 2.61 | 3.29 | 1.92 | 1.90 |
| - price at 31 Dec | 2.15 | 2.03 | 1.57 | 1.27 | 1.50 |
| Market capitalisation, EUR 1,000 (assuming the market price of the Series A share is the same as that of the Series B share) | 27,816 | 26,263 | 20,312 | 16,431 | 19,406 |
| Turnover of Series B shares, 1,000 shares | 2,114 | 1,530 | 3,436 | 1,742 | 1,996 |
| - % of total number of shares | 23.3% | 16.9% | 37.9% | 17.5% | 20.0% |
| Average number of shares, adjusted for share issues | 12,937,627 | 12,937,627 | 12,937,627 | 12,937,627 | 12,937,627 |
| - accounting for the dilutive effect of options and bonds | 13,095,435 | 13,837,627 | 13,837,627 | 13,837,627 | 13,837,627 |
| Total number of shares at the closing date, adjusted for share issues | 12,937,627 | 12,937,627 | 12,937,627 | 12,937,627 | 12,937,627 |
| - accounting for the dilutive effect of options and bonds | 13,837,627 | 13,837,627 | 13,837,627 | 13,837,627 | 13,837,627 |

* options and bonds have no dilutive effect

Unless otherwise stated, figures are presented in thousands of euros.

# 4. SHARES AND SHAREHOLDERS

## 4.1 SHARE TURNOVER AND AVERAGE PRICE




## 4.2 SHARES AND SHAREHOLDERS

### Holdings by shareholder group, 31 Dec 2009

| | No of shareholders | | No of shares | |
|---|---|---|---|---|
| Series A shares | no. | % | no. | % |
| 1. Companies | 1 | 0.9 | 24,990 | 0.8 |
| 2. Households | 8 | 99.1 | 2,943,000 | 98.9 |
| Shares on the waiting list | - | - | 7,510 | 0.3 |
| Total Series A shares | 9 | 100.0 | 2,975,500 | 100.0 |

| | No of shareholders | | No of shares | |
|---|---|---|---|---|
| Series B shares | no. | % | no. | % |
| 1. Companies | 157 | 4.5 | 3,027,184 | 30.4 |
| 2. Financial and insurance institutions | 2 | 0.1 | 2,710 | 0.0 |
| 3. Public sector organisations | 1 | 0.0 | 391,800 | 3.9 |
| 4. Non-profit organisations | 5 | 0.1 | 7,121 | 0.1 |
| 5. Households | 3,333 | 94.7 | 6,480,595 | 65.1 |
| 6. Foreign ownership | 20 | 0.6 | 47,125 | 0.5 |
| Shares on the joint book-entry account | - | - | 5,592 | 0.1 |
| Total Series B shares | 3,518 | 100.0 | 9,962,127 | 100.0 |
| Total Series A and B shares | 3,527 | | 12,937,627 | |

| Series A shares | No of shareholders no. | % | No of shares no. | % |
|---|---|---|---|---|
| 1–1,000 | 0 | 0.0 | 0 | 0.0 |
| 1,001–10,000 | 2 | 22.2 | 17,500 | 0.6 |
| 10,001–100,000 | 3 | 33.3 | 156,990 | 5.3 |
| Over 100,001 | 4 | 44.4 | 2,793,500 | 93.9 |
| Shares on the waiting list | - | - | 7,510 | 0.3 |
| Total Series A shares | 9 | 100.0 | 2,975,500 | 100.0 |

| Series B shares | No of shareholders no. | % | No of shares no. | % |
|---|---|---|---|---|
| 1–1,000 | 2,889 | 82.1 | 1,049,963 | 10.5 |
| 1,001–10,000 | 543 | 15.4 | 1,540,829 | 15.5 |
| 10,001–100,000 | 75 | 2.1 | 1,744,640 | 17.5 |
| Over 100,001 | 11 | 0.3 | 5,621,103 | 56.4 |
| Shares on the joint book-entry account | - | - | 5,592 | 0.1 |
| Total Series B shares | 3,518 | 100.0 | 9,962,127 | 100.0 |
| Total Series A and B shares | 3,527 | | 12,937,627 | |

