BIOHIT

Innovating for Health

ANNUAL REPORT 2008

INFORMATION FOR SHAREHOLDERS

Annual General Meeting

Biohit Oyj's Annual General Meeting will be held at 5 p.m. on Monday 20 April 2009 at Pörssisali, Fabianinkatu 14, 00100 Helsinki, Finland.

Please register by 12 o'clock noon on 16 April 2009
- online at www.biohit.com/investors
- by e-mail: yhtiokokous@biohit.com
- by phone on +358 9 773 861
- by post to 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 2008.

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. Biohit's Series B shares are traded under the code BIOBV.

More detailed information on the Biohit Oyj share is presented on pages 34-35 of the Financial Statements, and is also available on the company's website www.biohit.com.

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 to order 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

- via the company's website: www.biohit.com/investors
- by e-mail from info@biohit.com
- by phone on +358 9 773 861
- by post from Biohit Oyj, Laippatie 1, 00880 Helsinki, Finland

Financial calendar 2009

Interim report Jan–Mar/2009	8 May 2009 at 9:30 a.m.
Interim report Jan–June/2009	7 Aug 2009 at 9:30 a.m.
Interim report Jan–Sept/2009	6 Nov 2009 at 9:30 a.m.

The 2008 Financial Statement Bulletin was published on 13 February 2009, and the Financial Statements and Report of the Board of Directors on 31 March 2009.

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 will also be able to 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
Tel +358 9 7738 6363
josefin.hoviniemi@biohit.com

CONTENTS

BIOHIT IN BRIEF

Established:	1988
Business areas:	Liquid handling products - Pipettes and pipette tips - Maintenance services - Liquid handling OEM solutions Diagnostics - Tests for the screening and diagnosis of diseases of the gastrointestinal tract - Instruments and analysis systems - Service laboratory - Products to eliminate carcinogenic acetaldehyde
Customer base:	Research institutions, healthcare and industry
President and CEO:	Osmo Suovaniemi, Professor, MD, PhD
Personnel:	370
Subsidiaries:	Germany, France, the United Kingdom, Russia, China, Japan and the United States
Production facilities:	Finland and China
Distribution:	Subsidiaries and distribution companies, a total of about 450 distributors in 70 countries
Sales accounted for by exports:	97 %
Share trading:	BIOBV / NASDAQ OMX Helsinki Small cap/Healthcare

Biohit is a globally operating Finnish company that specialises in safe and precise liquid handling products for laboratories as well as diagnostic products and systems for diagnosing and preventing diseases of the gastrointestinal tract.

Biohit's liquid handling products – electronic and mechanical pipettes and disposable pipette tips – are used globally in research institutions, universities, healthcare and industrial laboratories. The majority of all electronic handheld pipettes used worldwide are designed by Biohit. Biohit is the global market leader in electronic liquid handling products. The company also offers pipette maintenance and calibration services through its subsidiaries and global retailer network.

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. Biohit has developed new products and procedures to eliminate the potential hazards of carcinogenic acetaldehyde, and these can be used to round out the company's diagnostics tests and analysis systems.

There is growing demand in the market for Biohit's new and existing products, and this is expected to promote net sales growth and profitability. The company is supporting this growth with substantial investments in R&D, innovative and safety-enhancing products, and long-term cooperation with researchers and customers.

A strategy of aggressive innovation and patenting guarantees extensive patent protection both in Finland and abroad. Above all, patent protection means a solid and secure foundation for global cooperation and business growth.

Biohit was established in Finland in 1988 and listed on the Helsinki Stock Exchange (now NASDAQ OMX Helsinki) in 1999. The company currently employs 370 people in eight countries. Biohit has production facilities in Finland (Kajaani and Helsinki) and China (Suzhou). Subsidiaries focus on maintenance services and product sales and marketing. Biohit's products are sold by about 450 retailers in 70 countries.

The parent company's Series B share is quoted on NASDAQ OMX Helsinki in the Small cap/Healthcare group and is traded under the code BIOBV.

More detailed information on Biohit and its history is available at www.biohit.com, www.biohit.com/history and www.google.com/search 'Aggressive innovation and patenting strategy in Finland' and 'Being an inventor in Finland'.

2008 IN BRIEF

Improved profitability

In spite of the global economic downturn, trends in the Group's net sales have been good in all its main market areas since the end of the first quarter. Growth was particularly brisk in Asia.

In order to improve earnings, the Group launched a savings and operational efficiency programme in June 2008. Thanks to the increased efficiency and reductions in fixed costs achieved through this programme, the Group's profitability has improved. The euro's weaker trend against other currencies also increased profitability towards the end of the year.

Steady growth in liquid handling

2008 saw favourable trends in sales of liquid handling products and maintenance services in almost all market areas. The global economic downturn has somewhat slowed market growth. Biohit estimates average market growth to be about 5%. The company has, however, succeeded in increasing net sales and bolstering its market position with growth in certain market areas being greater than the total market average. The market for electronic pipettes is growing by about 10% per year, which has also increased Biohit's sales.

Diagnostics expanding into international markets

Trends in sales of diagnostics products did not reach a satisfactory level during the financial year now ended. It is only since early 2009 that physicians in Finland have been able to request the GastroPanel and GastroView tests under the name 'Bioindicator examination of the stomach, standard and extensive' ('Mahalaukun biomerkkiainetutkimuksia, laaja ja suppea', in Finnish only) from HUSLAB, a laboratory enterprise owned by the Hospital District of Helsinki and Uusimaa (HUS) (www.biohit.fi -> HUSLAB referrals).

The safe and cost-effective GastroPanel test has already been available for over five years for the primary examination of dyspepsia (occasional or chronic pain or complaints in the upper abdomen) and *Helicobacter pylori* infection. The GastroPanel and GastroView examinations can detect atrophic gastritis (functional disorder and damage to the stomach mucosa), which has several associated risks and requires further examinations and treatment. These risks are gastric and esophageal cancer, peptic ulcers (gastric and duodenal ulcers) and vitamin B12, iron and calcium deficiency and their associated risks. The GastroPanel test will also identify the risks associated with complications of gastroesophageal reflux disease – erosive esophagitis (an ulcerative infection of the esophagus) and Barrett's esophagus. These complications may lead to esophageal cancer.

In 2008, a group of the world's leading gastroenterologists and scientists launched the 'Healthy Stomach Initiative' programme. This programme seeks to create a global treatment practice of screening and monitoring with the GastroPanel and GastroView examinations to identify those with healthy stomachs and refer those with diseased stomachs for timely treatment.

Measures to spin off the diagnostics business continued during 2008. However, due to the global economic downturn and a financial result in the black, the diagnostics business has instead been focusing on developing its international distribution and cooperation network for diagnostics products and systems. Additionally, since early 2009, organisations in several countries have shown interest in Biohit's turnkey GastroPanel laboratories.

New products favourably received

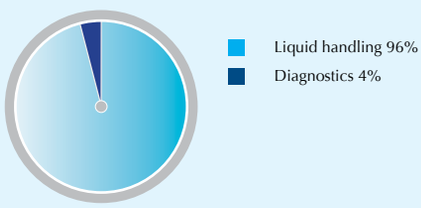
Product launches in 2008 included ColonView – Biohit's new quick tests for the early detection of colorectal cancer – and new disposable filter tips to protect pipettes and samples from contamination. The new products have been favourably received in our customer base. The Proline Plus pipette launched in 2007 has also been a success.

Biohit has invested in production technology used in the manufacture of the new filter tips. Efforts to enhance the cost-efficiency of production processes and the order-delivery chain have continued at Biohit's production facilities in Finland and China. As part of this project, Biohit is on board the FinnLean programme, which is supported by TEKES (Finnish Funding Agency For Technology and Innovation) and launched in autumn 2008.

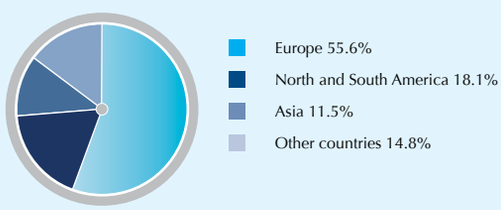
2008 – IN FIGURES

	1-12/2008	1-12/2007
Net sales, MEUR	35.1	33.0
Operating profit/loss, MEUR	1.3	-0.2
Profit/loss before taxes, MEUR	1.0	-1.1
Gross investments, MEUR	1.2	2.1
% of net sales	3.5	6.3
R&D expenditure, MEUR	2.0	2.0
% of net sales	5.8	6.1
Average number of personnel	369	352
Equity ratio, %	46.5	43.6
Earnings per share, EUR	0.07	-0.12
Equity per share, EUR	0.97	0.92
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

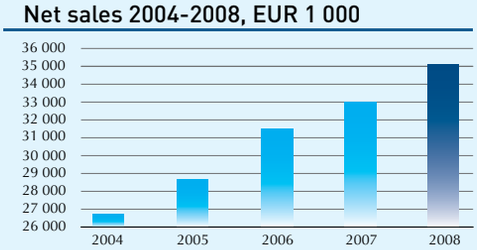
Net sales by business segment 2008



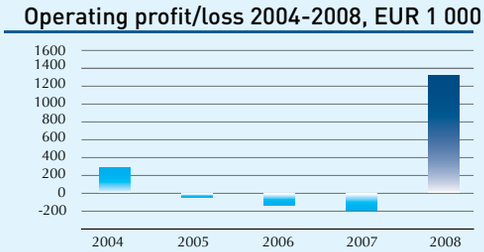
Net sales by geographical area 2008



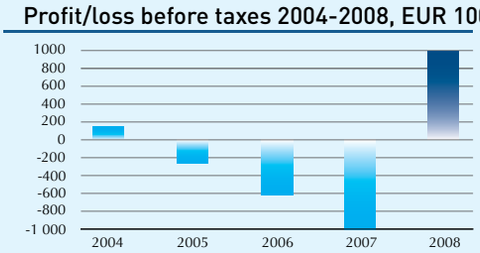
Net sales 2004-2008, EUR 1 000



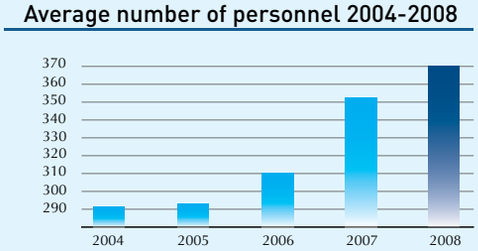
Operating profit/loss 2004-2008, EUR 1 000



Profit/loss before taxes 2004-2008, EUR 1000



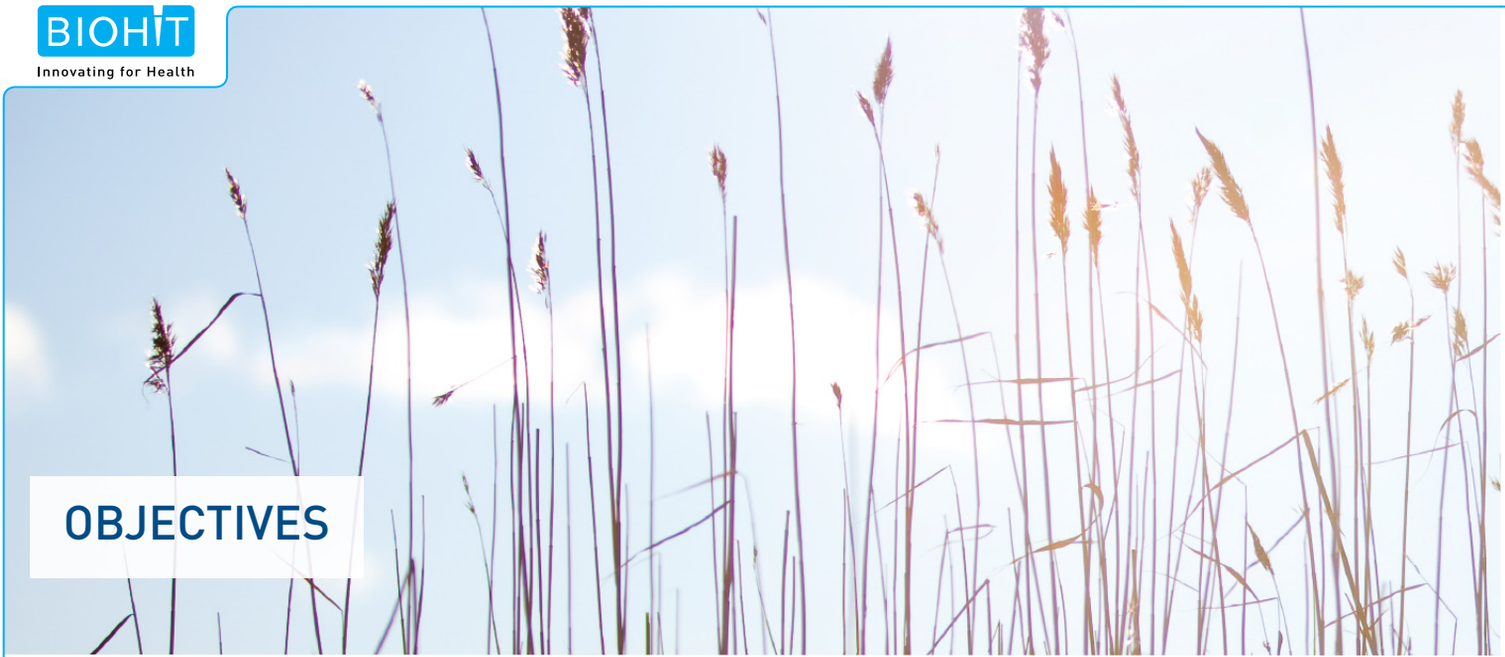
Average number of personnel 2004-2008



A Summary of 2008's Stock Exchange Releases

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

15 February 2008	The Biohit Group's Financial Statement Bulletin 1 Jan–31 Dec 2007
31 March 2008	Biohit's 2007 Financial Statements and Report of the Board of Directors have been published
01 April 2008	Summons to the Biohit Oyj Annual General Meeting
11 April 2008	Biohit Oyj's Annual Report 2007 has been published
22 April 2008	Resolutions of Biohit Oyj's Annual General Meeting
06 May 2008	Liquidity provision for Biohit Oyj's Series B share ends
07 May 2008	Delays in FDA approval procedures for the GastroPanel tests
09 May 2008	The Biohit Group's interim report 1 Jan–31 Mar 2008
03 June 2008	Biohit issues profit warning and launches co-determination negotiations in Finland
08 August 2008	The Biohit Group's interim report 1 Jan–30 Jun 2008
29 August 2008	Conversion of Biohit Oyj Series A shares into Series B shares, and notification of a change in ownership in accordance with the Securities Market Act, Chapter 2, Section 10
29 August 2008	Biohit's co-determination negotiations have ended
07 November 2008	The Biohit Group's interim report 1 Jan–30 Sep 2008
25 November 2008	New delays in the FDA approval procedure for Biohit's Pepsinogen I and II tests
19 December 2008	Biohit's financial reporting in 2009



OBJECTIVES

Profitable growth

Biohit seeks to harness the great – and still growing – market potential of both new and existing products in both of its business segments: liquid handling and diagnostics. The products of these business areas can be combined to complete analysis systems that can be adapted to meet a wide range of needs.

Biohit aims to develop its distribution channels and logistics so as to provide product end users with the best possible service, and cut costs to improve profitability.

Strengthening the company's market position in liquid handling

Biohit already holds a strong position in the liquid handling markets of many geographical regions.

The key targets of the liquid handling business are:

- Customer-oriented operations that meet customers' current needs while also leading to the introduction of new, safer technologies and innovations.
- Bolstering the company's market position in both existing and new market segments.
- Cost-effective growth at a rate faster than the market average by, for example, offering new maintenance concepts and technological solutions.
- An increased market share in North America and Asia in particular.
- A focus on safe, certified liquid handling solutions and maintenance services that generate added value for customers.
- High-quality products that are safe, traceable and environmentally friendly.
- Continual improvements to the cost-effectiveness of logistics and production processes.

Bolstering growth potential in the diagnostics business

Biohit's diagnostics business stands on the threshold of growth, and therefore requires both substantial financial investments and personnel resources as well as effective international marketing.

The key targets of the diagnostics business are:

- Establishing a global distribution and cooperation network specialised in diagnostics and analysis systems.
- Opening up the market for the GastroPanel laboratory.
- Continuing approval application processes with relevant authorities.
- The introduction of examinations into public sector healthcare screening programmes and reimbursement systems in new market areas.
- Continual investments in R&D that leads to innovations.
- To commercialise and open up market channels for products that eliminate carcinogenic acetaldehyde.
- Continued and expanded collaboration with influential experts.
- Spinning off the diagnostics business into a separate company, Biohit HealthCare.

Mission

Biohit's mission is encapsulated in the company's slogan 'Innovating for Health'. The company seeks to create new and innovative technologies and analysis systems for medical science, research institutions and industrial laboratories, thereby promoting research and diagnostics, while also improving quality of life by preventing disease, inhumane suffering and financial losses.

Vision

By 2013, Biohit is an even more significant player in safe, modern liquid handling in laboratories in its main market areas and in the North American and Asian markets in particular.

By 2013, Biohit's safe, ethical, cost-effective and highly innovative diagnostic products and analysis systems for diagnosing and preventing diseases of the gastrointestinal tract, as well as its products and procedures for eliminating carcinogenic acetaldehyde, are established in the healthcare sector.

BUSINESS ENVIRONMENT

Liquid handling product market

Biohit estimates that the total market for pipettes and disposable pipette tips has increased by an annual average of about five per cent. North America and Europe are the major market areas. Currency exchange rate fluctuations and the economic downturn in the United States have, however, had an unfavourable impact on market growth for mechanical pipettes in particular. The global recession has also slowed market growth elsewhere in the world.

More efficient R&D 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 pipetting 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 in Asia. Biohit has made substantial investments in quality at all of its production facilities and in all of its operations, and this has enabled the company to grow its market share in spite of fiercer competition. The company is still the global market leader in electronic pipettes and OEM liquid handling products, and is a pioneer when it comes to promoting high quality and the safe usage of its products.

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.