### Largest registered shareholders, 31 Dec 2009

| **The 10 largest shareholders by number of shares** | Series A shares | Series B shares | Total shares | % |
|---|---|---|---|---|
| Suovaniemi, Osmo | 2,265,340 | 965,207 | 3,230,547 | 25.0 |
| Biocosmos Oy | - | 1,143,735 | 1,143,735 | 8.8 |
| Interlab Oy | - | 1,022,762 | 1,022,762 | 7.9 |
| Suovaniemi, Ville | 208,280 | 371,300 | 579,580 | 4.5 |
| Suovaniemi, Joel | 208,280 | 333,000 | 541,280 | 4.2 |
| Suovaniemi, Oili | 111,600 | 288,935 | 400,535 | 3.1 |
| Etra-Invest Oy Ab | - | 400,000 | 400,000 | 3.1 |
| Etera Mutual Pension Insurance Company | - | 391,800 | 391,800 | 3.0 |
| Härkönen, Matti | 57,200 | 309,515 | 366,715 | 2.8 |
| Suovaniemi,Vesa | 74,800 | 206,049 | 280,849 | 2.2 |

| **The 10 largest shareholders by number of votes** | A shares | Series B shares | Series Total shares | % |
|---|---|---|---|---|
| Suovaniemi, Osmo | 45,306,800 | 965,207 | 46,272,007 | 66.6 |
| Suovaniemi, Ville | 4,165,600 | 371,300 | 4,536,900 | 6.5 |
| Suovaniemi, Joel | 4,165,600 | 333,000 | 4,498,600 | 6.5 |
| Suovaniemi, Oili | 2,232,000 | 288,935 | 2,520,935 | 3.6 |
| Suovaniemi, Vesa | 1,496,000 | 206,049 | 1,702,049 | 2.5 |
| Härkönen, Matti | 1,144,000 | 309,515 | 1,453,515 | 2.1 |
| Biocosmos Oy | - | 1,143,735 | 1,143,735 | 1.7 |
| Interlab Oy | - | 1,022,762 | 1,022,762 | 1.5 |
| Tech Know Oy Ltd | 499,800 | 95,514 | 595,314 | 0.9 |
| Oy Etra Invest Ab | - | 400,000 | 400,000 | 0.6 |

### Management's shareholding, 31 Dec 2009

On 31 December 2009, members of the Board of Directors and the President and CEO owned a total of 2,386,940 Series A shares and 3,599,198 Series B shares. These represent 46.3% of the total number of shares outstanding and 73.9% of the voting rights conferred.

# 5 FORMULAS FOR THE KEY RATIOS

| | |
|---|---|
| Return on equity, % | $\frac{\text{result for the period}}{\text{shareholders' equity (average over the year)}} \times 100$ |
| Return on investment, % | $\frac{\text{profit before extraordinary items + interest and other financial expenses}}{\text{balance sheet total – non-interest-bearing liabilities (average over the year)}} \times 100$ |
| Equity ratio, % | $\frac{\text{shareholders' equity in the balance sheet}}{\text{balance sheet total – advance payments received}} \times 100$ |
| Earnings per share, EUR | $\frac{\text{profit for the period}}{\text{average number of shares, adjusted for share issues}}$ |
| Equity per share, EUR | $\frac{\text{shareholders' equity in the balance sheet}}{\text{number of shares on the closing date}}$ |
| Dividends per share, EUR | $\frac{\text{dividends for the period}}{\text{number of shares on the closing date}}$ |
| Dividends per earnings, % | $\frac{\text{dividends per share}}{\text{earnings per share}} \times 100$ |
| Effective dividend yield, % | $\frac{\text{dividends per share}}{\text{closing share price}} \times 100$ |
| Price per earnings ratio, (P/E) | $\frac{\text{closing share price}}{\text{earnings per share}}$ |

# PARENT COMPANY INCOME STATEMENT

| 1,000 € | Note number | 01.01. - 31.12.2009 | 01.01. - 31.12.2008 |
|---|---|---|---|
| **Net sales** | 6.1 | 21,828 | 22,918 |
| Change in inventories of finished goods and work in progress | | -132 | -99 |
| Other operating income | 6.2 | 170 | 139 |
| Materials and services | 6.3 | -5,617 | -5,952 |
| Personnel expenses | 6.4 | -7,719 | -7,417 |
| Depreciation and impairment | 6.5 | -1,751 | -1,809 |
| Other operating expenses | 6.6 | -7,554 | -6,482 |
| **Operating profit/loss** | | -774 | 1,300 |
| Financial income and expenses | 6.7 | -243 | -671 |
| **Profit/loss before appropriations and taxes** | | -1,018 | 629 |
| Appropriations | 6.8 | - | 316 |
| **Profit/loss for the period** | | -1,018 | 945 |

Unless otherwise stated, figures are presented in thousands of euros.

# PARENT COMPANY BALANCE SHEET

| 1,000 € | Note number | 31.12.2009 | 31.12.2008 |
|---|---|---|---|
| **Assets** | | | |
| **Non-current assets** | | | |
| Intangible assets | 6.9 | 2,644 | 2,304 |
| Tangible assets | 6.10 | 5,143 | 5,407 |
| Investments | | | |
| Participations in Group companies | 6.11 | 3,849 | 3,805 |
| Other investments | 6.11 | 7 | 7 |
| **Total non-current assets** | | 11,643 | 11,522 |
| **Current assets** | | | |
| Inventories | 6.12 | 3,381 | 3,620 |
| Non-current receivables | 6.13 | - | 20 |
| Current receivables | 6.13 | 7,671 | 8,670 |
| Marketable securities | 6.14 | 400 | 480 |
| Cash at bank and in hand | 6.15 | 467 | 516 |
| **Total current assets** | | 11,919 | 13,306 |
| **Total assets** | | 23,562 | 24,828 |
| **Liabilities** | | | |
| **Shareholders' equity** | | | |
| Share capital | 6.16 | 2,199 | 2,199 |
| Fund for investments of non-restricted equity | 6.16 | 12,230 | 12,230 |
| Accumulated profit/loss from previous years | 6.16 | -2,724 | -3,669 |
| Profit/loss for the period | 6.16 | -1,018 | 945 |
| **Total shareholders' equity** | | 10,687 | 11,705 |
| **Liabilities** | | | |
| Non-current liabilities | 6.18 | 3,353 | 7,755 |
| Capital loans | 6.19 | 775 | 880 |
| Current liabilities | 6.20 | 8,747 | 4,415 |
| Capital loans | 6.19 | - | 73 |
| Total liabilities | | 12,875 | 13,123 |
| **Total liabilities** | | 23,562 | 24,828 |

Unless otherwise stated, figures are presented in thousands of euros.

# PARENT COMPANY CASH FLOW STATEMENT

| 1,000 € | 2009 | 2008 |
|---|---|---|
| **Cash flow from operating activities:** | | |
| Profit/loss before extraordinary items | -1,018 | 945 |
| Adjustments for: | | |
| Depreciation according to plan | 1,751 | 1,809 |
| Unrealised exchange rate gains and losses | 199 | - |
| Financial income and expenses | 93 | 671 |
| Other adjustments | 867 | 15 |
| | | |
| Change in working capital: | | |
| Increase (-) or decrease (+) in current non-interest-bearing trade receivables | 75 | -1,819 |
| Increase (-) or decrease (+) in inventories | 239 | 104 |
| Increase (+) or decrease (-) in current non-interest-bearing liabilities | 112 | 156 |
| Realised exchange gains and losses | -70 | - |
| Interest and other financial items paid | -472 | -816 |
| Dividends received | 218 | - |
| Interest received from operating activities | 45 | 8 |
| **Cash flow from operating activities** | **2,040** | **1,072** |
| | | |
| **Cash flow from investing activities:** | | |
| Investments in tangible and intangible assets | -1,826 | -1,095 |
| Capital gains from other investments | 117 | 443 |
| Proceeds from sales of tangible and intangible assets | 1 | - |
| Repayments of loan receivables | - | 91 |
| **Cash flow from investing activities** | **-1,709** | **-561** |
| | | |
| **Cash flow from financing activities:** | | |
| Increase in long-term borrowings | - | 500 |
| Repayments of long-term borrowings | -381 | -655 |
| **Cash flow from financing activities** | **-381** | **-155** |
| | | |
| Increase (+) or decrease (-) in cash and cash equivalents | -49 | 356 |
| | | |
| Cash and cash equivalents at the beginning of the financial period | 516 | 159 |
| Cash and cash equivalents at the end of the financial period | 467 | 516 |

Unless otherwise stated, figures are presented in thousands of euros.

# 6. NOTES TO THE PARENT COMPANY'S FINANCIAL STATEMENTS

## 6.0 ACCOUNTING POLICY

When preparing financial statements in accordance with generally accepted accounting principles, the company's management must make estimates and assumptions. Actual results may differ from these estimates.