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, esophageal 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 is putting an increasing burden on wellbeing and national health, and also on people's ability to cope at work and remain in employment longer.

Biohit's diagnostic products and systems have been developed to alleviate these medical, ethical and financial problems.

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 esophageal and colorectal cancer.

Eliminating carcinogenic acetaldehyde from the body and certain foodstuffs

Awareness of the dangers posed by acetaldehyde in connection with tobacco smoke, alcohol usage and an achloridic stomach is increasing among researchers and the general public. This increased awareness will most likely lead to a rise in measures to prevent the dangers and diseases caused by carcinogenic acetaldehyde, and to restrictions or even a complete ban on the use of acetaldehyde.

Acetaldehyde has long been known to cause cancer in laboratory animals and, according to the latest research, also in humans. The International Agency for Research on Cancer (IARC) has classed acetaldehyde as a carcinogen. Mouth and throat bacteria, which are increased by bad oral hygiene, produce acetaldehyde. Acetaldehyde is also present in many alcoholic drinks and foodstuffs, such as certain yoghurts, soy sauce, mead and home-brewed, non-alcoholic beer. Some servings of yoghurt (150 ml) may contain over 400 µM of acetaldehyde (a safe limit is considered to be under 100 µM). This is the same amount of acetaldehyde (400 µM) that dissolves in the saliva through smoking 30 cigarettes a day.

Biohit's BioCyst capsules and XyliCyst tablets and gum are unique products that eliminate carcinogenic acetaldehyde. XyliCyst reduces the acetaldehyde that dissolves in saliva during smoking and which may cause tobacco addiction.

BioCyst capsules eliminate the acetaldehyde that is produced by microbes in an achloridic stomach from alcohol and sugars ingested as part of a standard diet. An achloridic stomach (atrophic gastritis), which is known to be a risk factor in gastric and esophageal cancer, can be reliably diagnosed with a straightforward, blood sample based GastroPanel test or then with the difficult and expensive histological examination of biopsy samples taken through gastroscopy. About 500 million people worldwide suffer from an achloridic stomach. The use of PPI medication, which prevents stomach acid secretion, can also lead to an achloridic stomach. About 500,000 people use PPIs in Finland.

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 diagnostics products requires proactive sales and marketing and strong partners specialising in diagnostics. XyliCyst and BioCyst products are also suited to, for example, pharmacies' prescription-free over-the-counter ranges.

LETTER FROM THE PRESIDENT AND CEO

2008 was, in many ways, a notable year for Biohit. Our company celebrated its 20th anniversary and our result was in the black after several years of losses. Biohit's profit after taxes totalled EUR 0.9 million and our net sales rose 6 per cent to EUR 35.1 million. When calculated in comparable currencies, the net sales of the liquid handling business rose by 10 per cent and those of the diagnostics business by 8 per cent. Sales growth for diagnostic tests alone was 14 per cent.

After a downturn in sales at the beginning of the year, business growth picked up in both segments in the second quarter and remained at a good level throughout the rest of the year in spite of the global economic crisis. Even though sales had recovered, we wanted to boost operational efficiency throughout the Group towards the end of the year, not just in sales and marketing, but also by adjusting our cost structure. Increasing our operational efficiency brought the desired results and the Group's earnings trend improved significantly during the second half of the year.

Changes in the operating environment

In the liquid handling business, Biohit's customer base comprises the R&D laboratories of industrial companies and public administrative organisations in various sectors. A range of researchers and healthcare organisations are our customers in the diagnostics business.

Products are entering the liquid handling market from outside Western countries, but although the prices of some of these products are competitive, they do not meet the strict quality and safety standards required by end users.

The global economic crisis that began during 2008, the increasing aging population and rising healthcare costs, which have almost spiralled out of control in many countries, are leading to the development and introduction of new, cost-effective products and systems for the earlier and safer treatment and prevention of diseases.

Increased cost awareness in the market and a desire to improve customer satisfaction also create a need to enhance efficiency at all points in the distribution network. This places increasing pressure on manufacturers to optimise the various links in the delivery chain and efficiently match production capacity to demand.

Liquid handling on a solid foundation

In answer to this changing environment, Biohit has begun to develop cost-effective production alternatives by establishing a production facility in China in autumn 2006, and we have been able to harness it to full capacity during 2008. Clarifying task distribution between our production units was one of our developmental focuses in 2008. Seamless cooperation between production units and sales enables Biohit to provide efficient service and meet fluctuations in demand. Biohit has also continued to invest in order-delivery management and these developmental efforts are continuing in 2009.

In 2008, the liquid handling business continued to generate over 96 per cent of net sales. Our goal has been to grow in markets outside Europe in particular. Sales growth has been brisk in Asian markets, and our production investments in China have partly enabled this. We have fallen short of our growth targets in North America, primarily due to the current economic crisis in the region. When measured in local currency, sales in North America still grew by 10 per cent on 2007.

We have been engaging in closer cooperation with our distribution partners. This has led to a visible improvement in sales trends in all market areas. Close cooperation with distributors and investments in marketing and product quality have increased profitability. In spite of increasing price competition, we have actually been able to raise the prices of our safe products, which have been developed on the basis of numerous innovations.

Closer cooperation with distributors and customers' favourable reception of our new products have promoted growth at an even greater rate than the market average. Thanks to favourable trends in the liquid handling business, we have also been able to invest in developing new and safe technological solutions in both R&D and production.

Challenges in the diagnostics business

Economic difficulties and aging populations are leading healthcare organisations both in Finland and abroad to seek cost-effective solutions that promote the safe and ethical early diagnosis and prevention of diseases. These solutions can also reduce the costs incurred by society and promote people's wellbeing and their ability to cope at work and continue in employment longer.

Biohit has developed diagnostics products for the healthcare sector, so that those at-risk patients and members of the aging population who suffer from gastrointestinal complaints can receive cost-effective access to appropriate treatment at the earliest possible stage. Developing a range of diagnostic solutions is crucial in areas that have previously been lacking reliable procedures for diagnosing and preventing diseases, and in which patients are often left without safe, appropriate treatment. These include many gastrointestinal complaints, and so our company has developed tests, such as GastroPanel and ColonView, for their safe and cost-effective diagnosis and prevention.

The GastroPanel examination has already been available to researchers and physicians in Finland and all other EU countries for over five years. Those researchers, physicians and healthcare organisations around the world that have used the test have found that it promotes advancements in the diagnosis and prevention of diseases of the gastrointestinal tract. On the basis of results and test patient follow-ups from studies conducted in Finland more than ten years ago, it is estimated that screening over 45s with GastroPanel would prevent 250–300 unnecessary deaths from gastric cancer in Finland

per year, as atrophic gastritis could be detected in time and patients referred for gastroscopy and biopsy examination.

In dyspepsia patients or those presenting no symptoms, a *Helicobacter* test alone (the ^{13}C urea breath and stool antigen tests, or a serological antibody detection test) cannot diagnose the atrophic gastritis caused by *Helicobacter pylori* infection or autoimmune diseases (as well as its associated risks, such as gastric cancer, peptic ulcers, and vitamin B12, iron and calcium deficiency). This is worth remembering when seeking to improve patient safety and avoid malpractice in the diagnosis and treatment of dyspepsia and *Helicobacter pylori* infection. It is therefore recommended that these unreliable ^{13}C urea breath and stool antigen tests, which form part of the so-called 'test and treat strategy' for dyspepsia patients, should be replaced by the safe and highly informative GastroPanel examination. It is also a good idea to discount atrophic gastritis and its associated risks with a GastroPanel examination before prescribing protein pump inhibitors (PPIs) or starting treatment for *Helicobacter pylori* infection. These treatments do not cure the precancerous lesions or early stage gastric cancer associated with atrophic gastritis, at which stage there is still a good chance of successful treatment.

As well as detecting atrophic gastritis (which is often asymptomatic) and the associated risk of gastric cancer, GastroPanel also provides timely information on the risk of developing peptic ulcers due to *Helicobacter pylori* infection. The use of anti-inflammatory drugs by patients with peptic ulcers can lead to, for example, bleeding complications, which cause 200–300 deaths each year in Finland alone. The GastroPanel examination will also identify other risks associated with a strongly acidic stomach, such as the complications of gastroesophageal reflux disease (erosive esophagitis and Barrett's esophagus). About one third of all gastroesophageal reflux disease patients present no symptoms and, without treatment, the disease can lead to esophageal cancer.

At a gastroenterology seminar held in 2008, neither Finnish nor foreign researchers and gastroenterologists were able to give a clear answer on when and how frequently endoscopy should be carried out on a reflux patient who is not presenting any of the warning symptoms that would require an immediate examination. It is evident that too few endoscopies are carried out, and often too late. If a GastroPanel examination were to indicate a strongly acidic stomach, then even an asymptomatic reflux patient could have the risk of complications. Endoscopy would then be a sensible procedure to carry out.

According to recent GastroPanel research data from the United States, an achloridic stomach resulting from atrophic gastritis causes the risk of esophageal cancer. This is thought to be the result of carcinogenic acetaldehyde, which is produced in an achloridic stomach, rising into the esophagus. An achloridc stomach, which can also be caused by PPI medication, hinders the absorption of iron, calcium and certain drugs. According to GastroPanel research carried out in Italy, one fifth of those studied for autoimmune thyroid disease had associated atrophic gastritis and its risks. These risks may also be associated with many other autoimmune diseases, such as diabetes and arthritis.

Vitamin B12 deficiency is becoming a national disease among the older population. It is often a result of atrophic gastritis caused by *Helicobacter pylori* infection or autoimmune diseases, and may be either the sole cause of or a contributing risk factor in dementia, depression, damage to the peripheral nervous system, calcification of blood vessels, coronary thromboses and strokes. It is evident that using GastroPanel to identify the causes of these diseases would lead to more efficient and safer treatment while also reducing healthcare costs.

In order to promote the use of the GastroPanel examination, Biohit has begun determined marketing of its turnkey GastroPanel laboratory – which includes pipettes, diagnostic tests and analysis systems, and training and maintenance services – to hospitals, general practices and research and service laboratories. This goal is supported by an independent team of leading gastroenterologists and scientists from around the world. The team launched the 'Healthy Stomach Initiative' programme in 2008.

Outlook for the future

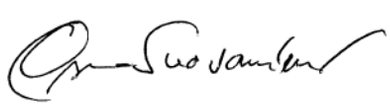
Biohit will meet the upcoming challenges in liquid handling and diagnostics by investing in new, highly innovative technological solutions that are global pioneers in terms of quality, features and safety. We also seek to improve customer satisfaction by boosting order-delivery process efficiency.

Several external uncertainty factors will probably affect our business in 2009, in particular global economic trends and their impact on R&D in industry and the public sector. Although Biohit's business areas are not especially sensitive to fluctuations in the business climate, these external factors, including trends in currency exchange rates, may to some extent slow growth in the liquid handling business. Moderate growth is, however, expected to continue in all market areas in 2009.

The global economic downturn has also delayed our plans to spin off the diagnostics business. Our main focus in 2008 was on developing operations with the company's current resources, and we will continue with this approach in 2009.

We will be expanding our product range with, for example, products for eliminating carcinogenic acetaldehyde (XyliCyst and BioCyst) and the ColonView test for diagnosing the risk of colorectal cancer. These products will be going into production in 2009, and cooperation with our scientific advisors will pave the way for progress and growth in the diagnostics business during the year.

I would like to extend my heartfelt thanks to Biohit's partners and personnel, both in Finland and at our foreign subsidiaries, for a successful year. Our cooperation has enabled us to promote wellbeing and provide our end users with better service than ever.



Osmo Suovaniemi, MD, PhD
Professor
President and CEO

LIQUID HANDLING

In 2008, favourable trends were seen in sales of Biohit's liquid handling products and maintenance services in almost all market areas.

Net sales of liquid handling products grew 7% on 2007. Net sales growth and increased operational efficiency improved profitability for these products.

Although the global economic downturn slowed total market growth, Biohit succeeded in increasing sales, and growth in certain market areas has exceeded the total market average.

Biohit develops, manufactures and markets liquid handling devices and equipment. The company also offers maintenance and training services. Biohit's range of safe products and services seeks to ensure end-to-end service and thereby guarantee end user satisfaction throughout each product's life cycle.

New liquid handling products well received

The guiding principles behind Biohit's innovative R&D are ergonomics and reliability, which ensure safe product usage.

In 2008, Biohit launched new disposable pipette filter tips that protect pipettes and samples from contamination. Stricter quality and safety standards at laboratories have increased demand for filter tips. The new filter tips are manufactured to strict quality and sterility standards at Biohit's Kajaani plant.

These new disposable tips are becoming increasingly important to Biohit's business, as they also support pipette sales. Guarantees of pipette precision and safety are only valid if Biohit pipettes are used with Biohit tips.

The mechanical Proline Plus range was launched towards the end of 2007. Sales of these products exceeded expectations in 2008, and growth continued during the fourth quarter.

In order to support profitable growth, Biohit seeks to meet customers' needs with new innovative solutions that offer increased efficiency, even greater precision and pipette safety, and a reduced margin for error. The company continued to innovate and develop new liquid handling technologies in 2008.

Maintenance services increase customer satisfaction

Biohit's maintenance concept seeks to manage the entire product lifecycle, and to maintain and increase customer satisfaction. Maintenance and calibration services are becoming increasingly more 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. The condition, precision and user safety of pipettes are measured at least once a year using the calibration and performance testing provided by the Biohit maintenance network (www.pipettedoctor.com).

Sales of Biohit's maintenance services increased in 2008, especially in the company's own maintenance units. The calibration laboratory at Biohit's German subsidiary was accredited by the German authorities (DKD) in November. Biohit can now offer accredited calibration services through its own laboratories in four countries: Finland, France, Germany and the UK.

After the close of the financial year, Biohit also launched new pipette calibration and maintenance software. The modular Quanta application is suitable for both laboratories and maintenance companies. Quanta complements Biohit's liquid handling range and promotes a lifecycle approach to customers' existing pipettes (www.quantapro.net).

Training helps end users achieve better results

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

Biohit has over ten years experience in providing training for laboratories. Biohit continued to develop this training concept during 2008, engaging in close cooperation with, for example, ergonomics consultants. Training has enabled laboratory personnel to improve their working methods, thereby reducing absences due to repetitive strain injuries and minimising erroneous results.

Training events have been popular, and Biohit introduced the concept in several countries during 2008. Like maintenance services, training services promote safe liquid handling, customer satisfaction and product sales.

Biohit's knowhow in liquid handling is respected in many industries

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.

Most of the handheld 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.

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

Global retailer network handles distribution

Biohit's global distribution network handles sales to end customers. Subsidiaries are responsible for distribution in the company's main market areas. Biohit also cooperates with both major multichannel distributors and smaller, local companies that complement each other in the various customer segments.

The favourable results of strategic solutions in the Asian market, such as distribution reorganisation in Japan and investments in the Chinese production and sales units, can be seen in the growth in net sales in these regions.

Outlook for the future

Trends in the global economy during 2009 may lead to lower investments in healthcare, research and R&D than in previous years. Cost cutting on research in the healthcare sector, and in particular the pharmaceutical industry, could be unfavourably reflected in net sales of both liquid handling and diagnostics products. However, the practically unchecked rise in healthcare costs all over the world will lead organisations to use Biohit's new, safe, ethical and cost-effective solutions.

In the coming years, the liquid handling business will focus on strengthening its distribution network, engaging in close cooperation with customers, and increasing its share in main market areas. Investments will be made in boosting order-delivery chain efficiency, and enhancing product lifecycle management and comprehensive quality assurance. In addition to traditional liquid handling products and maintenance services, the company will focus on developing both new technologies and its custom, that is, OEM product business.

Liquid handling	2008	2007
Net sales, MEUR	33.6	31.4
Percentage of the Group's net sales, %	96	95
Operating profit/loss, MEUR	3.7	2.7

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

Biohit's safe pipettes are used in many industries. For example, Allopartis Biotechnologies, Inc., which operates in conjunction with the University of California, has started to use Biohit's mLINE pipettes, a range that has many times been awarded the title of best mechanical pipette on the market. Allopartis Biotechnologies develops technologies for cost-effective biofuel production.
(Photo: Susan Merrell)

DIAGNOSTICS

Biohit's reliable and cost-effective diagnostics products generate savings for the healthcare sector.

Trends in sales of diagnostics products did not reach a satisfactory level during 2008. The majority of net sales are, however, generated by test kit sales, which have grown by 8%. Instruments accounted for a decreased proportion of net sales. Increased operational efficiency and reductions in costs improved the profitability of the diagnostics business.

Biohit focuses on tests and analysis systems for the diagnosis, screening and prevention of diseases of the gastrointestinal tract. Biohit's diagnostic products are sold primarily in hospitals, healthcare centres and at general practitioners, and also to service laboratories that conduct diagnoses and screenings. Customers for Biohit's GastroPanel laboratory package include public and private hospitals – both existing ones and those under construction – as well as general practices and laboratory chains.

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

Cost-effective diagnostics products for healthcare

The global economic downturn has increased the pressure on the healthcare sector to cut costs, which have almost spiralled out of control, and the needs of the briskly growing aging population are adding to the problem. There is a great need for safe, ethical and cost-effective products to diagnose and prevent complaints and diseases of the gastrointestinal tract. Treatment practices for many of these diseases are still insufficient, and many patients do not receive safe, appropriate treatment.

People's interest in their own health, especially among the aging population, is rising. In Western countries, 20–40% of the population suffers from occasional or continual pain or discomfort in the upper abdomen (dyspepsia). Standard medical practice requires these patients to undergo gastroscopy, so that a histological examination of biopsy samples can be undertaken to distinguish functional dyspepsia (that is, a healthy stomach) from a diseased stomach. This examination and its associated treatment is often not carried out, or not performed properly, and many times only after harmful medical treatments. It should be mentioned that, in 2007, Kela – the Social Insurance Institute of Finland – reimbursed 464,000 people for proton pump inhibitors (PPIs). The GastroPanel and GastroView tests now enable examination of abdominal complaints before any unnecessary and expensive procedures or medical treatments are carried out (www.gastropanel.net, www.gastroview.com, www.gastroprofile.com).

A blood sample-based GastroPanel test, which provides plenty of reliable data, is recommended for over 45s, whether they are suffering from abdominal complaints or not – atrophic gastritis and its risks are often asymptomatic. Routine tests and screening with GastroPanel are always recommended when a patient can provide a fasting blood sample. The GastroView examination does not require fasting and can therefore be used around the clock to distinguish dyspepsia complaints in a healthy stomach (that is, no *Helicobacter pylori* infection or risks of atrophic gastritis) from those in a diseased stomach. A diseased stomach will require endoscopic examination and biopsy samples to be taken, so that any potential precancerous lesions or early stage gastric cancer can be identified and treated in time.

The GastroPanel tests should be included in treatment practices for all age groups. And to increase patient safety and reduce healthcare costs, a GastroPanel examination should always be carried out before prescribing protein pump inhibitors (PPI) or starting treatment for *Helicobacter pylori* infection. An increased risk of gastric cancer is associated with an achloridic stomach resulting from the often asymptomatic atrophic gastritis caused by *Helicobacter pylori* infection or autoimmune diseases.

On the basis of results and test patient follow-ups from the Setti and Kotka-Vantaa studies conducted in Finland more than ten years ago, it is estimated that screening over 45s with GastroPanel would prevent 250–300 deaths from gastric cancer per year in Finland alone, as atrophic gastritis could be detected in time and patients referred for gastroscopy and biopsy examination.

GastroPanel also provides timely information on the risk of developing peptic ulcers due to *Helicobacter pylori* infec-

tion. Complications from the use of anti-inflammatory drugs in patients with peptic ulcers cause 200–300 deaths each year in Finland. The GastroPanel test will also identify other risks associated with a strongly acidic stomach, such as the complications of gastroesophageal reflux disease (erosive esophagitis and Barrett's esophagus). About one third of all gastroesophageal reflux disease patients present no symptoms and, without treatment, the disease can lead to esophageal cancer.

The atrophic gastritis caused by *Helicobacter pylori* infection or autoimmune diseases (as well as its associated risks, such as gastric cancer, peptic ulcers, and vitamin B12, iron and calcium deficiency) cannot be diagnosed using only a *Helicobacter* test – the ^{13}C urea breath and stool antigen tests, or a serological antibody detection test. This is worth remembering when seeking to improve patient safety and avoid malpractice in the diagnosis and treatment of dyspepsia and *Helicobacter pylori* infection.

Vitamin B12 deficiency is becoming a national disease among the older population. It is often caused by atrophic gastritis, and it is a contributing factor in other serious conditions, such as depression, dementia, damage to the peripheral nervous system, calcification of blood vessels, coronary thromboses and strokes. Calcium deficiency causes osteoporosis and increases the risk of broken bones (about 35,000–40,000 in Finland per year), which can be fatal in the elderly. In addition to the human tragedy caused by hip fractures (about 7,000 per year in Finland), they also give rise to a cautious annual estimate of over EUR 100 million in healthcare expenses.

The GastroPanel and GastroView examinations are forecast to eliminate the need for up to half of the gastroscopy and biopsy examinations currently carried out (estimated savings of EUR 15-20 million in Finland). The resources that can be saved in endoscopy are required for colorectal cancer screening. Before the advent of the GastroPanel test, atrophic gastritis, which often has few or no symptoms, could only be diagnosed with the histological examination of biopsy samples taken through gastroscopy. 20–40% of the population suffer from dyspepsia. There are currently insufficient endoscopy resources, both in Finland and abroad, to identify all the dyspepsia suffers with atrophic gastritis in time for them to receive further examinations and treatment.

It is only since early 2009 that physicians in Finland have been able to request the GastroPanel and GastroView tests under the name 'Bioindicator examination of the stomach, standard and extensive' from HUSLAB, a laboratory enterprise owned by the Hospital District of Helsinki and Uusimaa (HUS) (www.biohit.fi -> HUSLAB referrals).

The GastroPanel laboratory

Biohit combines liquid handling and diagnostics products with instruments and software to create analysis systems for use in its research and service laboratories. One or more analysis systems and the associated installation, training and maintenance services make up Biohit's turnkey GastroPanel laboratory, which can be adapted to the diagnostic tests carried out not only by Biohit but also by many other companies.

Since the beginning of 2009, Biohit has been engaging in the concerted marketing of not only products but also different-sized GastroPanel laboratories. Prices vary depending on the equipment provided and yearly capacity, ranging from EUR 0.2–4.3 million. Potential customers include hospitals – both existing ones and those under construction – as well as general practices and research and service laboratories.

GastroPanel laboratories will promote the effective introduction of the GastroPanel examination, the ultimate goal of which is to develop a safe, ethical and cost-effective practice for the diagnosis, screening and prevention of diseases. This goal is supported by an independent team of leading gastroenterologists and scientists from around the world. The team launched the 'Healthy Stomach Initiative' programme in 2008. Its primary goal is to screen for healthy stomachs to ensure further examinations and timely treatment for diseased stomachs. The team also hopes to link the 'Healthy Stomach Initiative' to ongoing and upcoming colorectal screening programmes.

ColonView – a quick test for the early detection of colorectal cancer

ColonView – Biohit's new quick test for the early detection of colorectal cancer – was launched during 2008. The ColonView tests offer an easy and cost-effective way of finding patients who have fecal occult blood and therefore a higher than average risk of colorectal cancer or precancerous lesions, which can then be confirmed using colonoscopy.

The risk group for colorectal cancer includes the older population and those with close relatives who have been diagnosed with the cancer. Early diagnosis significantly improves the chance of successful treatment. This is why colorectal cancer screening programmes have been recommended and even launched in many countries. A colorectal screening programme with a gradually expanding scope was begun in Finland several years ago.

Several studies have shown that screening to detect fecal occult blood can improve the chances of early detection of colorectal cancer. This is why Biohit's ColonView test, which is sensitive and specific to human blood, is so well suited for use in colorectal screening programmes and occupational healthcare and at healthcare centres and general practices. It is also particularly suited to routine checkups and health checks for over 50s who are not presenting any symptoms. Favourable results have been reported.

Eliminating carcinogenic acetaldehyde from the body and certain foodstuffs

In an anacidic stomach caused by *Helicobacter pylori* infection, autoimmune diseases or PPI medication, mouth bacteria can multiply and produce acetaldehyde from alcohol and the sugars ingested as part of a standard diet. Carcinogenic acetaldehyde is also present in numerous foodstuffs and tobacco smoke. During smoking, acetaldehyde dissolves into the saliva, thereby making its way down into the esophagus and stomach.

BioCyst capsules eliminate the acetaldehyde that is produced by microbes in an achloridic stomach from alcohol and sugars that are ingested as part of a standard diet. The favourable results achieved in the first clinical trials of Biohit's BioCyst tablets were presented at the Gastropäivät (Finnish Gastroenterology Seminar) held in Helsinki in February 2009.

Atrophic gastritis (an achloridic stomach) caused by *Helicobacter pylori* infection or autoimmune diseases, is known

to be a risk factor in gastric and esophageal cancer, can be reliably diagnosed with a straightforward GastroPanel test or then with the difficult and expensive histological examination of biopsy samples taken through gastroscopy. About 500 million people worldwide suffer from an achloridic stomach due to atrophic gastritis. The use of PPI medication, which prevents stomach acid secretion, can also lead to an achloridic stomach.

About 10% of the older population in Finland suffer from an achloridic stomach (atrophic gastritis) caused by *Helicobacter pylori* infection or autoimmune diseases. Kela reimbursed 464,000 people for PPI medication in 2007. These just over half a million people have good reason to take a BioCyst capsule with every meal to eliminate the acetaldehyde in their stomach. We do not yet know to what extent BioCyst could protect these people from the risks of cancer.

Those intending to quit smoking can choose either XyliCyst gum or lozenges, which both eliminate the acetaldehyde that dissolves into saliva during smoking. The acetaldehyde contained in tobacco smoke causes cancer and may also be responsible for tobacco addiction. Although there is as yet no evidence based on human studies, XyliCyst may help people quit smoking, as animal testing has indicated that acetaldehyde is addictive.

Biohit's goal for 2009 is to commercialise its BioCyst capsules and XyliCyst lozenges and gum in both Finland and selected international markets. Industrial licences will be offered for the BioFood process, which eliminates acetaldehyde from foodstuffs and tobacco smoke.

Scientific collaboration an essential aspect of business

Scientific collaboration and proactive publishing for both the scientific community and customers are an essential aspect in launching and maintaining business operations. The history of GastroPanel is an example of how Biohit's products are based on both reliable basic and applied studies and highly innovative technologies.

The 2005 Nobel Prize for Medicine was awarded to Australian doctors J. Robin Warren and Barry J. Marshall for the discovery of *Helicobacter pylori* in 1982. They then showed that *H. pylori* infection progresses into serious gastric diseases, such as gastritis and peptic ulcers (http://nobelprize.org/medicine/laureates/2005/press.html). Biohit's GastroPanel, which is based on Finnish gastritis research, is a blood test that reliably diagnoses *Helicobacter 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 (www.gastropanel.net and www.gastroview.com), and the immunological microplate tests based on its vertical measurement, enable medical knowledge about *Helicobacter pylori* to be put to more effective use in practical medicine. Professor Osmo Suovaniemi's multichannel pipette and vertical measurement method have furthered research in a variety of medical fields and industry. They have also promoted the massive development of safe and cost-effective immunological microplate tests for numerous cancers and infectious diseases, such as hepatitis and HIV (www.google.com/search 'Aggressive innovation and patenting strategy in Finland').

The previously described inventions have all promoted – and continue to promote – the development of safe, ethical and cost-effective medical science.

In recent years, the GastroPanel test has benefited over 40,000 patients worldwide. At the beginning of 2008, a group of the world's leading gastroenterologists and scientists launched the 'Healthy Stomach Initiative' programme. It seeks to create a treatment practice of reliable and cost-effective screening to refer those with diseased stomachs for timely treatment. The team of experts has chosen Biohit's GastroPanel and GastroView tests for inclusion in the population studies that will be conducted in several countries within the framework of this programme. The first study is already underway in Germany.

In 2008, Biohit expanded its range of diagnostic tests for diseases of the gastrointestinal tract with ColonView – a new quick test to promote the early diagnosis and prevention of colorectal cancer. The ColonView tests offer an easy and cost-effective way of finding patients who have fecal occult blood and therefore a higher than average risk of colorectal cancer or precancerous lesions (adenomas). The test also provides data on other potential diseases of the gastrointestinal tract that are associated with intestinal bleeding. ColonView will probably be included in a cost-effect study on colorectal cancer screening being carried out in Finland.

Approvals open up marketing channels

Biohit's diagnostics products can be exported for research and clinical use to all EU and several other countries, including Russia, India and China.

Although the GastroPanel tests have received market authorisation from the SFDA (China's State Food and Drug Administration), GastroPanel must also receive price approvals from local authorities. The first price approvals were granted in 2008 in the provinces of Shanghai, Jiangtsu and Liaoning. Biohit has begun marketing tests in these provinces through local distributors. Interest in Biohit's turnkey GastroPanel laboratories has also been shown in China.

The US Food and Drug Administration (FDA) has still not approved Biohit's application concerning the clinical use of the GastroPanel Pepsinogen I and II tests. Although Biohit delivered the requested further clarification during the reporting period, the FDA did not deem it sufficient. Biohit will now provide more extensive patient material and make a new application to the FDA. During the financial year, the United States Patent and Trademark Office did, however, grant a patent for a test panel to diagnose atrophic gastritis (GastroPanel).

The US National Cancer Institute (Bethesda, MD) and the Cancer Institute, Chinese Academy of Medical Sciences (Beijing) published a joint article in October 2008. This article presented research results confirming a conclusion published earlier in the year, namely that atrophic gastritis can increase the risk of esophageal cancer. This scientific study also indicates that GastroPanel's Pepsinogen I and II tests may be more reliable at detecting atrophic gastritis, which causes an achloridic stomach, than the examination of biopsy samples taken through gastroscopy. The results of these studies confirm that an achloridic stomach and the carcinogens produced within it, such as acetaldehyde, are risk factors for both gastric and esophageal cancer.

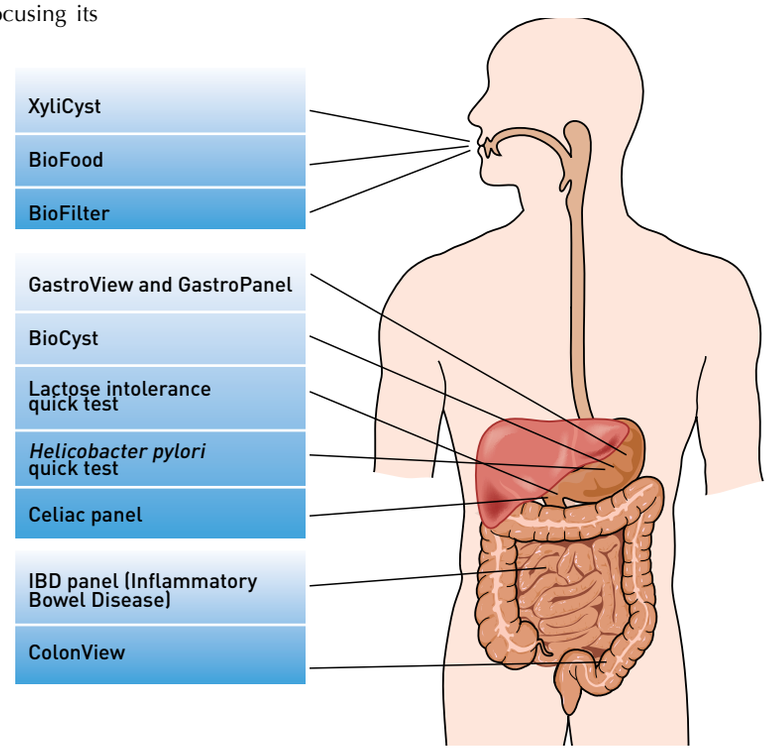
Due to lengthy approval processes, Biohit is focusing its marketing primarily on those countries in which its test panels have already been granted approval by the relevant authorities. The GastroPanel tests are covered by the reimbursement system of Kela – the Social Insurance Institute of Finland – and test kit marketing efforts have been upped in Finland with good results.

Outlook for the future

Biohit's primary challenge is to introduce its GastroPanel laboratories and diagnostic products and analysis systems into healthcare systems around the world. Closer cooperation with distribution partners is also crucial in safeguarding growth. In 2008, Biohit has therefore been investigating the possibility of finding a suitably powerful partner. The company also analysed the option of spinning off the diagnostics business into a separate company, Biohit HealthCare. As the current global economic climate has made finding a suitable partner difficult, the diagnostics business has instead been focusing on developing its operations. However, Biohit is still searching for a partner for its Biohit HealthCare business.

Diagnostics	2008	2007
Net sales, MEUR	1.5	1.7
Percentage of the Group's net sales, %	4	5
Operating profit/loss, MEUR	-2.4	-2.9

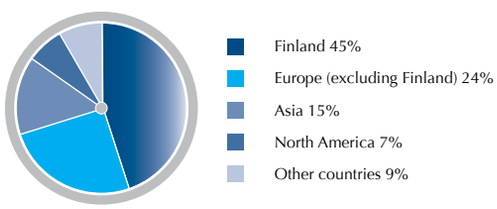
Products and services	Customers
GastroPanel, GastroView, and ColonView Gastro-Panel laboratories	Primary healthcare General practitioners and occupational healthcare Hospitals Private practices Service laboratories Pharmacy customers
Lactose intolerance and *Helicobacter pylori* quick tests	Specialised healthcare Gastroenterologists Hospitals
Products that eliminate carcinogenic acetaldehyde (XyliCyst, BioCyst, BioFood	Consumers Food industry Pharmacy customers The pharmaceutical industry
Monoclonal antibodies	For research use
Instruments	Laboratories
Service laboratory	Health centres, Researchers, Consumers



Biohit's products for the diagnosis, screening and prevention of diseases of the gastrointestinal tract.

PERSONNEL, QUALITY AND THE ENVIRONMENT

Personnel by market area



Biohit – where experience and innovation meet

Biohit's personnel work in eight countries. The production facilities located in Kajaani, Helsinki and Suzhou 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, diagnostics production, and sales and marketing. The Kajaani plant is specialised in pipette assembly and automated pipette tip production. Biohit's subsidiaries, which currently employ about 200 people, focus on product sales and marketing and maintenance services. China has both a sales organisation and a pipette assembly plant that primarily serve the growing Asian market.

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 and instruments and the diagnostics used in 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 invests in product and production process quality

Biohit's competitiveness and success is founded on its expert and motivated staff and a well-managed production chain. The company seeks to maintain reliable manufacture and delivery of its products while ensuring that they are as cost-effective and environmentally friendly as possible. Biohit also aims for an efficient order-delivery process and correctly timed deliveries.

The company's strengths are its extensive and innovative product range, modular products, and versatile, cutting-edge production technology. Materials expertise, R&D and traceability are vital aspects that competitors focusing on cheap production lack. Biohit manufactures almost all of its 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 still 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 a Lean 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, such as 3M and bioMérieux, is one area in particular that requires continual investment in quality system development.

All of Biohit's products and processes from research and development to product sales and marketing comply with ISO 13485 quality standards, which cover the manufacture of medical equipment, 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.

The company's production facility in Shuzou, China was also granted ISO 9001 and ISO 14001 quality certification in 2008. China has also introduced the same ISO 13485 compliant production processes that are used in Finland.

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 contamination can lead to misleading research results. Every pipette is tested and calibrated separately according to the ISO 8655 standard. The quality and sterility of disposable pipette tip batches

is tested and certified by an independent laboratory. The performance of liquid handling devices is checked in a FINAS accredited liquid test laboratory.

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

In order to ensure even safer liquid handling in laboratories, Biohit is developing a new concept alongside its existing maintenance concept. The new concept involves replacing existing pipettes on the market with Biohit's pipettes and tips.

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 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 separately 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.