These financial statements have been prepared in accordance with the Finnish Accounting Act.

The financial statements are presented in thousands of euros and are based on initial transaction values, except for the marketable securities included in current assets, which have been measured at fair value.

### Measurement of property, plant, and equipment

Property, plant, and equipment have been entered in the balance sheet at the original acquisition cost less grants received, depreciation according to plan, and impairment. Depreciation according to plan has been calculated on a straight-line basis over the useful economic lives of the items of property, plant, or equipment.

| Depreciation periods according to plan are: | |
|---|---|
| Intangible rights | 3–10 years |
| Goodwill | 10 years |
| Development expenditure | 5 years |
| Other capitalised expenditure | 5–10 years |
| Buildings | 20 years |
| Machinery and equipment | 3–10 years |

### Measurement of inventories

Inventories are presented according to the FIFO principle at acquisition cost, or at the lower of the replacement cost and the probable sale price. In addition to the direct costs, the acquisition cost of inventories includes an appropriate proportion of production overheads.

### Valuation of marketable securities

Marketable securities included in current assets are measured at fair value. The fair value of all investmentsis measured on the basis of released price quotations on well-functioning markets – that is, buy quotations on the closing date. Both gains and losses due to changes in fair value are recorded in the income statement in the period in which they materialised.

### Research and development expenditure

Research expenditure is expensed in the year it is incurred. Development expenditure for new products has been capitalised as intangible assets in the balance sheet since 1 January 2004 and amortised over the economic lives of the products to a five-year maximum.

### Revenue recognition

Net sales are calculated as gross sales less indirect sales taxes and discounts. Revenues from products and services are recognised upon delivery.

### Maintenance and repairs

Maintenance and repair costs are recorded as expenses in the financial year they are incurred. The costs for renovating rented premises have been capitalised under 'other capitalised expenditure', with depreciation calculated on a straight-line basis over the remainder of the term of lease.

### Pensions

Pension schemes and any additional pension benefits required by Finnish law are arranged through pension insurance companies. Pension costs are recorded over the term of service of employees on an accrual basis.

### Deferred taxes

Deferred taxes have not been recognised in the balance sheet. In accordance with the general guidelines of the Finnish Accounting Standards Board, issued on 12 September 2006, the notes to the financial statements present the amount of deferred taxes that could be recognised in the balance sheet and assets that are unlikely to materialise and as such should not be recognised in the balance sheet.

### Foreign currency translation

Figures for receivables and liabilities in foreign currencies are converted into euros at the exchange rate quoted by the European Central Bank on the closing date. Exchange rate gains and losses are recognised through profit or loss.

Unless otherwise stated, figures are presented in thousands of euros.

## 6.1 NET SALES BY BUSINESS AREA

| | 2009 | 2008 |
|---|---|---|
| Liquid handling | 20,615 | 21,974 |
| Diagnostics | 1,213 | 944 |
| Total | 21,828 | 22,918 |

| **Net sales by geographical area** | 2009 | 2008 |
|---|---|---|
| Finland | 1,484 | 1,489 |
| The rest of Europe | 10,439 | 10,091 |
| North and South America | 3,819 | 4,129 |
| Asia | 2,934 | 3,743 |
| Other countries | 3,152 | 3,466 |
| Total | 21,828 | 22,918 |

## 6.2 OTHER OPERATING INCOME

| | 2009 | 2008 |
|---|---|---|
| Capital gains on the sale of property, plant, and equipment | 1 | - |
| From Group companies | 45 | 17 |
| Other | 124 | 122 |
| Total | 170 | 139 |

## 6.3 MATERIALS AND SERVICES

| | 2009 | 2008 |
|---|---|---|
| Purchases during the year | 5,369 | 5,584 |
| Change in inventories | 108 | 5 |
| Total raw materials and consumables | 5,476 | 5,589 |
| External services | 140 | 363 |
| Total materials and services | 5,617 | 5,952 |

## 6.4 PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

| | 2009 | 2008 |
|---|---|---|
| Salaries and wages | 6,697 | 6,315 |
| Pension expenses | 1,139 | 1,007 |
| Other personnel expenses | 360 | 556 |
| Wages and salaries capitalised in non-current assets | -476 | -461 |
| Total personnel expenses | 7,719 | 7,417 |