CE IVD

FINAS Finnish Accreditation Service K041 (EN ISO/IEC 17025)

PYR

BOARD OF DIRECTORS


Reijo Luostarinen


Tero J. Kauppinen


Kalle Kettunen


Mikko Salaspuro


Osmo Suovaniemi


Mårten Wikström

Reijo Luostarinen, born 1939
- DSc (Econ.), Professor
- Chairman and non-independent member of the Board of Biohit Oyj since 1993
- Internationalisation and strategic planning

Other relevant experience and positions of trust:
Professor and Director of International Business at the Helsinki School of Economics (HSE); founder, Director, and Vice-rector of the Centre for International Business Research. Permanent visiting professor in the field of international business at the University of the West Indies and in the Executive MBA Program in Korea. Owner of two consulting firms, chairman and shareholder of three companies, and board member of ten other companies (in 1980-1997). Several international positions of trust in, for example, the United Nations. Author of 15 books and more than 75 articles and research papers.

Tero J. Kauppinen, born 1949
- MSc (Soc. Sc.), PhD (Hon.)
- Independent member of the Board of Biohit Oyj since 2006
- Strategic planning

Other relevant experience and positions of trust:
Developed the Vision In Action management model. Founder of the Leadership Academy and a sought-after lecturer. Over 30 years experience of management consultancy, specialising in management strategies, change management and customer relationship management.

Kalle Kettunen, born 1964
- MSc (Engineering, Industrial Economy), MBA
- Managing Director of Eka Chemicals Oy
- Independent member of the Board of Biohit Oyj since 2008
- International sales

Other relevant experience and positions of trust:
Marketing Director, Eka Chemicals AB Pulp and Paper Europe. Managing Director, Eka Chemicals (Suzhou) Co. Ltd / China.

Mikko Salaspuro, born 1939
- MD, PhD, Professor
- Independent member of the Board of Biohit Oyj since 2008
- Collaboration with scientific and research communities

Other relevant experience and positions of trust:
Specialist in internal medicine, gastroenterologist, and Professor of Alcohol Diseases at the University of Helsinki. He is, and has been, on the editorial teams of several international publications and on the committees of some of the industry's key national and international scientific societies. In recent years, his research has focused on the causal mechanism of gastrointestinal cancer. Over 400 publications.

Osmo Suovaniemi, born 1943
- MD, PhD, Professor
- Founder, President and CEO, and non-independent member of the Board of Biohit Oyj.
- Operative management and development for the Group; developing liquid handling and diagnostic test products

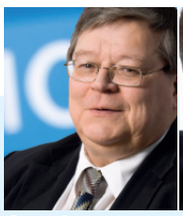
Other relevant experience and positions of trust:
The founder, main shareholder, chairman, and CEO of Labsystems Oy and Eflab Oy. Received an award in 1992 for the most patents in Finland – nearly 70 patents in Finland and a few hundred worldwide. A board member, vice-chairman, and chairman of the General Industry Group in Finland 1978–1986. Board member of the Confederation of Finnish Industry in 1986. Member of the Academy of Technical Sciences since 2003.

Mårten Wikström, born 1945
- MD, PhD, Professor
- Independent member of the Board of Biohit Oyj since 1997
- Co-operation with scientific and research communities

Other relevant experience and positions of trust:
Professor of physical biochemistry at the University of Helsinki. Academy Professor 1996–2006. Director of the international Helsinki Bioenergetics Group and Research Director of the Institute of Biotechnology at the University of Helsinki. Director of Research and Operative Director at Eflab Oy and Labsystems Oy. Over 160 original publications and several scientific awards.

Details of Board members' shareholdings can be found on page 22 of this Annual Report and on our website www.biohit.com/investors. Information on comptensation is on page 23 of this Annual Report.

MANAGEMENT TEAMS


Osmo Suovaniemi


Jussi Heiniö


Petteri Rehu


Mikko Patrakka


Erkki Vesanen


Kalle Härkönen


Seppo Riikonen

Liquid handling:

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

Prior to Biohit: Founder, President and CEO of Labsystems Oy and Eflab Oy.

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

Prior to Biohit: An Attorney-at-law with Law Office Matti Oksala Ky. A junior lawyer undergoing court training, and later a judge in the District Court of Vantaa, Finland.

Petteri Rehu, born 1972
- KTM
- Financial Management
- With Biohit since March 2009

Prior to Biohit: Senior Business Controller at Oriola KD Oyj, various financial management positions at Danisco A/S in Austria and the UK.

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

Prior to Biohit: Account and Business Manager at Okmetic Inc. (Texas). Sales Manager at IBM Global Services. Account Director and Marketing Manager at Tellabs International. Account Manager at Tecnomen Oyj.

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

Prior to Biohit: Managing Director of Innomedia Oy. Various product development, production, materials management, marketing, and international operations tasks at Labsystems Oy.

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

Prior to Biohit: Factory Manager at Delipap Oy and several positions at Tetra Pak Oy.

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

Prior to Biohit: Service Manager at Nordion Instruments Oy. Service Technician at Oriola Oy. Project Technician at Orion Analytica Oy.

Details of Board members' shareholdings can be found on page 22 of this Annual Report and on our website www.biohit.com/investors. Information on compensation is on page 23 of this Annual Report.

Osmo Suovaniemi *Jussi Heiniö* *Petteri Rehu* *Aino Telaranta-Keerie* *Lea Paloheimo* *Marjo Nikulin* *Tapani Tiusanen*

Diagnostics:

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

Prior to Biohit: Founder, President and CEO of Labsystems Oy and Eflab Oy.

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

Prior to Biohit: An Attorney-at-law with Law Office Matti Oksala Ky. A junior lawyer undergoing court training, and later a judge in the District Court of Vantaa, Finland.

Petteri Rehu, born 1972
- KTM
- Financial Management
- With Biohit since March 2009

Prior to Biohit: Senior Business Controller at Oriola KD Oyj, various financial management positions at Danisco A/S in Austria and England.

Aino Telaranta-Keerie, born 1976
- BSc (Biochemistry), PhD (Immunology)
- Research and development
- With Biohit since 2007

Prior to Biohit: Researcher at Celldex Therapeutics and GlaxoSmithKline in the UK. PhD from Cambridge University.

Lea Paloheimo, born 1951
- PhD (clinical biochemistry), Hospital Chemist, 'Quality and Leadership' program at the Danish Technical Institute
- International sales and marketing
- With Biohit since 2001

Prior to Biohit: Chemist at Huslab. Area Sales Manager at Dasico a/s. PhD and post-doctoral work at the Department of Clinical Biochemistry at the University of Copenhagen. Research Scientist at Orion Diagnostica (Orion Yhtymä Oy). Clinical chemist at United Laboratories Ltd. in Helsinki (Yhtyneet Laboratoriot Oy).

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

Prior to Biohit: Research chemist at The Finnish Institute of Occupational Health, Helsinki.

Tapani Tiusanen, born 1956
- PhD (Physics), DipEMC (strategic marketing)
- Instrument and software development
- With Biohit since 2008

Prior to Biohit: Sales Director at Kibron Oy. Development Manager at Biohit Oyj. Brand Manager at Vaisala Oyj. Sales Director at Linturi Oy. R&D and administrative tasks at Labsystems Oy. Researcher and lecturer at the University of Helsinki.

Management shareholdings on 31 December 2008

Name	Position	Series A shares	Change in 2008	Series B shares	Change in 2008
Reijo Luostarinen	Chairman of the Board	10,000	-	67,999	-1
Osmo Suovaniemi	Member of the Board, President and CEO	2,265,340	-	2,231,704	-8,334
Kalle Kettunen	Member of the Board	-	-	38,950	-
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 that are required to report their holdings. 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.

MANAGEMENT OF SUBSIDIARIES

UK: Biohit Ltd.
Richard Vaughton,
Managing Director since 1992

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

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

France: Biohit SAS
Régis Carnis,
Managing Director since 1991

Germany: Biohit Deutschland GmbH
Uwe Thönges,
Managing Director since 2003

Russia: Biohit OOO
Victor Peppi,
Managing Director since 2001

USA: Biohit Inc.
Robert P. Gearty,
Managing Director since 2000

MANAGEMENT COMPENSATION

The remuneration paid to President and CEO Osmo Suovaniemi, including benefits and Board fees, totalled EUR 257 thousand in 2008 (EUR 251 thousand in 2007 and EUR 260 thousand in 2006).

The salaries and fees of the Group's Managing Directors totalled EUR 730 thousand (EUR 712 thousand and EUR 635 thousand).

Remuneration paid to other Management Team members totalled EUR 697 thousand (EUR 827 thousand and EUR 799 thousand).

Board membership fees

During the financial year that ended on 31 December 2008, remuneration paid to the members of the Board of Biohit Oyj totalled EUR 76 thousand (EUR 80 thousand in 2007 and EUR 82 thousand in 2006).

Board meetings

The Board of Directors met 11 times in 2008. Average attendance was 81% before the Annual General Meeting, after which one member resigned in October 2007, leaving five members, and post-AGM average attendance was 77%.

Auditors and their fees

On 21 April 2008, the Annual General Meeting of Biohit Oyj chose authorised public accountants Ernst & Young Oy as auditor and decided that the company's fee was to be paid on the basis of the invoice issued. APA Erkka Talvinko is head auditor.

Invoiced auditors' fees for the 2008 financial year totalled EUR 101 thousand (EUR 163 thousand in 2007). Authorised public accountants Ernst & Young Oy and PricewaterhouseCoopers Oy were also paid EUR 19 thousand (EUR 15 thousand) for other services.

Dismissal of the President and CEO

The terms and conditions of the President and CEO's dismissal have yet to be confirmed.

Pension plans

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

Management shareholdings

On 31 December 2008, members of the Board and the President and CEO owned a total of 2,275,340 series A shares and 2,338,653 series B shares. These represent 35.7% of all shares and 68.0% of votes conferred.

GLOSSARY

Accredited calibration
Accreditation is based on internationally recognised criteria and is a method of assuring laboratory competence and credibility. The laboratory is audited by independent certification institutions (such as FINAS, COFRAC, DKD and UKAS). 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
Acetaldehyde has been classed as a carcinogen (IARC, 1999). 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, even 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 atrophy of 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 handling 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 duodenum, which is why a supplement is required for cysteine to be directly effective in the mouth (gum, tablet) or stomach (capsule).

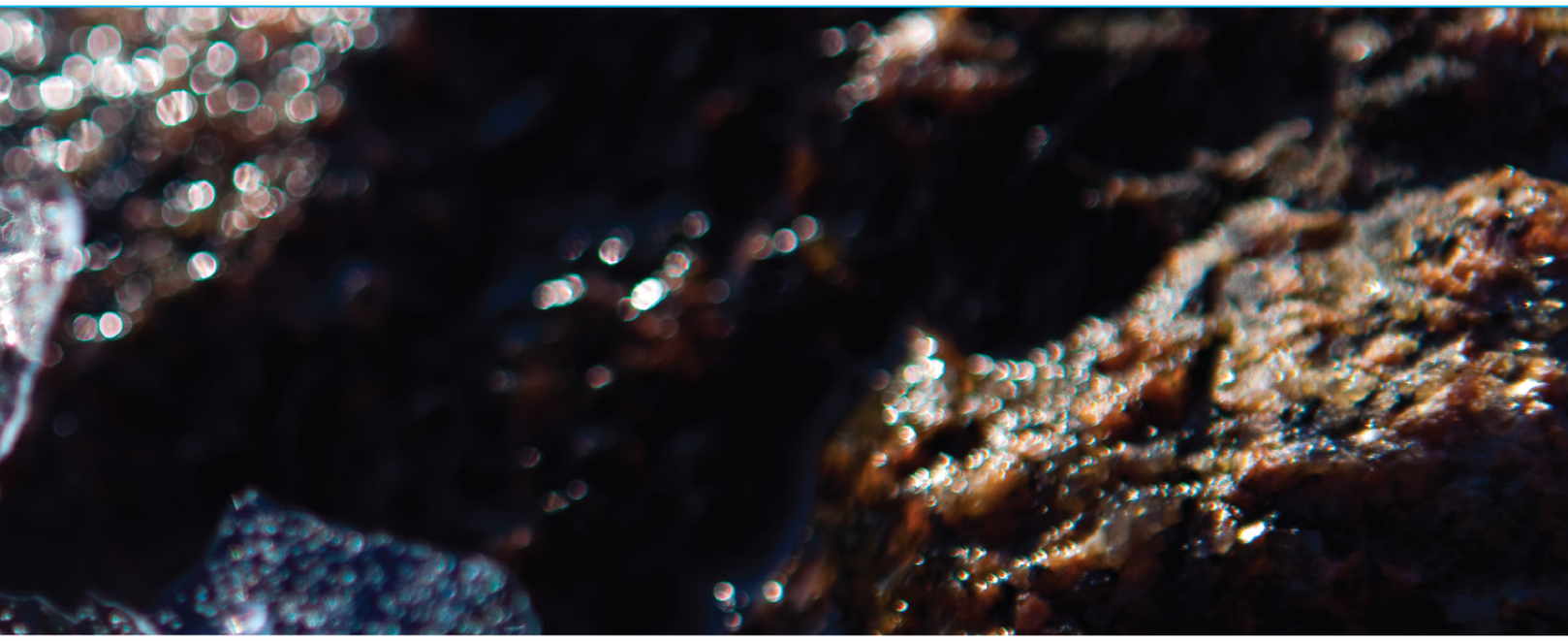
DNV
Det Norske Veritas – an international company focusing on risk identification and management. One of the world's best-known certification bodies.

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 immuno assay is carried out using a microplate.

FINAS
Finnish Accreditation Service. The Finnish national accreditation body, which operates independently as part of the Measurement Technology Center (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 blood stream is stimulated by a com-



bination 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), the lower the concentration of Gastrin-17 that will be measured in a blood sample.

Gastroenterology
A branch of medicine that studies the digestive system.

Gastroscopy
An endoscopic examination of the esophagus, stomach and duodenum.

Helicobacter pylori
Helicobacter 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 equipment and complies with the European IVD Directive.

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.

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* 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.

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 prevent the generation of electric and electrical waste and to promote its reuse and recycling.

FINANCIAL STATEMENTS 2008

REPORT OF THE BOARD OF DIRECTORS 2008

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.

Biohit employs approximately 370 people in eight countries. The company has production facilities in Finland (Kajaani and Helsinki) and China (Suzhou). Its subsidiaries in Germany, France, the United Kingdom, Russia, China, Japan and the United States 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

The Biohit Group's net sales for the financial year totalled EUR 35.1 million (EUR 33.0 million in 2007; EUR 31.4 million in 2006), representing a rise of 6% on 2007. In a change to previous reporting practices, changes in currency exchange rates for internal receivables are now presented under financial items. Using the previous reporting method, net sales would have amounted to EUR 35.6 million (EUR 32.8 million in 2007), representing growth of 9%.

Sales and maintenance of liquid handling products accounted for 96% of net sales during the reporting period. The net sales of the liquid handling business for the entire reporting period amounted to EUR 33.6 million (EUR 31.4 million in 2007; EUR 29.5 million in 2006) and the net sales of the diagnostics business to EUR 1.5 million (EUR 1.7 million in 2007; EUR 1.9 million in 2006). Sales of test kits accounted for EUR 1.2 million of the net sales of the diagnostics business (EUR 1.1 million in 2007).

Trends in the Group's net sales have been good in all its main market areas since the end of the first quarter, and there has been brisk growth in the Asian market in particular. The global economic downturn did not have a substantial impact on net sales trends during the 2008 financial year.

When calculated in local currencies, the Group's net sales growth for the entire reporting period has been better than reported growth. When calculated using comparable exchange rates, net sales growth in the liquid handling business for the entire reporting period was 10%, while the reported figure was 6%.

Excluding the impact of instrument sales, growth for the diagnostics business totalled 14% when calculated using comparable currency exchange rates. Reported net sales growth exclusive of instrument sales was 8%.

Result

The operating profit was EUR 1.3 million, representing 3.7% of net sales (2007: operating loss EUR 0.2 million, -0.6% of net sales; 2006: operating loss EUR 0.1 million, -0.5% of net sales). The profit for the financial year totalled EUR 0.9 million, or 2.6% of net sales (2007: loss EUR 1.5 million, -4.5% of net sales; 2006: loss EUR 0.8 million, -2.7% of net sales).

The operating profit of the liquid handling business amounted to EUR 3.7 million (operating profit EUR 2.7 million in 2007; operating profit EUR 2.2 million in 2006), while the operating loss of the diagnostics business totalled EUR 2.4 million (operating loss EUR 2.9 million in 2007; operating loss EUR 2.4 million in 2006).

Return on equity was 7.4% (-11.9 % in 2007; -6.1 % in 2006).

A minor sales downswing led to slightly weaker earnings trends in the early year. In order to improve earnings, the company began a savings and operational efficiency programme in June 2008. Increased efficiency and a reduction in fixed costs were achieved through this programme. These measures, coupled with the rise in sales that began in the second quarter, improved the Group's profitability. The euro's weaker trend against other currencies has also increased profitability.

Balance sheet

On 31 December 2008, the balance sheet total stood at EUR 27.1 million (EUR 27.3 million in 2007; EUR 27.3 million in 2006) and the equity ratio was 46.5% (43.6% on 31 Dec. 2007; 49.4% on 31 Dec. 2006). The rise in the equity ratio was primarily due to the profit for the reporting period and a decrease in both non-current financial liabilities and current liabilities.

Liquidity

Cash flow from operating activities during the financial year was EUR 1.2 million (EUR 1.1 million in 2007; EUR 0.2 million in 2006). At the end of the financial year, the Group's liquid assets totalled EUR 1.3 million (1.1 million in 2007; EUR 0.9 million in 2006). The company acquired EUR 0.6 million in new long-term financing in 2008. Interest-bearing liabilities totalled EUR 9.1 million (EUR 9.1 million in 2007; EUR 7.7 million in 2006). Current ratio was 2.5 (2.3 in 2007; 2.2 in 2006).

Research and development

Research and development expenditure during the reporting period amounted to EUR 2.0 million (EUR 2.0 million in 2007; EUR 1.7 million in 2006), representing 6% of net sales (6% in 2007; 6% in 2006). EUR 0.4 million (EUR 0.4 million in 2007; EUR 0.3 million in 2006) in development expenditure was capitalised during the period.

Investments

Gross investments during the reporting period totalled EUR 1.2 million (EUR 2.1 million in 2007; EUR 1.9 million in 2006). Investments were primarily for increasing production capacity and the purchase of equipment used in the manufacture of liquid handling products in Kajaani.

Personnel

The average number of Group personnel during the reporting period was 369 (352 in 2007 and 310 in 2006). Of these, 171 (178 in 2007; 162 in 2006) were employed by the parent company and 198 (174 in 2007; 148 in 2006) by subsidiaries. The Biohit Group's salaries and bonuses for the financial year totalled EUR 11.8 million (EUR 11.6 million in 2007; EUR 10.6 million in 2006).

Administration

The Annual General Meeting held on 21 April 2008 decided that the number of members of the Board of Directors is six. The AGM appointed Tero J. Kauppinen, Kalle Kettunen, Reijo Luostarinen, Mikko Salaspuro, Osmo Suovaniemi, and Mårten Wikström as members of the Board. Reijo Luostarinen has acted as Chairman of the Board.

Professor Osmo Suovaniemi is the company's President and CEO.

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

New members were appointed to the Diagnostics Management Team during the reporting period: Aino Telaranta-Keerie (Research and development), Marjo Nikulin (Production and quality) and Tapani Tiusanen (Instruments and technologies). 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 the administration of the Group as a whole.

At its meeting on 28 January 2009, Biohit's Board of Directors approved a Corporate Governance code, which is presented in more detail in the section following this report.

Liquid handling business

Biohit's liquid handling business develops, manufactures and markets laboratory equipment and accessories for the pharmaceutical, food and other industries. Biohit's products are also used in research institutions, universities and hospitals. The product range includes mechanical and electronic pipettes as well as disposable tips. While the majority of products are marketed under the Biohit brand, the company also sells 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.

According to Biohit's own estimates, the total market for pipettes and disposable tips has grown by about 5–10% per annum. Exchange rate fluctuations and the weakened economic climate in the United States have, however, had an unfavourable impact on growth, particularly in the market for pipettes. The global economic downturn has also slowed growth in other markets. Despite this, Biohit has succeeded in growing sales in certain market areas, sometimes even exceeding the total market average.

Main events of the financial year

2008 saw favourable trends in sales of liquid handling products in almost all market areas. Net sales showed a significant improvement after the end of the first quarter and grew by 7% on the previous year. Net sales growth and increased operational efficiency improved segment profitability, with operating profit totalling EUR 3.7 million (EUR 2.7 million 1-12/2007).

Biohit has continued to invest in R&D and launched new filter tips for pipettes in 2008. The tips are manufactured to high quality and sterility standards at the company's production facility in Kajaani. Biohit has also invested in equipment for manufacturing the new tips. Demand for filter tips has increased as laboratory quality standards have become stricter. Deliveries have already begun and the new tips have been favourably received by customers.

The Proline Plus mechanical pipette launched at the end of 2007 has also been well received and sales trends during the reporting period have exceeded expectations.

Biohit's after-sales service business has been growing, particularly at the company's own maintenance units. Biohit's calibration laboratory in Germany received accreditation from the German authorities (DKD) in November. Biohit now has accredited laboratories in four countries: Finland, France, Germany and the UK. Accreditation is based on internationally recognised criteria and is a method of assuring laboratory competence and credibility. Biohit's after-sales service business seeks to increase product lifecycle management and customer satisfaction.

The company also continued to focus on R&D projects, OEM co-operation, strengthening the Biohit brands, and using the Lean system to develop cost-effective production processes and logistics at production facilities in China and Finland.

Diagnostics business

Biohit's diagnostics business develops, manufactures and markets tests and analysis systems primarily for the diagnosis, screening and prevention of diseases of the gastrointestinal tract. The product range includes the GastroPanel and GastroView examinations and the ColonView quick test for primary healthcare; lactose intolerance and *Helicobacter pylori* quick tests for specialised healthcare; and instruments and analysis systems for laboratories. The company runs a service laboratory in Finland and in the UK.

In addition to its individual tests, Biohit also offers GastroPanel Laboratories on a turnkey basis. GastroPanel Laboratories, which are split into small-scale (price EUR 150,000–500,000) and large-scale (price EUR 4.3 million), come with GastroPanel tests, pipettes, instruments, and training and maintenance services. Increased demand for GastroPanel Laboratories would also significantly raise net sales in the diagnostics business.

Main events of the financial year

Sales trends in the diagnostics business did not reach a satisfactory level during 2008 and total net sales fell by 9% on the previous year. The majority of net sales are, however, generated by test kit sales, which have grown by 8%. The impact of instruments on net sales has decreased. Although increased operational efficiency and reductions in costs improved the profitability of the diagnostics business, the segment's operating result was once again in the red with a loss of EUR 2.4 million (loss of EUR 2.9 million 1-12/2007).

Biohit's reliable and cost-effective diagnostics products generate cost savings for the healthcare sector, which is under pressure to cut costs due to the global economic downturn. Consumer interest in examinations for abdominal complaints is also increasing all the time.

Biohit aims to get its GastroPanel and GastroView examinations introduced into national healthcare systems and local authority reimbursement schemes. Slow progress in obtaining approvals from the relevant authorities has, however, posed a

major challenge. The US Food and Drug Administration (FDA) has still not approved Biohit's application concerning the GastroPanel Pepsinogen I and II tests. Although Biohit delivered the requested further clarification during the reporting period, the FDA did not deem it sufficient. Biohit will now have to provide more extensive research material and make a new application to the FDA. The timetable for this process is therefore currently difficult to estimate.

The company is, however, continuing to prepare for test kit marketing in the USA by, for example, applying for patents. During the reporting period, the United States Patent and Trademark Office granted a patent for a test panel to diagnose atrophic gastritis (GastroPanel).

Biohit is also focusing primarily on those countries in which its test panels have already been granted approval by the relevant authorities. Test kit marketing efforts have also been upped in Finland with satisfactory results.

The focal point for diagnostics research and development during the period has been improvements to existing products and the commercialisation of new products. ColonView – Biohit's new quick test for the early detection of colorectal cancer - was launched during 2008. The ColonView tests offer an easy and cost-effective way of finding patients who have fecal occult blood and therefore a higher than average risk of colorectal cancer or precancerous lesions (adenomas). The test also provides data on other potential diseases of the gastrointestinal tract that are associated with intestinal bleeding. The test has been favourably received and will be used in a Finnish comparison study that is scheduled to begin soon. Participation in studies is part of the process of bringing diagnostics products to market.

Incorporation of the diagnostics business

Measures to spin off the diagnostics business continued during the period. As the current global economic climate has made finding a suitable partner difficult, the diagnostics business has instead been focusing on developing its operations.

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.

In the event of the dissolution of the company through a merger or 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.

On 28 August 2008, at Professor Pentti Sipponen's request and in accordance with the Articles of Association, Biohit Oyj's Board of Directors decided to convert 900,000 Series A shares owned by Sipponen into the equivalent number of Series B shares. The new Series B shares became available for public trading on 5 September 2008.

Distribution of the company's share capital by share type after the previously mentioned conversion:

	2008 No. of shares	EUR	2007 No. of shares	EUR
Series A shares (20 votes/share)	2,975,500	505,835	3,875,500	658,835
Series B shares (1 vote/share)	9,962,127	1,693,562	9,062,127	1,540,562
Total	12,937,627	2,199,397	12,937,627	2,199,397

Liquidity provision

Biohit Oyj gave notice on its market making agreement with Remium AB during the financial year. The agreement ended on 6 June 2008 in accordance with the contract. Market making began on 1 June 2007.

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 28 October 2005 – 28 October 2010. No bonds were converted into shares during the financial year.

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

Capital loans

Biohit's principal shareholders and the State Treasury have granted the company a capital loan of EUR 1.2 million for product and other business-related development. The accumulated interest on the capital loan at 31 December 2008 totals 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 to the Financial Statements.

Short-term risks and uncertainty factors

The main 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.

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 most significant risks and uncertainty factors inherent in Biohit's business operations concern the diagnostics business, Group liquidity, and trends in currency exchange rates.

If the diagnostics business does not meet the substantial growth expectations that have been set, this may also weaken the profitability of the Group as a whole. The long-term failure of the diagnostics business to meet its growth expectations could also lead to a EUR 2.5 million impairment of goodwill. In 2009, Biohit will work to boost sales and marketing by focusing on those market areas in which a breakthrough can be expected first. The company will also alter the cost structure of the diagnostics business to make it flexible enough to adapt to its operating income.

The Group's profitability improved on 2007 and this led to a rise in the equity ratio, which was 46.5% at year-end. Although increased profitability has also bolstered the Group's financing position, liquidity remains at only a satisfactory level. The global economic downturn could also impact sales of the Group's products, which would weaken liquidity. 2009 investments will therefore be reasonably moderate and business solutions will seek the most cost-effective alternatives.

Weaker trends in the external value of the euro against the US dollar and the Japanese yen have improved the Group's profitability during the reporting period. A strengthening of the euro would likewise have a detrimental impact on profitability. The company seeks to protect itself from exchange rate risks by making procurements in currencies other than the euro.

Outlook for 2009

The Group experienced favourable trends in net sales during 2008 and these have also continued throughout the first month of 2009. Trends in the global economy during 2009 may, however, lead to fewer investments in healthcare, research and R&D than in previous years. Cost cutting on research in the healthcare sector, and in particular the pharmaceutical industry, could be unfavourably reflected in net sales of both liquid handling and diagnostics products.

However, the company estimates that total net sales will continue to grow in 2009. On the basis of factors such as, among others, currency exchange rate trends in target markets, net sales growth in traditional liquid handling products may not necessarily match that of 2008. Growth in the diagnostics business is, however, expected to be substantially greater than in 2008 due to, for example, new product launches. Growth in the diagnostics business will now be sought solely through test kit sales, as sales of instruments are continuing to fall.

Earnings trends in 2009 will be largely dependent on sales of liquid handling products. Continued growth in the diagnostics business will also improve the Group's profitability and enable the investments required to further business development. Biohit estimates that favourable trends in net sales in both of its business segments will lead to a profit in 2009.

Events after the close of the financial year

Biohit launched new pipette maintenance and calibration software after the close of the reporting period. The module-based Quanta software range is suitable for all laboratories and maintenance companies that carry out pipette maintenance and calibration. Quanta rounds out Biohit's liquid handling range and promotes lifecycle management for products that are already in use.

Gastropäivät (the Finnish Gastroenterology Seminar) was held in Helsinki on 12–13 February 2009. Researchers from the University of Helsinki and the Helsinki University Central Hospital presented the results of clinical trials concerning Biohit's BioCyst capsules, which are currently still under development. The trials indicate that the capsules will help reduce the cancer risk posed by acetaldehyde in an anacidic stomach.

When taken with meals, Biohit's BioCyst capsules neutralise acetaldehyde in the stomach. Biohit seeks to bring its BioCyst capsules to market both in Finland and abroad during 2009.

After the end of financial year, Biohit began cooperation with HUSLAB, a laboratory enterprise owned by the Hospital District of Helsinki and Uusimaa (HUS). GastroPanel and GastroView, which are intended for use as primary examinations in primary and occupational healthcare, have been introduced into the laboratory analysis offered by HUSLAB in Finland under the name 'Mahalaukun biomerkkiainetutkimus' (in Finnish only: www.huslab.fi / Lähete- ja tutkimuspyyntölomakkeet / Lähetteet aakkosjärjestyksessä; see, 'Mahalaukun biomerkkiainetutkimus'). HUSLAB offers physicians the chance to prescribe a GastroPanel or GastroView examination. This not only cuts healthcare costs but also promotes the early diagnosis of gastric diseases and furthers the prevention of, for example, gastric cancer, peptic ulcer disease, vitamin B12 deficiency, and many other serious diseases.

After the end of the financial year, Biohit Oyj's UK subsidiary spun off its diagnostics business as a subsidiary of its own. This company, Biohit Healthcare Ltd, will focus primarily on the UK market.

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 9.5 million, which comprises non-restricted equity of EUR 12.2 million and an accumulated loss of EUR 2.7 million. The Board of Directors proposes that no dividend be paid and that the EUR 945,125.10 profit for the financial year be transferred to retained earnings.

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

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's administration complies with current legislation, the rules and 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 issued by the Securities Market Association in October 2008 and came into force on 1 January 2009. The Code covers the following areas:

Annual General Meeting

The tasks of the General Meeting

The General Meeting is Biohit's highest decision-making body. It meets once a year (Annual General Meeting, AGM) or more frequently as required (Extraordinary General Meeting, EGM). The AGM is held annually by the end of April. An EGM 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.

The major issues handled by the General Meeting include:

- Changes to the Articles of Association
- Share issues
- Determining the number of members on the Board of Directors and electing its members
- Electing an auditor
- Approving the financial statements
- Deciding on the distribution of profit and other funds

Notice of Annual General Meeting

A Notice of Annual General Meeting will be published in Helsingin Sanomat and Kauppalehti, and also on the company's website. The Notice will include the time and place of the meeting, the proposed agenda, any measures that need to be taken by participating shareholders, the record date, the address of the company's website, and where to obtain the material for the meeting. In addition to the agenda, the invitation will also include the nominees for the Board of Directors and the auditor. Nominees must have accepted their nomination and must be supported by shareholders possessing a total of at least 10% of the votes conferred by the company's shares. In addition to the Notice of Annual General Meeting, at least 21 days before the meeting, the company's website will also present the details of the Board nominees and the total number of shares and votes, by type of share, on the date the meeting was called. The Board's proposals and the documents to be presented at the meeting will also be made available.

The date of the AGM will be set so as to enable as many shareholders as possible to attend. Biohit Oyj's Board of Directors monitors trends in the company's shareholder structure and, if required, will take action to ensure that shareholders can participate to the fullest extent possible in decision-making at the AGM.

AGM attendance and publishing decisions

Shareholders must register in advance by the date given in the Notice of Annual General Meeting. Shareholders can attend the meeting in person or may nominate a proxy. Both shareholders and proxies may have an assistant at AGMs.

In addition to shareholders, AGMs are attended by the Chairman of the Board of Biohit Oyj, at least half of the Board members, the President and CEO, and the principal auditor. Unless there is a cogent reason for absence, all first-time Board nominees must attend the AGM.

Minutes are taken at the AGM, and these minutes are made available to shareholders on the company's website one (1) week after the meeting. Any decisions reached are published in a stock exchange bulletin immediately after the AGM.

Share series

Biohit's shares are divided into two series: 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. Series A shares are governed by surrender regulations, which are set out in more detail in Article 13 of the company's Articles of Association.

Board of Directors

Composition and term of office

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 the Group'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 at election by the AGM and lasts until the end of the next AGM.

Board members are presented in the section Board of Directors and their shareholdings are detailed in the Insider Register.

The tasks of the Board of Directors

The Board of Directors is responsible for the 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 company's operative management draws up reports on the business development of the Group and its units, and the Board of Directors bases its decisions on these reports.

Board meetings and self-assessment

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. When necessary, Board meetings are held more frequently or by teleconference. The meeting schedule for the entire term will be confirmed in advance.

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 expertise and experience of its members.

The scope of Biohit's business operations does no require the appointment of an Audit Committee, and no other committees have been appointed to assist the Board.

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 and reliable organisation of the company's accounting and 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.

The President is presented on www.biohit.com in the section President and CEO and his or her shareholdings are in the Insider Register.

Management

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 monitoring 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 directors of Group 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 Teams are presented on www.biohit.com in the section Management Teams and their shareholdings are in the Insider Register.

Managing directors of subsidiaries

The managing directors of subsidiaries and their Boards of Directors are responsible for the management of subsidiary operations. Subsidiaries are responsible for the sales and marketing of Biohit's products in their market areas. The subsidiaries' managing directors operate under the management and supervision of the President and CEO and the Director of Administration. Each subsidiary's Board comprises its managing director and the requisite number of members of Biohit's Management Teams.

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 operating principles.

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 fees paid to Board members during the financial year now ended, as well as the fees paid for consultancy and on the basis of employment contracts, are detailed on www.biohit.com in the section Board membership fees and other benefits.

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 fees paid to the President during the financial year now ended, as well as the President's main terms of employment, are detailed on www.biohit.com in the section Management fees and other benefits.

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 de-

termined by 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.

Internal control, risk management and internal audit

Internal control

Subsidiaries report on business and earnings trends 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 Liquid Handling Management Team decides, on the basis of the instructions given by the Board, on the Group's steering, financing and investments.

The Boards of subsidiaries follow business development at the subsidiary level and monitor that the steering instructions approved by the parent company and any other procedures are duly followed. Each subsidiary's Board usually convenes after each calendar quarter. Subsidiary Boards work with financial reports and the written interim reports drawn up by subsidiary management.

The Biohit Group's steering and control is carried out in accordance with the management system described above. The company provides all the reporting systems required for the monitoring of operations and financial management.

The parent company's financial department provides instructions for drawing up interim reports and financial statements, and prepares the consolidated financial statements. The parent company's financial department retains central control of funding and administrative matters, 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 administrative department controls and provides instructions on Group-level personnel policies and any agreements made within the Group.

Risk management

The main 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.

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 to hedge against them.

The major short-term risks and uncertainty factors affecting Biohit's business operations are presented in detail in the Report of the Board of Directors, and this information is updated throughout the year in the Financial Statement Bulletin and interim reports.

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 reporting systems required for financial management and monitoring business development. The reporting systems produce monthly financial data to ensure that the financial management instructions approved by the parent company on, for example, authorities are being adhered to. The Group's auditor and the auditors of each subsidiary evaluate the effectiveness of the internal audit both in connection with the external audit and through spot checks throughout the financial year.

Insider regulations

Insider guidelines

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

Permanent insiders and insider registers

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. 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, the company 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.

Insider control

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. For example, permanent insiders are not allowed to trade Biohit 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.

Audit

The auditor elected by the AGM is responsible for the 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 auditing firm 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.

The 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 parent company auditors are based in part on audits carried out by subsidiary auditors. These reports are also reviewed by Group Management.

Biohit's auditors and the fees paid to them during the financial year now ended are presented on www.biohit.com in the section Auditors.