During the financial year, EUR 420 thousand (EUR 395 thousand) was capitalised in development expenditure and EUR 56 thousand (EUR 66 thousand) in relation to mould production.

| Average number of people employed by the parent company during the year | 2009 | 2008 |
|---|---|---|
| Salaried employees | 88 | 87 |
| Non-salaried employees | 86 | 84 |
| Average number of personnel | 174 | 171 |
| Personnel at end of period | 175 | 163 |

## 6.5 DEPRECIATION

| | 2009 | 2008 |
|---|---|---|
| Intangible assets | 627 | 620 |
| Buildings | 139 | 132 |
| Machinery and equipment | 985 | 1,056 |
| Total | 1,751 | 1,809 |

Unless otherwise stated, figures are presented in thousands of euros.

## 6.6 OTHER OPERATING EXPENSES

| | 2009 | 2008 |
|---|---|---|
| Travel and other personnel-related expenses | 896 | 887 |
| Rent and maintenance expenses | 1,784 | 1,838 |
| Marketing and sales expenses | 1,447 | 1,417 |
| Other external services | 1,342 | 1,114 |
| Depreciation of trade receivables | 943 | 372 |
| Other operating expenses | 1,143 | 854 |
| Total | 7,554 | 6,482 |

Depreciation of trade receivables includes EUR 920 thousand (EUR 335 thousand) in receivables from Group companies.

## 6.7 FINANCIAL INCOME AND EXPENSES

| | 2009 | 2008 |
|---|---|---|
| Income from shares in Group companies | 218 | - |
| Income from other fixed asset investments | | |
| From others | 1 | 3 |
| Total income from other long-term investments | 1 | 3 |
| Other interest and financial income | | |
| From others | 44 | 5 |
| Other interest and financial income | 44 | 5 |
| Other interest and financial income, total | 263 | 8 |
| Interest expenses and other financial expenses | | |
| Outgoing to Group companies | -14 | -14 |
| Outgoing to others | -492 | -665 |
| Total interest expenses and other financial expenses | -507 | -679 |
| Total financial income and expenses | -243 | -671 |
| Foreign exchange losses included under 'Financial income and expenses' | -2 | -21 |

The items presented as components of operating profit include EUR 268 thousand in (net) exchange rate gains (EUR 552 thousand in net exchange rate losses). The financial items for 2009 do not include unrealised financial income from securities recognised at fair value (in 2008, unrealised financial income included in these items totalled EUR 37 thousand).

## 6.8 APPROPRIATIONS

| | 2009 | 2008 |
|---|---|---|
| Accumulated difference between the depreciation according to plan and depreciation in taxation | - | 316 |

## 6.9 INTANGIBLE ASSETS

| 2009 | Development expenditure | Intangible rights | Goodwill | Other capitalised expenditure | Total |
|---|---|---|---|---|---|
| Acquisition cost at beginning of year | 1,195 | 1,730 | 6,558 | 1,309 | 10,791 |
| Increases | 420 | 102 | - | 760 | 1,283 |
| Decreases | - | - | - | - | - |
| Transfers between items | 191 | - | - | -507 | -316 |
| Acquisition cost at end of year | 1,806 | 1,832 | 6,558 | 1,562 | 11,759 |
| | | | | | |
| Accumulated depreciation and impairment at beginning of year | -222 | -1,203 | -5,854 | -1,210 | -8,489 |
| Depreciation and impairment during the year | -135 | -109 | -352 | -31 | -627 |
| Accumulated depreciation at end of year | -356 | -1,312 | -6,206 | -1,241 | -9,115 |
| | | | | | |
| Carrying amount at end of year | 1,450 | 520 | 352 | 321 | 2,644 |

Acquisition costs consist of patents transferred and a liquidation loss as a result of the dissolution of Locus genex Oy

Unless otherwise stated, figures are presented in thousands of euros.

| 2008 | Development expenditure | Intangible rights | Goodwill | Other capitalised expenditure | Total |
|---|---|---|---|---|---|
| Acquisition cost at beginning of year | 854 | 1,604 | 6,558 | 1,266 | 10,282 |
| Increases | 341 | 126 | - | 135 | 602 |
| Decreases | - | - | - | - | - |
| Transfers between items | - | - | - | -93 | -93 |
| Acquisition cost at end of year | 1,195 | 1,730 | 6,558 | 1,309 | 10,791 |
| | | | | | |
| Accumulated depreciation and impairment at beginning of year | -101 | -1,100 | -5,502 | -1,166 | -7,868 |
| Depreciation and impairment during the year | -121 | -103 | -352 | -44 | -620 |
| Accumulated depreciation at end of year | -222 | -1,203 | -5,854 | -1,210 | -8,489 |
| | | | | | |
| Carrying amount at end of year | 973 | 527 | 705 | 98 | 2,303 |