Communications

Biohit's communications are based on policies approved by the Board of Directors and the legislation and regulations governing securities markets. Biohit seeks to maintain proactive communications with all of its interest groups and to pay attention to each group's specific needs and interests. Biohit aims to increase confidence in the company and thereby promote its business operations.

Biohit's major interest groups are its customers, shareholders and personnel. Other significant interest groups include analysts, authorities, mass media representatives, scientific communities, job seekers, and other partners in cooperation.

The President and CEO and the VP of Administration and Legal Affairs are responsible for ensuring that the company adheres to regulations on investor relations and communications and stock exchange releases. The Director of Communications is responsible for press releases and coordinating media relations.

All of Biohit's investor communications are published in both Finnish and English.

Consolidated income statement

1000€	Note number	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007
Net sales	2.3	35,095	33,011*
Other operating income	2.4	175	94
Change in inventories of finished goods and work in progress		-290	257
Materials and services	2.5	-6,681	-6,954
Employee benefit expenses	2.6, 2.9	-14,480	-14,140
Depreciation	2.7	-1,821	-1,815
Other operating expenses	2.8, 2.9	-10,684	-10,650
Operating result		1,314	-197*
Financial income	2.10	423	61
Financial expenses	2.10	-741	-980*
Profit before taxes		996	-1,116
Income taxes	2.11	-99	-386
Result for the period		897	-1,502
Distribution			
To equity holders of the parent company		897	-1,502
Minority interest		-	-
Total		897	-1,502
Earnings per share are calculated from the earnings attributable to equity holders of the parent company.			
Earnings per share, undiluted, EUR	2.12	0.07	-0.12

* The comparable figures for 2007 have been amended so that currency exchange rate losses on the Group's internal receivables are now presented under financial expenses rather than net sales. In 2008, EUR 350 thousand in currency exchange rate gains on the Group's internal receivables has been transferred from net sales to financial income and EUR 181 thousand to translation differences in the statement of changes in equity.

Consolidated balance sheet

1000€	Note number	31.12.2008	31.12.2007
Assets			
Non-current assets			
Goodwill	2.13	2,638	2,638
Intangible assets	2.13	1,636	1,494
Tangible assets	2.14	6,452	7,203
Financial assets	2.15, 2.18	12	9
Deferred tax assets	2.16	2,010	1,954
Total non-current assets		12,748	13,297
Current assets			
Inventories	2.17	5,769	5,622
Trade and other receivables	2.15, 2.18	6,800	6,385
Financial assets recognised at fair value through profit or loss	2.15	480	923
Cash and cash equivalents	2.15, 2.19	1,310	1,109
Total current assets		14,359	14,040
Total assets		27,107	27,337
Equity and liabilities			
Equity attributable to the equity holders of the parent company			
Share capital	2.20	2,199	2,199
Share premium fund	2.20	-	174
Translation differences	2.20	-194	53
Fund for investments of non-restricted equity	2.20	12,404	12,230
Retained earnings		-1,917	-2,814
Total equity		12,492	11,842
Non-current liabilities			
Deferred tax liabilities	2.16	0	82
Pension obligations	2.21	53	53
Interest-bearing liabilities			
Capital loans	2.15, 2.23	880	880
Other interest-bearing liabilities	2.15, 2.23	7,112	7,380
Total interest-bearing liabilities	2.15, 2.23	7,992	8,260
Other liabilities	2.15, 2.24	748	929
Total non-current liabilities		8,793	9,324
Current liabilities			
Trade payables	2.15, 2.24	1,321	1,419
Provisions	2.22	-	-
Current interest-bearing liabilities			
Capital loans	2.15, 2.23	73	363
Other interest-bearing liabilities	2.15, 2.23	1,025	503
Total interest-bearing liabilities	2.15, 2.23	1,098	866
Other liabilities	2.15, 2.23	3,403	3,887
Total current liabilities		5,822	6,172
Total liabilities		14,615	15,495
Total equity and liabilities		27,107	27,337

Consolidated statement of changes in shareholders' equity

1000 €		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 2007		2,199	174	125	12,230	-1,312	13,415
Translation differences	2.20	-	-	-72	-	-	-72
Result for the period		-	-	-	-	-1,502	-1,502
Equity, 31 Dec 2007		2,199	174	53	12,230	-2,814	11,841
Translation differences	2.20	-	-	-247	-	-	-247
Transfer between funds	2.20	-	-174	-	174	-	-
Result for the period		-	-	-	-	897	897
Equity, 31 Dec 2008		2,199	-	-194	12,404	-1,917	12,492

Consolidated cash flow statement

1000 €	Note number	2008	2007
Cash flow from operating activities			
Result before taxes		996	-1,116
Adjustments for:			
Depreciation according to plan	2.7	1,821	1,815
Other adjustments	2.26	318	602
Change in working capital			
Increase (-) or decrease (+) in trade and other receivables		-291	280
Increase (-) or decrease (+) in inventories		-146	149
Increase (+) or decrease (-) in current non-interest-bearing liabilities		-368	218
Interest and other financial items paid		-951	-537
Interest received		4	4
Dividends received		0	1
Income taxes paid		-194	-372
Net cash flow from operating activities		**1,188**	**1,044**
Cash flow from investing activities			
Investments in tangible and intangible assets		-1,228	-2,062
Proceeds from sales of tangible and intangible assets		0	16
Investments in funds and deposits		-	-1,200
Capital gains from investments in funds and deposits		477	1,110
Dividends received from investments		-	-
Net cash flow from investments		**-751**	**-2,136**
Cash flow from financing activities			
Increase in long-term borrowings		605	2,494
Finance leasing debts paid		-176	-206
Repayments of long-term borrowings		-712	-916
Net cash flow from financing activities		**-283**	**1,372**
Increase (+) or decrease (-) in cash and cash equivalents		154	281
Cash and cash equivalents at the beginning of the period		1,109	850
Effect of exchange rates on cash and cash equivalents		46	-22
Cash and cash equivalents at the end of the period	2.19	1,310	1,109

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 2009, Biohit Oyj's Board of Directors approved the financial statements for publication.

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 2008 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 statement.

Accounting policy applied in the consolidated 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 the 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 primary segment reporting is based on these business segments. Biohit reports on geographical areas as its secondary segments: 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:

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

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. 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 about 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 probable 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 or the lease period, whichever is shorter. 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.

Income 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 comprise held-for-trading assets. Held-for-trading assets are interest fund investments 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 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 and 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

Adoption of the following standards and interpretations issued by the IASB will be compulsory in 2009 or later. The Group has decided against the early adoption of these standards, but will introduce them in coming financial years.

New or amended IFRS standards and IFRIC interpretations coming into force in 2009 or later:

- *IFRS 1 and IAS 27, Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*. Adopted in 2008.

- *IFRS 8, Operating Segments, replaces IAS 14, Segment Reporting*. In 2009, the GastroPanel test package will appear as its own separate segment rather than as part of the Diagnostics segment.

- *IAS 23 and IAS 23R, Borrowing Costs*. This standard may have an impact if the Group invests in production assets that take a long time to be completed, such as buildings.

- *IFRS 2, Vesting Conditions and Cancellations* – amendment to IFRS 2, Share-based Payment. The Group has no share-based payment schemes.

- *IFRS 3 and IFRS 3R, Business combinations*. The Group will adopt this standard from 2010 onwards.

- *IAS 1 and IAS 1R, Presentation of Financial Statements, replaces IAS 1, Presentation of Financial Statements (revised in 2003 and amended in 2005)*. The Group will present the statement of comprehensive income in the Notes to the Financial Statements. The new standard will be adopted as of 1 January 2009.

- *IAS 27, Consolidated and separate financial statements (amended in 2008)* replaces IAS 27, Consolidated and separate financial statements. Will have no impact on the consolidated financial statements.

- *IFRIC 16, Hedges of a Net Investment in a Foreign Operation*. Group policy has been to not hedge net investments in subsidiaries.

- *IAS 39 and IFRS 7 (amendments)*. Changes in the categorisation of financial assets. The Group does not hold any instruments covered by these amendments.

New or revised standards and interpretations that came into force in 2008 but do not have a material effect on the consolidated financial statements

- *IFRIC 11, Group and Treasury Share Transactions*

- *IFRIC 12, Service Concession Arrangements*

- *IFRIC 13, Customer Loyalty Programmes*

- *IFRIC 14 and IAS 19, The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction*.

2.3 SEGMENT REPORTING

Biohit has organised its business into two primary business areas: Liquid Handling and Diagnostics. Biohit reports on these business areas as its primary segments. Biohit reports on geographical areas as its secondary segments: Europe, America, Asia 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. The Diagnostics segment produces diagnostic test systems, tests and instruments, and related software. There are no sales or other business transactions between business segments. Segment assets consist primarily of property, plant and equipment, 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 of property, plant and equipment 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, America, 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. A segment's assets and investments are allocated on the basis of the location of the asset.

Segment reporting follows the structure of the company's internal reporting. There is no trade between primary segments. In the secondary segments, internal pricing follows market-based internal prices.

Business segments 2008	Liquid handling	Diagnostics	Unallocated	Total
Net sales	33,588	1,507	-	35,095
Operating profit/loss	3,671	-2,357	-	1,314
Assets	21,052	2,761	3,294	27,107
Liabilities	1,314	8	13,293	14,615
Investments	977	236	-	1,213
Depreciation	-1,760	-61	-	-1,821

Business segments 2007	Liquid handling	Diagnostics	Unallocated	Total
Net sales	31,352	1,659	-	33,011
Operating profit/loss	2,734	-2,931	-	-197
Assets	20,836	2,848	3,652	27,337
Liabilities	1,263	155	14,076	15,495
Investments	1,871	210	-	2,081
Depreciation	-1,729	-87	-	-1,815

Geographical segments 2008	Europe	America	Asia	Other countries	Total
Net sales	19,518	6,367	4,014	5,196	35,095
Segment assets	21,334	1,869	3,084	820	27,107
Investments	1,129	24	54	5	1,213

Geographical segments 2007	Europe	America	Asia	Other countries	Total
Net sales	18,754	6,344	3,062	4,851	33,011
Segment assets	23,006	1,707	1,883	741	27,337
Investments	1,860	37	182	1	2,081

2.4 OTHER OPERATING INCOME

	2008	2007
Capital gains on the sale of property, plant and equipment	0	16
Grants	42	15
Other	133	62
Total	175	94

2.5 MATERIALS AND SERVICES

	2008	2007
Raw materials, consumables and goods	5,848	6,200
External manufacturing services	833	754
Total materials and services	6,681	6,954

2.6 EMPLOYEE BENEFIT EXPENSES

		2008	2007
Wages and salaries		11,828	11,640
Pensions	Defined benefit plans	33	31
Pensions	Defined contribution plans	1,342	1,267
Other personnel expenses		1,739	1,625
Wages and salaries capitalised in non-current assets		-461	-424
Total		14,480	14,140

Details of management's employee benefits are presented in note number 2.27, Related party transactions.

Unless otherwise stated, figures are presented in thousands of euros. 19

Number of personnel	2008	2007
Average number of salaried personnel	244	251
Average number of non-salaried personnel	125	102
Average number of personnel	369	352
Number of personnel at the end of the financial period	360	359

2.7 DEPRECIATION

	2008	2007
Intangible assets	372	367
Buildings	180	176
Machinery and equipment	1,269	1,273
Total	1,821	1,815

2.8 OTHER OPERATING EXPENSES

	2008	2007
Travel and other employee related expenses	2,252	2,318
Rent and maintenance expenses	2,738	2,694
Marketing and sales expenses	2,417	2,113
Other external services	1,960	2,235
Other operating expenses	1,316	1,289
Total	10,684	10,650
Invoiced auditors' fees	101	163
Other fees	19	15
Total auditors' fees	121	178

2.9 RESEARCH AND DEVELOPMENT EXPENDITURE

The Group's research and development expenditure totalled EUR 2,044 thousand (EUR 2,005 thousand), representing 5.8% (6.1%) of net sales, of which EUR 395 thousand (EUR 362 thousand) has been capitalised as development expenditure.

2.10 FINANCIAL INCOME AND EXPENSES

	2008	2007
Dividend income from available-for-sale financial assets	0	1
Exchange rate gains from financial assets and liabilities	414	34*
Gains from financial assets recognised at fair value	3	17
Other financial income	6	9
Total financial income	423	61
Interest expenses on financial liabilities	-565	-513
Exchange rate losses on financial assets and liabilities	-1	-354*
Wage and salary expenses	-175	-113
Total financial expenses	-741	-980
Total financial income and expenses	-318	-919

* The comparable figures for 2007 have been amended so that currency exchange rate losses on the Group's internal receivables are now presented under financial expenses rather than net sales. In 2008, EUR 350 thousand in currency exchange rate gains on the Group's internal receivables has been transferred from net sales to financial income and EUR 181 thousand to translation differences in the statement of changes in equity.

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

2.11 INCOME TAXES

Direct taxes	**2008**	2007
Taxes on taxable income for the period	-237	-254
Deferred taxes	138	-133
Total direct taxes	-99	-387

Reconciliation of the tax rate	**2008**	2007
Profit before taxes	996	-1,116
Taxes at the rate of the parent company, 26%	-259	290
Effect of different tax rates of foreign subsidiaries	-16	-27
Non-deductible expenses and tax-exempt income	11	-121
Unrecognised tax assets from tax losses/ use of previously unrecognised tax losses	168	-521
Use of temporary differences	-3	-8
Taxes in the income statement	-99	-387

2.12 EARNINGS PER SHARE

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

	2008	2007
Earnings for the period attributable to equity holders of the parent company, EUR thousand	897	-1,502
Interest on the convertible bond	263	263
Result for the period for the calculation of the earnings per share adjusted with the dilution effect	1,160	-1,238
Average number of shares, undiluted	12,937,627	12,937,627
Conversion of the convertible bond into shares	900,000	900,000
Average number of shares, diluted	13,837,627	13,837,627
Earnings per share (EPS), EUR, undiluted	0.07	-0.12

In the calculation of the earnings per share adjusted with 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 2007 and 2006 financial years.

2.13 INTANGIBLE ASSETS

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

Unless otherwise stated, figures are presented in thousands of euros. 21

Intangible assets 2007	Development expenditure	Intangible rights	Goodwill	Other intangible assets	Total
Acquisition cost at beginning of period	567	1,518	2,638	1,231	5,954
Increases	297	85	-	283	665
Transfers between items	-	-	-	-379	-379
Foreign exchange differences	-	-	-	-6	-6
Acquisition cost at end of period	864	1,604	2,638	1,129	6,234
Accumulated depreciation and impairment at beginning of period	-58	-979	-	-703	-1,740
Depreciation for the period	-42	-121	-	-203	-367
Foreign exchange differences	-	-	-	3	3
Accumulated depreciation and impairment at end of period	-101	-1,100	-	-903	-2,104
Carrying amount at end of period	763	504	2,638	226	4,131
Carrying amount at beginning of period	509	540	2,638	528	4,214

Intangible rights consist of patents. Assets acquired under finance lease agreements have been capitalised in other intangible assets. The acquisition cost at end of year was EUR 462 thousand (EUR 497 thousand), accumulated depreciation EUR 436 (EUR 371 thousand) and the carrying amount EUR 26 thousand (EUR 126 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 the value in use. Cash flow estimates cover a five-year period. The forecast for 2009 is based on the budget approved by the Board. Estimated cash flows for the years 2010–2013 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 years after 2014. No substantial net sales growth has been assumed after that. As this is a fledgling business area, growth estimates cannot be based on historical data. In 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 cautious estimate that reflects trends in the sales margin and net sales of previous years. Biohit's management is of the opinion that increased operational efficiency will raise the sales margin by 3–4% in the coming years.

The fixed costs used in impairment testing are based on 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 1%. Cost cutting and increasing 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 when defining the discount interest rate, which has been set at 15% before taxes.

On the basis of impairment testing using the previously mentioned estimates, there is no need to recognise any impairment losses on goodwill in the financial statements for the year ending 31 December 2008.

Impairment testing sensitivity analysis

The table below gives 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.

Year	actual **2008**	2009	2010-2014	sensitivity, %
Net sales growth, %*)	8.3	29.5	26.1	-2.6
Discount interest rate, %		15.0	15.0	6.0
Sales margin, %	66.0	71.0	72.0	-8.5

The long term growth used in the calculation is 2%. Sensitivity of the long term growth is -13,4%

*) 2008 net sales growth in comparable currencies was 20%.

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 GastroPanel's Pepsinogen I and II tests, and this has prevented sales growth in the United States. In order to continue with 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.

Negotiations with distributors are still partly ongoing in several European and Asian countries. Delays in these negotiations and

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

difficulties in finding reliable distributors could lead to net sales growth not meeting the forecasts used in impairment testing.

Management's estimations indicate that there is substantial growth potential for the GastroPanel product family in China and India. However, forecasts for 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 met.

2.14 TANGIBLE ASSETS

2008	Land	Buildings	Machinery and equipment	Total
Acquisition cost at beginning of period	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 at end of period	72	3,809	14,671	18,552
Accumulated depreciation and impairment at beginning of period	-	-1,590	-9,070	-10,660
Accumulated depreciation of decreases and transfers	-	-	25	25
Depreciation for the period	-	-180	-1,269	-1,449
Foreign exchange differences	-	8	-24	-16
Accumulated depreciation at end of period	-	-1,762	-10,338	-12,100
Carrying amount at end of period	72	2,047	4,333	6,452
Carrying amount at beginning of period	72	2,211	4,920	7,203

2007	Land	Buildings	Machinery and equipment	Total
Acquisition cost at beginning of period	72	3,796	12,533	16,401
Increases	-	5	1,437	1,442
Decreases	-	-	-303	-303
Transfers between items	-	-	379	379
Foreign exchange differences	-	-	-55	-55
Acquisition cost at end of period	72	3,801	13,991	17,864
Accumulated depreciation and impairment at beginning of period	-	-1,414	-8,131	-9,546
Accumulated depreciation of decreases and transfers	-	-	293	293
Depreciation for the period	-	-176	-1,273	-1,449
Foreign exchange differences	-	-	41	41
Accumulated depreciation at end of period	-	-1,590	-9,070	-10,660
Carrying amount at end of period	72	2,211	4,920	7,203
Carrying amount at beginning of period	72	2,381	4,401	6,855

Commitments on agreements relating to the acquisition of property, plant and equipment amounted to EUR 274 thousand (EUR 91 thousand).

Assets acquired under finance lease agreements have been capitalised in machinery and equipment. The acquisition cost at end of year was EUR 278 thousand (EUR 282 thousand), accumulated depreciation EUR 232 thousand (EUR 167 thousand) and the carrying amount EUR 47 thousand (EUR 114 thousand).

Unless otherwise stated, figures are presented in thousands of euros. 23

2.15 FINANCIAL ASSETS AND LIABILITIES BY CATEGORY

Balance sheet values of financial assets by category at 31 December 2008	Loans and receivables	Available-for-sale	Recognised at fair value	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

Balance sheet values of financial assets by category at 31 December 2007	Loans and receivables	Available-for-sale	Recognised at fair value	Total carrying amount	Fair value
Non-current financial assets					
Financial assets	1	8	-	9	1(*
Total	1	8	-	9	1
Current financial assets					
Trade and other receivables	6,385	-	-	6,385	6,385
Investments held for trading	-	-	923	923	923
Cash and cash equivalents	1,109	-	-	1,109	1,109
Total	7,494	-	923	8,417	8,417
Total financial assets	7,495	8	923	8,426	8,418

*) 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 taking into account the maturity of liabilities.

Financial liabilities by category	Carrying amount **2008**	Fair value **2008**	Carrying amount 2007	Fair value 2007
Non-current financial liabilities valued at a periodised acquisition cost				
Convertible bond	3,929	3,620	3,872	3,620
Capital loans	880	880	880	880
Other interest-bearing liabilities	3,183	3,183	3,508	3,508
Other liabilities	748	748	981	981
Total	8,740	8,431	9,240	8,988
Current financial liabilities valued at a periodised acquisition cost				
Capital loans	73	73	363	363
Other interest-bearing liabilities	1,025	1,025	503	503
Trade payables and other liabilities	4,724	4,724	4,924	4,924
Total	5,822	5,822	5,790	5,790
Total financial liabilities	14,562	14,253	15,030	14,778

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 taking into account the maturity of liabilities.

The fair value of the convertible bond has been determined using 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. 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.

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

2.16 DEFERRED TAXES

Deferred tax assets	2008	2007
Intangible assets	300	171
Internal margin on inventories	353	313
Pension obligations	29	18
Unused tax losses	845	1,442
Accumulated depreciation difference	482	
Other	1	11
Total	2,010	1,954

Deferred tax liabilities		
Accumulated depreciation differences	0	82
Other	-	-
Total	0	82

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

On 31 December 2008, Group companies had EUR 2,737 thousand (EUR 2,817 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. Said losses lapse in 2009-2028 and the equivalent deferred taxes are EUR 652 thousand (EUR 751 thousand).

2.17 INVENTORIES

	2008	2008
Raw materials and consumables	2,583	2,054
Products in progress	730	711
Completed products and goods	2,456	2,856
Total inventories	5,769	5,622

EUR 6,208 thousand (EUR 5,943 thousand) was expensed during the financial year to reduce the carrying amount of inventories. The item includes the carrying amount of obsolete and slow-moving inventories recognised as expenses, EUR 255 thousand (EUR 663 thousand).

2.18 TRADE AND OTHER RECEIVABLES

Non-current receivables	2008	2007
Non-current non-interest-bearing receivables	3	1

Current receivables		
Trade receivables	5,857	5,532
Prepayments and accrued income	600	442
Other receivables	343	411
Total	6,800	6,385

A breakdown of trade receivables by age is presented in note number 2.25.

2.19 CASH AND CASH EQUIVALENTS

Cash and cash equivalents	2008	2007
Cash at bank and in hand	1,310	1,109
Total	1,310	1,109
Cash and cash equivalents in the cash flow statement	1,310	1,109

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 (3,875,500 in 2007) are Series A shares and 9,962,127 (9,062,127) Series B shares. 900,000 series A shares have been converted into series B shares. The series B shares are quoted on the stock exchange. The total amount of shares has remained the same.

Both series have a nominal value of EUR 0.17. Series A shares confer twenty (20) votes at General Meetings and Series B shares confer one (1) vote. However, in payment of dividends, a dividend of two (2) per cent higher than the nominal value is paid for Series B shares than is paid for Series A shares.

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 amending the Articles of

Unless otherwise stated, figures are presented in thousands of euros. 25

Association. There was no change in share capital in 2008 and 2007. The share capital is fully paid-in.

Description of shareholders' equity funds:

Share premium fund - The equity component of the convertible bond 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 includes other equity investments and payments for share subscriptions insofar as it is decided not to enter said amounts into the share capital.

2.21 PENSION LIABILITIES

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

Pension liabilities for defined benefit plans in the balance sheet	**2008**	2007
Present value of unfunded liabilities	86	53
Present value of funded liabilities	96	82
Unrecognised actuarial gains/losses	4	-4
Fair value of assets	-100	-78
Pension liabilities at end	86	53

Changes in the present value of obligations during the period		
Present value of obligations at beginning of period	53	106
Costs based on work carried out during the period	27	30
Interest expenses	1	1
Benefits paid	5	-2
Pension liabilities at end	86	135

Changes in the fair value of assets during the period		
Fair value of assets at beginning of period	82	60
Employer contributions	20	20
Benefits paid	-6	-2
Fair value of assets at end of period	96	78

Pension expenses from defined benefit schemes recognised in the income statement		
Costs based on work carried out during the period	32	30
Interest expenses	1	1
Total	33	31

Mathematical assumptions for defined benefit pension schemes		
Discount interest rate, %	3	3
Projected increase in wages and salaries, %	2.5	2.0
Projected inflation, %	4.0	4.5
Projected average time remaining in the company's employ (years)	19.6	23.0

Payments into pension schemes are expected to total EUR 15 thousand in 2009.

2.22 PROVISIONS

Provisions for warranty	**2008**	2007
1 Jan	0	56
Provision additions	-	-
Released during the period	0	-10
Reversals of unused provisions	0	-46
31 Dec	-	-
Total provisions	-	-

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

2.23 INTEREST-BEARING LIABILITIES

Interest-bearing liabilities, balance sheet values	2008	2007
Non-current interest-bearing liabilities		
Loans from financial institutions	3,130	3,430
Convertible bonds	3,929	3,872
Capital loans	880	880
Finance leasing liabilities	53	78
Total	7,992	8,260
Current interest-bearing liabilities		
Loans from financial institutions, current portion	947	327
Capital loans, current portion	73	363
Finance leasing liabilities, current portion	77	176
Total	1,097	866
Total interest-bearing liabilities	**9,089**	**9,126**

Fair values for financial liabilities are presented in note number 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 6.2 % per annum (5.3 % in 2007). 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 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. The 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. The proportion of shares that can be converted on the basis of the convertible bond is a maximum of 6.5% of the company's shares, and 1.0% of the votes conferred by the shares after a possible increase in share capital. The company is entitled to repay the entire capital of the bond before the maturity date, providing that the mean rate weighted with the Biohit Series B share turnover on the Helsinki Stock Exchange has been at least EUR 10 immediately before the decision date regarding the repayment on 20 exchange days of 30 consecutive exchange days.

The convertible bonds mature 5 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 28 October 2005 - 28 October 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 bond is divided into equity and liabilities. The liability component has been initially recognised at fair value, which was defined 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 1,113 thousand (EUR 1,204 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 number 2.25.

Capital loans

Biohit's principal shareholders and the State Treasury have granted the company a capital loan of EUR 1.0 million for product and other business-related development. The accumulated interest on the capital loan at 31 December 2008 totals EUR 0.6 million. The loan meets the provisions laid down in Chapter 12 of the Finnish Companies Act. The main terms are:

- In the event of the dissolution and bankruptcy of the company, the payment of the capital, interest and other compensation is subordinated 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 financial period last ended.
- Loan interest rates vary between 4% and 6% per annum.

Unless otherwise stated, figures are presented in thousands of euros. 27

Capital of EUR 0.1 million and interest of EUR 0.1 million on the capital loan is due for payment during 2009. These items are presented in the balance sheet under current liabilities. Other capital loans and their outstanding interest are presented under non-current liabilities.

Financial leasing liabilities

Total minimum rents	**2008**	2007
Due for payment in the next year	78	182
Due for payment in the next 2–5 years	0	78
Due for payment in more than 5 years	-	-
Total	78	260
Future financial expenses	0	-7
Present value of financial leasing liabilities	78	254
Present value of minimum rents		
Due for payment in the next year	78	176
Due for payment in the next 2–5 years	0	78
Due for payment in more than 5 years	-	-
Present value of financial leasing liabilities	78	254

2.24 TRADE PAYABLES AND OTHER LIABILITIES

Non-interest-bearing liabilities, balance sheet values	**2008**	2007
Non-current non-interest-bearing liabilities		
Deferred tax liabilities	-	82
Pension liabilities	53	53
Interest on capital loans	596	681
Other non-current liabilities	153	248
Total	801	1,064
Current non-interest-bearing liabilities		
Trade payables	1,321	1,419
Other liabilities	493	816
Provisions	-	-
Advances received	250	199
Tax liabilities	172	183
Interest on capital loans	0	82
Accrued liabilities and prepaid income	2,488	2,607
Total	4,724	5,306
Total non-interest-bearing liabilities	**5,525**	**6,369**

Accrued liabilities and prepaid income include periodised employee benefits and leasing expenses.

2.25 FINANCIAL RISK MANAGEMENT

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 have improved the Group's profitability during the reporting period. A strengthening of the euro would likewise have a detrimental impact on profitability. The company seeks to protect itself from exchange rate risks by making procurements in currencies other than the euro.

At the closing date, 32% (33%) of the Group's external trade receivables and 11% (24%) of its trade payables were in foreign currencies.

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

2008 EUR thousands	USD	JPY	GBP
Net position	2,089	2,459	254
Effect on profit before taxes	100	348	-51
Effect on shareholders' equity	-113	145	-107

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

2007 EUR thousands	USD	JPY	GBP
Net position	1,680	1,723	565
Effect on profit before taxes	-80	-82	-27
Effect on shareholders' equity	-39	1	-6

The net position includes cash and cash equivalents in foreign currencies, as well as receivables and payables to both Group and non-Group companies.

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 credit granting are managed with fixed-rate lending. On the closing date, 65% (75%) of the Group's credit was fixed interest.

Sensitivity analysis of changes in interest levels in accordance with IFRS7

The Group has net floating rate liabilities totalling EUR 3,265 thousand (EUR 2,334 thousand). A change of 1 percentage point in the interest level at the end of the year would mean a +/- EUR 30 thousand (EUR 12 thousand) effect on the result before taxes.

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

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

2007	under 6 months	6-12 months	12-36 months	Later	Total
Loans from financial institutions	25	2,061	129	120	2,334

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 operational cost structure and the correct allocation of resources. Liquidity risk management aims to safeguard the Group's financing in all situations. The Group's liquid assets at the closing date totalled EUR 1.3 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 impact on liquidity.

The loan refinancing risk - that is, the risk that too large of a share 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, a 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.

Biohit's non-current liabilities contain 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 or will place the collateral position of the creditor on a weaker footing than other creditors. Equity ratio in 2008 was 47% (44% in 2007).

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

Unless otherwise stated, figures are presented in thousands of euros. 29

Financial liability maturity analysis 2007

	<1 year	1-5 years	>5 years	Total
Trade payables and other non-interest-bearing liabilities	5,315	477	113	5,905
Repayments on loans from financial institutions	326	2,721	708	3,755
Financing costs for loans from financial institutions	174	430	31	636
Repayments on the convertible bond	-	4,050	-	4,050
Financing costs for the convertible bond	263	527	-	790
Repayments on capital loans	363	-	880	1,243
Financing costs for capital loans	105	-	681	786
Financing costs for financial leasing liabilities	7	1	-	8
Repayments on financial leasing liabilities	176	77	-	253
Total	6,730	8,283	2,414	17,427

Commodity risk

The company has not hedged against commodity risks with derivatives, as they are not appropriate to 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 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 2008, trade receivables totalled EUR 5.9 million (EUR 5.5 million). Trade receivables include EUR 0.3 million (EUR 0.5 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	**2008**	2007
Not yet falling due	4,088	3,592
Under 60 days	1,356	1,690
61-120 days	332	157
121-360 days	57	83
Over 360 days	24	11
Total	5,857	5,532

In 2008, EUR 39 thousand in credit losses from trade receivables were recognised (EUR 19 thousand in 2007).

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	**2008**	2007
Total shareholders' equity	12,492	11,842
Balance sheet total	27,107	27,337
Advances received	-251	-199
Equity ratio	47%	44%

2.26 OPERATING CASH FLOW ADJUSTMENTS

Other adjustments for transactions with no associated cash flow	**2008**	2007
Financial income and expenses	318	658
Capital gains from sales of property, plant and equipment	0	-16
Change in provisions	0	-56
Other adjustments	0	16
Total	318	602

2.27 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 relating to the other's finances and business operations. The Group's related parties include the parent company

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

and subsidiaries. Related parties also include members of the Board of Directors, the Group's Management Team, and the President & CEO.

Salaries and other current employee benefits	**2008**	2007
Parent company		
Management Teams	678	827
President and CEO	203	190
Subsidiaries		
Managing Directors	730	712

Fees of Board Members		
Parent company		
Osmo Suovaniemi	14	14
Reijo Luostarinen	19	19
Mårten Wikström	14	14
Peter Tchernych	-	12
Tero Kauppinen	14	14
Mikko Salaspuro	14	-
Peter Coggins	-	6
Kalle Kettunen	-	-
Parent company, total	76	80
Subsidiaries		
Members of the Boards	108	76

Other operating expenses		
Consulting fees		
Companies controlled by Board Members	18	38
Key members of the parent company's management	-	30
Total consulting fees	18	68

Capital loans from related parties		
Loan amounts	880	880
Interest for the period	48	48
Total in interest payment liabilities	596	681
Average loan interest, per annum	5.4 %	5.4 %

The main terms for the capital loans are presented in note number 2.23.

Group's parent company and subsidiaries

Parent company Biohit Oyj, Finland	Group's holding
Biohit 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%
Oy Finio Ab, Finland	100%
Vantaan Hienomekano Oy, Finland	100%

Oy Finio Ab and Vantaan Hienomekano Oy did not conduct any business operations in 2008 or 2007.

Unless otherwise stated, figures are presented in thousands of euros. 31

2.28 CONTINGENT LIABILITIES

Liabilities for which corporate mortgages and shares have been lodged as collateral	**2008**	2007
Loans from financial institutions	3,496	3,307
Corporate mortgages	2,276	1,603
Mortgages on real estate	1,900	1,957
Other liabilities	237	331
Mortgages on real estate	757	757
Lease agreements	2,144	2,442
Corporate mortgages	235	235

Operational lease agreements and lease agreements		
Due for payment in the next year	1,377	1,488
Due for payment in the next 2–5 years	2,657	3,662
Due for payment in more than 5 years	0	979
Total	4,034	6,129

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.

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

3 KEY RATIOS

3.1 KEY FINANCIAL RATIOS

	IFRS 2004	IFRS 2005	IFRS 2006	IFRS 2007	IFRS **2008**
Net sales	26,702	28,660	31,408	33,011	35,095
Change in net sales, %	1.7 %	7.3 %	9.6 %	5.1 %	6.3 %
Operating profit/loss	251	-33	-143	-197	1,314
% of net sales	0.9 %	-0.1 %	-0.5 %	-0.6 %	3.7 %
Profit/loss before extraordinary items and taxes	104	-256	-607	-1,116	996
% of net sales	0.4 %	-0.9 %	-1.9 %	-3.4 %	2.8 %
Profit/loss before taxes	104	-256	-607	-1,116	996
% of net sales	0.4 %	-0.9 %	-1.9 %	-3.4 %	2.8 %
Return on equity, %	-1.1 %	-1.6 %	-6.1 %	-11.9 %	7.4 %
Return on investment (ROI), %	2.0 %	0.5 %	0.0 %	-0.6 %	8.2 %
Equity ratio, %	62.3 %	51.5 %	49.4 %	43.6 %	46.5 %
Investments in fixed assets	2,260	1,988	1,928	2,081	1,213
% of net sales	8.5 %	6.9 %	6.1 %	6.3 %	3.5 %
R&D expenditure	1,304	1,630	1,689	2,005	2,044
% of net sales	4.9 %	5.7 %	5.4 %	6.1 %	5.8 %
Total assets	22,759	27,851	27,320	27,337	27,107
Personnel, average	291	295	310	352	369

3.2 KEY PER SHARE RATIOS

	IFRS 2004	IFRS 2005	IFRS 2006	IFRS 2007	IFRS **2008**
Earnings per share, undiluted, EUR	-0.01*	-0.02*	-0.06*	-0.12*	0.07*
Equity per share attributable to the equity holders of the parent company, EUR	1.09	1.10	1.04	0.92	0.97
Price/earnings ratio, (P/E)	-158	-123	-31	-14	18
Dividend per share	-	-	-	-	-
Dividend/earnings, %	-	-	-	-	-
Effective dividend yield, %	-	-	-	-	-
Series B share price trend, EUR					
- average	2.39	2.20	2.26	2.42	1.41
- low	1.75	1.75	1.99	1.51	0.91
- high	3.09	2.87	2.61	3.29	1.92
- price at 31 Dec	2.06	2.15	2.03	1.57	1.27
Market capitalisation, EUR 1,000 (assuming the market price of the Series A share is the same as that of the Series B share)	26,652	27,816	26,263	20,312	16,431
Turnover of Series B shares, 1,000 shares	1,131	2,114	1,530	3,436	1,742
- % of total number of shares	12.5 %	23.3 %	16.9 %	37.9 %	17.5 %
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
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

*) options and bonds have no dilutive effect

As of 1 January 2004, the consolidated financial statements have been drafted in accordance with IFRS.