## 6.10 TANGIBLE ASSETS

| **2009** | Buildings | Machinery and equipment | Total |
|---|---|---|---|
| Acquisition cost at beginning of year | 2,594 | 12,722 | 15,316 |
| Increases | 182 | 363 | 545 |
| Decreases | - | -4 | -4 |
| Transfers between items | - | 316 | 316 |
| Acquisition cost at end of year | 2,776 | 13,397 | 16,174 |
| | | | |
| Accumulated depreciation and impairment at beginning of year | -1,005 | -8,905 | -9,910 |
| Accumulated depreciation of decreases | - | 4 | 4 |
| Depreciation during the year | -139 | -985 | -1,124 |
| Accumulated depreciation at end of year | -1,144 | -9,886 | -11,030 |
| | | | |
| Carrying amount at end of year | 1,632 | 3,511 | 5,143 |

The non-amortised acquisition cost of production machinery and equipment is EUR 3,248 thousand (EUR 3,537 thousand).

| 2008 | Buildings | Machinery and equipment | Total |
|---|---|---|---|
| Acquisition cost at beginning of year | 2,594 | 12,184 | 14,779 |
| Increases | - | 445 | 445 |
| Decreases | - | - | - |
| Transfers between items | - | 93 | 93 |
| Acquisition cost at end of year | 2,594 | 12,722 | 15,316 |
| | | | |
| Accumulated depreciation and impairment at beginning of year | -872 | -7,849 | -8,721 |
| Depreciation during the year | -132 | -1,056 | -1,189 |
| Accumulated depreciation at end of year | -1,005 | -8,905 | -9,910 |
| | | | |
| Carrying amount at end of year | 1,590 | 3,817 | 5,406 |

## 6.11 SHARES AND HOLDINGS

| **2009** Shares | Group companies | Other shares | Total |
|---|---|---|---|
| Carrying amount at beginning of year | 3,805 | 7 | 3,812 |
| Increases | 44 | - | 44 |
| Carrying amount at end of year | 3,849 | 7 | 3,856 |

| 2008 Shares | Group companies | Other shares | Total |
|---|---|---|---|
| Carrying amount at beginning and end of year" | 3,805 | 7 | 3,812 |

The increase in shares and holdings is composed of the share capital of Biohit Biotech Systems (India) Pvt. Ltd.

Unless otherwise stated, figures are presented in thousands of euros.

## 6.12 INVENTORIES

| | 2009 | 2008 |
|---|---|---|
| Raw materials and consumables | 1,848 | 1,855 |
| Products in progress | 520 | 728 |
| Finished products/goods | 1,013 | 1,037 |
| Total inventories | 3,381 | 3,620 |

## 6.13 RECEIVABLES

| **Non-current receivables** | 2009 | 2008 |
|---|---|---|
| Receivables from others | | |
| Pre-payments and accrued income | - | 20 |
| Total non-current receivables | - | 20 |

| **Current receivables** | 2009 | 2008 |
|---|---|---|
| Receivables from Group companies | | |
| Trade receivables | 5,117 | 6,203 |
| Other receivables | 20 | 16 |
| Total | 5,137 | 6,219 |
| Receivables from others | | |
| Trade receivables | 2,211 | 2,127 |
| Other receivables | 195 | 214 |
| Pre-payments and accrued income | 127 | 110 |
| Total | 2,533 | 2,450 |
| Total current receivables | 7,671 | 8,670 |

As of 31 December 2009, EUR 20 thousand (EUR 44 thousand) in convertible bond issue costs were capitalised in pre-payments and accrued income. Capitalised expenditure is expensed over the remaining one year (two years) to maturity.

## 6.14 MARKETABLE SECURITIES

| | 2009 | 2008 |
|---|---|---|
| Investments in funds | 400 | 480 |

Marketable securities consist of investments in interest funds.

## 6.15 CASH AND CASH EQUIVALENTS

| | 2009 | 2008 |
|---|---|---|
| Cash at bank and in hand | 467 | 516 |

## 6.16 SHAREHOLDERS' EQUITY

| | 2009 | 2008 |
|---|---|---|
| Share capital, 1 Jan. and 31 Dec. | 2,199 | 2,199 |
| Fund for investments of non-restricted equity, 1 Jan. and 31 Dec. | 12,230 | 12,230 |
| Accumulated profit/loss from previous years, 1 Jan. and 31 Dec. | -2,724 | -3,669 |
| Reported profit/loss for the year | -1,018 | 945 |
| Total shareholders' equity | 10,687 | 11,705 |

### Shares and voting rights

Biohit's shares are divided into Series A and B shares. The series differ to the extent that each Series A share confers 20 (twenty) votes at General Meetings and Series B shares confer one vote. However, in the payment of dividends, a dividend two per cent higher than the nominal value is paid for Series B shares than is paid for Series A shares.

Unless otherwise stated, figures are presented in thousands of euros.

| Structure of the parent company's shareholders' equity | 2009 no. | EUR | % of shares | % of votes | 2008 no. | EUR |
|---|---|---|---|---|---|---|
| Series A shares (20 votes per share) | 2,975,500 | 505,835 | 23.0 | 85.7 | 2,975,500 | 505,835 |
| Series B shares (1 vote per share) | 9,962,127 | 1,693,562 | 77.0 | 14.3 | 9,962,127 | 1,693,562 |
| Total | 12,937,627 | 2,199,397 | 100.0 | 100.0 | 12,937,627 | 2,199,397 |

According to the Articles of Association, the company's minimum share capital is EUR 1,063,101.29 and the maximum share capital EUR 4,252,405.16. Within these limits, the share capital can be increased or decreased without amendment to the Articles of Association.

The company does not own any of its own shares. The Board of Directors has no authorisations in force to carry out a share issue or issue of convertible bonds or bonds with warrants, or to buy back the company's own shares. The company has no share option schemes.

## 6.17 DEFERRED TAX LIABILITIES AND ASSETS

The company has a total of EUR 2,130 thousand (EUR 2,033 thousand) in deferred tax assets from tax losses and temporary differences. The company's management estimates that EUR 1,299 thousand (EUR 1,463 thousand) of this amount can be utilised.

## 6.18 NON-CURRENT LIABILITIES

| | 2009 | 2008 |
|---|---|---|
| Loans from Group companies | 231 | 231 |
| Loans from others | | |
| Loans from financial institutions | 2,456 | 2,736 |
| Convertible bonds | - | 4,050 |
| Other non-current liabilities | 47 | 142 |
| Interest on capital loans | 618 | 596 |
| Total non-current liabilities | 3,353 | 7,755 |

| Liabilities falling due after five years | 2009 | 2008 |
|---|---|---|
| Loans from financial institutions | 473 | 306 |
| Capital loans | 775 | 880 |
| Total | 1,248 | 1,186 |

## 6.19 CAPITAL LOANS

| | 2009 | 2008 |
|---|---|---|
| From related parties | 775 | 880 |
| From others | - | 73 |
| Total | 775 | 953 |

The company has capital loans totalling EUR 775 thousand. The main terms for these loans are detailed in the Note 2.22 to the Consolidated Financial Statements.

## 6.20 CURRENT LIABILITIES

| | 2009 | 2008 |
|---|---|---|
| Convertible bonds | 4050 | - |
| Loans from financial institutions, current portion | 965 | 794 |
| Other non-current liabilities, current portion | 95 | 95 |
| Advances received | 32 | 66 |
| Trade payables | 1,083 | 957 |
| Accrued liabilities and pre-paid income | 1,851 | 1,778 |
| Other liabilities | 172 | 170 |
| Liabilities to Group companies | | |
| Trade payables | 426 | 496 |
| Accrued liabilities and pre-paid income | 73 | 60 |
| Total current liabilities | 8,747 | 4,415 |

Non-current liabilities include convertible bonds totalling EUR 4,050 thousand. The main terms of the bonds are presented in Note 2.22 to the Consolidated Financial Statements.

Accrued liabilities and pre-paid income include wage and salary accruals totalling EUR 1,139 thousand (EUR 984 thousand), leasing cost amortisation of EUR 240 thousand (EUR 358 thousand), and interest cost amortisation of EUR 90 thousand (EUR 92 thousand).

Unless otherwise stated, figures are presented in thousands of euros.

## 6.21 LIABILITIES AND COMMITMENTS WITH MORTGAGES AS COLLATERAL

| **Liabilities for which mortgages have been pledged as collateral** | **2009** | 2008 |
|---|---|---|
| **Loans from financial institutions** | 3,033 | 3,096 |
| Corporate mortgages | 2,276 | 2,276 |
| Mortgages on real estate | 1,500 | 1,500 |
| **Other liabilities** | 142 | 237 |
| Mortgages on real estate | 763 | 763 |
| **Leasing agreements** | 1,715 | 2,144 |
| Corporate mortgages | 235 | 235 |

The parent company has assumed EUR 0.0 million (EUR 0.3 million) in contingent liabilities on behalf of Group companies.

| **Leasing commitments** | **2009** | 2008 |
|---|---|---|
| Due for payment the following year | 572 | 373 |
| Due for payment at a later date | 1,271 | 329 |
| Total | 1,843 | 702 |

| **Rental commitments** | **2009** | 2008 |
|---|---|---|
| Due for payment the following year | 429 | 429 |
| Due for payment at a later date | 1,286 | 1,715 |
| Total | 1,715 | 2,144 |

Leasing commitments and rents mainly consist of fixed-term leasing and rental under agreements that are effective for more than one year.

Unless otherwise stated, figures are presented in thousands of euros.

# 7. THE PROPOSAL OF THE BOARD OF DIRECTORS CONCERNING THE RESULT FOR THE FINANCIAL YEAR

The Board of Directors proposes to the Annual General Meeting that no dividend be paid and that the parent company's loss of EUR 1,017,818.21 be transferred to retained losses.

Helsinki, 31 March 2010

| | | |
|---|---|---|
| Reijo Luostarinen<br>Chairman of the Board | Osmo Suovaniemi<br>Member of the Board<br>President and CEO | Jukka Ant-Wuorinen<br>Member of the Board |
| Kalle Kettunen<br>Member of the Board | Eero Lehti<br>Member of the Board | Mikko Salaspuro<br>Member of the Board |

**Auditor's Note**

We have today issued an auditor's report on the audit performed.

Helsinki, 31 March 2010

Ernst & Young Oy
Authorised Public Accounting Firm

Erkka Talvinko
Authorised Public Accountant

# 8. AUDITOR'S REPORT

**To the Annual General Meeting of Biohit Oyj**

We have audited the accounting records, the financial statements, the report of the Board of Directors, and the administration of Biohit Oyj for the year ended on 31 December 2009. The financial statements comprise the consolidated balance sheet, statement of comprehensive income, statement of changes in equity, cash flow statement and notes to the consolidated financial statements, as well as the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements.

**The responsibility of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of the financial statements and the report of the Board of Directors and for the fair presentation of the consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU, as well as for the fair presentation of the financial statements and the report of the Board of Directors in accordance with laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The Board of Directors is responsible for the appropriate arrangement of the control of the company's accounts and finances, and the Managing Director shall see to it that the accounts of the company are in compliance with the law and that its financial affairs have been arranged in a reliable manner.

**Auditor's responsibility**

Our responsibility is to perform an audit in accordance with good auditing practice in Finland, and to express an opinion on the parent company's financial statements, on the consolidated financial statements and on the report of the Board of Directors based on our audit. Good auditing practice requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements and the report of the Board of Directors are free from material misstatement and whether the members of the Board of Directors of the parent company and the Managing Director have complied with the Limited Liability Companies Act.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements and the report of the Board of Directors. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements or of the report of the Board of Directors, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements and the report of the Board of Directors in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements and the report of the Board of Directors.

The audit was performed in accordance with good auditing practice in Finland. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion on the consolidated financial statements**

In our opinion, the consolidated financial statements give a true and fair view of the financial position, financial performance, and cash flows of the group in accordance with International Financial Reporting Standards (IFRS) as adopted by the EU.

**Opinion on the company's financial statements and the report of the Board of Directors**

In our opinion, the financial statements and the report of the Board of Directors give a true and fair view of both the consolidated and the parent company's financial performance and financial position in accordance with the laws and regulations governing the preparation of the financial statements and the report of the Board of Directors in Finland. The information in the report of the Board of Directors is consistent with the information in the financial statements.

Helsinki, 31 March 2010

Ernst & Young Oy
Authorized Public Accountant Firm

Erkka Talvinko
Authorized Public Accountant

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