Unless otherwise stated, figures are presented in thousands of euros. 33

4 SHARES AND SHAREHOLDERS

4.1 SHARE TURNOVER AND AVERAGE PRICE

4.2 SHARES AND SHAREHOLDERS

Holdings by shareholder group, 31 Dec 2008

	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	145	4.2	2,137,092	16.7
2. Financial and insurance institutions	2	0.1	2,210	0.0
3. Public sector organisations	1	0.0	391,800	3.0
4. Non-profit organisations	8	0.2	27,821	0.2
5. Households	3,289	95.0	7,346,373	79.6
6. Foreign ownership	18	0.5	51,239	0.4
Shares on the joint book-entry account			5,592	0.1
Series B shares	3,485	100.0	9,962,127	100.0
Total Series A and B shares	3,494		12,937,627	

	No of shareholders		No of shares	
Series A shares	no.	%	no.	%
1-1,000	1	11.1	10	0.0
10,001-50,000	1	11.1	24,990	0.6
Over 50,000	7	77.8	3,825,500	98.7
Shares on the waiting list			25,000	0.6
Total Series A shares	9	100.0	3,875,500	100.0

Series B shares	No of shareholders no.	%	No of shares no.	%
1-1,000	2,873	82.4	1,036,623	11.4
1,001-5,000	458	13.1	998,923	11.0
5,001-10,000	74	2.1	559,828	6.2
10,001-50,000	64	1.8	1,197,081	13.2
Over 50,000	16	0.5	5,264,080	58.1
Shares on the joint book-entry account			5,592	0.1
Total Series B shares	3,485	100.0	9,062,127	100.0
Total Series A and B shares			12,937,627	

Largest registered shareholders, 31 December 2008

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
Sipponen, Pentti	-	910,000	910,000	7.0
Biocosmos Oy		693,735	693,735	5.4
Suovaniemi, Ville	208,280	371,300	579,580	4.5
Interlab Oy		572,762	572,762	4.4
Suovaniemi, Joel	208,280	333,000	541,280	4.2
Etra-Invest Oy Ab		420,000	420,000	3.3
Suovaniemi, Oili	111,600	288,935	400,535	3.1
Etera Mutual Pension Insurance Company		391,800	391,800	3.0
Härkönen, Matti	57,200	329,515	386,715	3.0

The 10 largest shareholders by number of votes	Series A shares	Series B shares	Total votes	%
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	220,699	1,716,699	2.5
Härkönen, Matti	1,144,000	329,515	1,473,515	2.1
Sipponen, Pentti	-	910,000	910,000	1.3
Biocosmos Oy	-	693,735	693,735	1.0
Tech Know Oy Ltd	499,800	98,000	597,800	0.9
Interlab Oy	-	572,762	572,762	0.8

Management's shareholding, 31 Dec 2008

On 31 December 2008, members of the Board of Directors and the President and CEO owned a total of 2,275,340 Series A shares and 2,338,653 Series B shares. These represent 35.7% of the total number of shares outstanding and 68.0% 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

1000 €	Note number	1 Jan - 31 Dec 2008	1 Jan - 31 Dec 2007
Net sales	6.1	22,918	20,073
Change in inventories of finished goods and work in progress		-99	144
Other operating income	6.2	139	106
Materials and services	6.3	-5,952	-5,569
Personnel expenses	6.4	-7,417	-7,715
Depreciation and impairment	6.5	-1,809	-1,774
Other operating expenses	6.6	-6,482	-6,766
Operating profit/loss		1,300	-1,500
Financial income and expenses	6.7	-671	-547
Profit/loss before appropriations and taxes		629	-2,047
Appropriations	6.8	316	8
Profit/loss for the period		945	-2,039

Unless otherwise stated, figures are presented in thousands of euros. 37

Parent company balance sheet (FAS)

EUR 1,000	Note number	31 Dec 2008	31 Dec 2007
Assets			
Non-current assets			
Intangible assets	6.9	2,304	2,415
Tangible assets	6.10	5,407	6,057
Investments			
Participations in Group companies	6.11	3,805	3,805
Other investments	6.11	7	7
Total non-current assets		11,522	12,284
Current assets			
Inventories	6.12	3,620	3,724
Non-current receivables	6.13	20	44
Current receivables	6.13	8,670	7,251
Marketable securities	6.14	480	923
Cash at bank and in hand	6.15	516	159
Total current assets		13,306	12,102
Total assets		24,828	24,386
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	-3,669	-1,630
Profit/loss for the period	6.16	945	-2,039
Total shareholders' equity		11,705	10,760
Accumulated appropriations	6.17	-	316
Obligatory provisions	6.18	**-**	**-**
Liabilities			
Non-current liabilities	6.20	7,755	8,230
Capital loans	6.21	880	880
Current liabilities	6.22	4,415	3,837
Capital loans	6.21	73	363
Total liabilities		13,123	13,310
Total liabilities		24,828	24,386

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

Parent company cash flow statement

EUR 1,000	2008	2007
Cash flow from operating activities:		
Profit/loss before extraordinary items	945	-2,047
Adjustments for:		
Depreciation according to plan	1,809	1,774
Financial income and expenses	671	547
Other adjustments	15	328
Change in working capital:		
Increase (-) or decrease (+) in current non-interest-bearing trade receivables	-1,819	-43
Increase (-) or decrease (+) in inventories	104	49
Increase (+) or decrease (-) in current non-interest-bearing liabilities	156	134
Interest and other financial items paid	-816	-475
Interest received from operating activities	8	6
Cash flow from operating activities	**1,072**	**271**
Cash flow from investing activities:		
Investments in tangible and intangible assets	-1,095	-1,788
Investments in other securities	-	-1,200
Capital gains from other investments	443	1,110
Proceeds from sales of tangible and intangible assets	-	16
Repayments of loan receivables	91	76
Interest and other income received from investments	-	14
Cash flow from investing activities	**-561**	**-1,773**
Cash flow from financing activities:		
Increase in long-term borrowings	500	2,434
Repayments of long-term borrowings	-655	-868
Cash flow from financing activities	**-155**	**1,566**
Increase (+) or decrease (-) in cash and cash equivalents	356	64
Cash and cash equivalents at the beginning of the financial period	159	95
Cash and cash equivalents at the end of the financial period	516	159

Unless otherwise stated, figures are presented in thousands of euros. 39

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 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 into the balance sheet at the original acquisition cost less grants received, deprecation 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 using the FIFO principle at acquisition cost, or at the lower of the replacement cost or 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 investments is 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 within a maximum of five years.

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 of renovating rented premises have been capitalised under "other capitalised expenditure", with depreciation calculated on a straight-line basis over the remaining lease period.

Pensions

Pension schemes and any additional pension benefits required by Finnish law are arranged through pension insurance companies. Pension costs are recorded over the period 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 the amount of tax liabilities 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.

6.1 NET SALES BY BUSINESS AREA

	2008	2007
Liquid handling	21,974	18,922
Diagnostics	944	1,151
Total	22,918	20,073

NET SALES BY GEOGRAPHICAL AREA	2008	2007
Finland	1,489	1,812
The rest of Europe	10,091	9,188
North and South America	4,129	3,899
Asia	3,743	2,090
Other countries	3,466	3,083
Total	22,918	20,073

6.2 OTHER OPERATING INCOME

	2008	2007
Capital gains on the sale of property, plant and equipment	0	16
From Group companies	17	51
Other	122	39
Total	139	106

6.3 MATERIALS AND SERVICES

	2008	2007
Purchases during the year	5,584	4,978
Change in inventories	5	193
Total raw materials and consumables	5,589	5,171
External services	363	398
Total materials and services	5,952	5,569

6.4 PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

	2008	2007
Salaries and wages	6,315	6,574
Pension expenses	1,007	1,047
Other personnel expenses	556	517
Wages and salaries capitalised in non-current assets	-461	-424
Total personnel expenses	7,417	7,715

EUR 395 thousand (EUR 362 thousand) in development expenditure (wages and salaries) and EUR 62 thousand (EUR 66 thousand) related to mould production was capitalised during the financial year.

Average number of people employed by the parent company during the year	2008	2007
Salaried employees	87	92
Non-salaried employees	84	86
Average number of personnel	171	178
Personnel at end of period	163	172

6.5 DEPRECIATION

	2008	2007
Intangible assets	620	590
Buildings	132	132
Machinery and equipment	1,056	1,051
Total	1,809	1,774

Unless otherwise stated, figures are presented in thousands of euros. 41

6.6 OTHER OPERATING EXPENSES

	2008	2007
Travel and other personnel-related expenses	887	1,061
Rent and maintenance expenses	1,838	1,874
Marketing and sales expenses	1,417	1,257
Other external services	1,114	1,205
Depreciation of trade receivables	372	425
Other operating expenses	854	943
Total	6,482	6,766

Depreciation of trade receivables contains EUR 335 thousand (EUR 400 thousand) in receivables from Group companies.

6.7 FINANCIAL INCOME AND EXPENSES

	2008	2007
Interest income from long-term investments		
From others	3	4
Total income from long-term investments	3	4
Other interest and financial income		
From Group companies	-	2
From others	5	17
Other interest and financial income	5	19
Total interest income from long-term investments and other interest and financial income	8	23
Interest expenses and other financial expenses		
To Group companies	-14	-10
To others	-665	-560
Total interest expenses and other financial expenses	-679	-570
Total financial income and expenses	-671	-547
Foreign exchange losses included under 'Financial income and expenses' (net)	-21	-36

The items presented above operating profit include EUR 552 thousand in net exchange rate losses (EUR 309 thousand). These financial items contain EUR 37 thousand (EUR 4 thousand) in unrealised financial income from securities recognised at fair value.

6.8 APPROPRIATIONS

	2008	2007
The accumulated difference between the depreciation according to plan and depreciation in taxation	316	8

6.9 INTANGIBLE ASSETS

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	10,792
Accumulated depreciation and impairment at beginning of year	-101	-1,100	-5,502	-1,166	-7,868
Depreciation and impairment during the year	-	-	-	-	-
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

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

42 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	566	1,519	6,558	1,366	10,009
Increases	287	85	-	257	629
Decreases	-	-	-	-	-
Acquisition cost at end of year	854	1,604	6,558	1,266	10,281
Accumulated depreciation and impairment at beginning of year	-58	-979	-5,149	-1,090	-7,277
Depreciation and impairment during the year	-	-	-	-	0
Accumulated depreciation at end of year	-101	-1,100	-5,502	-1,165	-7,867
Carrying amount at end of year	753	504	1,057	101	2,415

6.10 TANGIBLE ASSETS

2008	Buildings	Machinery and equipment	Total
Acquisition cost at beginning of year	2,594	12,184	14,779
Increases	-	445	445
Decreases	-	0	0
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
Accumulated depreciation of decreases	-	-	0
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

The unamortised acquisition cost of production machinery and equipment is EUR 3,537 thousand (EUR 4,019 thousand).

2007	Buildings	Machinery and equipment	Total
Acquisition cost at beginning of year	2,594	10,937	13,531
Increases	-	1,188	1,188
Decreases	-	-297	-297
Transfers between items	-	357	357
Acquisition cost at end of year	2,594	12,184	14,779
Accumulated depreciation and impairment at beginning of year	-740	-7,085	-7,825
Accumulated depreciation of decreases	-	287	287
Depreciation during the year	-132	-1,051	-1,183
Accumulated depreciation at end of year	-872	-7,849	-8,721
Carrying amount at end of year	1,722	4,336	6,058

6.11 SHARES AND HOLDINGS

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

2007 Shares	Group companies	Other shares	Total
Carrying amount at beginning and end of year	3,805	7	3,812

Unless otherwise stated, figures are presented in thousands of euros. 43

6.12 INVENTORIES

	2008	2007
Raw materials and consumables	1,855	1,934
Products in progress	728	755
Finished products/goods	1,037	1,035
Total inventories	3,620	3,724

6.13 RECEIVABLES

Non-current receivables	2008	2007
Receivables from others		
Payments and accrued income	20	44
Total non-current receivables	20	44

Current receivables	2008	2007
Receivables from Group companies		
Trade receivables	6,203	4,758
Loan receivables	-	91
Other receivables	16	12
Total	6,219	4,861
Receivables from others		
Trade receivables	2,127	2,065
Other receivables	214	251
Prepayments and accrued income	110	74
Total	2,450	2,390
Total current receivables	8,670	7,251

At 31 December 2008, EUR 44 thousand (EUR 69 thousand) in convertible bond issue costs have been capitalised in prepayments and accrued income.

Capitalised expenditure is expensed over a resting two-year (three-year) maturity.

6.14 MARKETABLE SECURITIES

	2008	2007
Investments in funds	480	923

Marketable securities consist of investments in interest funds.

6.15 CASH AND CASH EQUIVALENTS

	2008	2007
Cash at bank and in hand	516	159

6.16 SHAREHOLDERS' EQUITY

	2008	2007
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	-3,669	-1,630
Reported profit for the year	945	-2,039
Total shareholders' equity	11,705	10,760

Shares and voting rights

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, in the payment of dividends, a dividend of two (2) per cent higher than the nominal value is paid for Series B shares than is paid for Series A shares.

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

Structure of the parent company's shareholders' equity	**2008** no.	EUR	% of shares	% of votes	2007 no.	EUR
Series A shares (20 votes per share)	2,975,500	505,835	23.0	85.7	3,875,500	658,835
Series B shares (1 vote per share)	9,962,127	1,693,562	77.0	14.3	9,062,127	1,540,562
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 amending the Articles of Association.

The company does not own any of its own shares. The Board of Directors has no valid authorisations 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 ACCUMULATED APPROPRIATIONS

Accumulated appropriations on 31 Dec 2007 comprise accumulated depreciation differences.

6.18 OBLIGATORY PROVISIONS

Provisions for warranty	**2008**	2007
1 Jan	-	56
Released during the period	-	-10
Reversals of unused provisions	-	-46
Total obligatory provisions		-

6.19 DEFERRED TAX LIABILITIES AND ASSETS

The company has a total of EUR 2,033 thousand (EUR 1,913 thousand) in deferred tax assets from tax losses and temporary differences. The company's management estimates that EUR 1,463 thousand (EUR 1,459 thousand) of this amount can be utilised.

6.20 NON-CURRENT LIABILITIES

	2008	2007
Loans from Group companies	231	231
Loans from others		
Loans from financial institutions	2,736	3,031
Convertible bonds	4,050	4,050
Other non-current liabilities	142	237
Interest on capital loans	596	681
Total non-current liabilities	7,755	8,230

Liabilities falling due after five years:	**2008**	2007
Loans from financial institutions	306	521
Capital loans	880	880
Total	1,186	1,401

Non-current liabilities include convertible bonds totalling EUR 4,050 thousand. The main terms of the bonds are presented in the notes (2.23) to the consolidated financial statements.

6.21 CAPITAL LOANS

	2008	2007
From related parties	880	880
From others	73	363
Total	953	1,243

The company has capital loans totalling EUR 953 thousand. The main terms for these loans are detailed in the notes to the consolidated financial statements.

Unless otherwise stated, figures are presented in thousands of euros. 45

6.22 CURRENT LIABILITIES

	2008	2007
Loans from financial institutions, current portion	794	269
Other non-current liabilities, current portion	95	95
Advances received	66	33
Accrued liabilities and prepaid income	1,778	2,149
Other liabilities	170	194
Liabilities to Group companies		
Trade payables	496	17
Accrued liabilities and prepaid income	60	93
Total current liabilities	4,415	3,837

Accrued liabilities and prepaid income include holiday pay periodisation and related social expenses totaling EUR 984 thousand (EUR 1,068 thousand), leasing cost periodisation of EUR 358 thousand (EUR 361 thousand), and interest cost periodisation of EUR 92 thousand (EUR 170 thousand).

6.23 LIABILITIES AND COMMITMENTS WITH MORTGAGES AS COLLATERAL

Liabilities for which mortgages have been lodged as collateral	2008	2007
Loans from financial institutions	3,096	2,849
Corporate mortgages	2,276	1,603
Mortgages on real estate	1,500	1,500
Other liabilities	237	331
Mortgages on real estate	763	763
Lease agreements	2,037	2,442
Corporate mortgages	235	235

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

Leasing commitments	2008	2007
Due for payment the following year	373	426
Due for payment at a later date	329	398
Total	702	825

Rental commitments	2008	2007
Due for payment the following year	429	407
Due for payment at a later date	1,715	2,035
Total	2,144	2,442

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

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

7 THE BOARD OF DIRECTORS' PROPOSAL CONCERNING THE PROFIT 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 EUR 945,125.10 profit for the financial year be transferred to retained earnings.

Helsinki, 31 March 2009

Reijo Luostarinen
Chairman of the Board

Osmo Suovaniemi
Member of the Board
President and CEO

Tero Kauppinen
Member of the Board

Kalle Kettunen
Member of the Board

Mikko Salaspuro
Member of the Board

Mårten Wikström
Member of the Board

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 financial period 1.1.2008 - 31.12.2008. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement, statement of changes in equity 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 parent company's 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 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, 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 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, together with the consolidated financial statements included therein, and the report of the Board of Directors give a true and fair view of the financial performance and financial position of the company 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 2009

Ernst & Young Oy
Authorized Public Accountant Firm

Erkka Talvinko
Authorized Public Accountant

BIOHIT

Innovating for Health

Headquarters

Biohit Oyj
Laippatie 1
00880 Helsinki
Tel: +358-9-773 861
Fax: +358-9-773 86 292
info@biohit.com

Factory Kajaani
Tietokatu 4
87400 Kajaani

www.biohit.com

Subsidiaries

Germany
Biohit Deutschland GmbH
Raiffeisenstrasse 1
61191 Rosbach, Germany
Tel: +49-6003-82 820
Fax: +49-6003-828 222
info@biohit.de

Japan
Biohit Japan Co., Ltd.
NB Building 6F
2-15-10 Iwamoto-cho, Chiyoda-ku
Tokyo, 101-0032, Japan
Tel: +81-3-5822 0021
Fax: +81-3-5822 0022
sales@biohit.co.jp

United Kingdom
Biohit Ltd.
Unit 1, Barton Hill Way
Torquay, Devon TQ2 8JG,
United Kingdom
Tel: +44-1803-315 900
Fax: +44-1803-315 530
sales@biohit.demon.co.uk

France
Biohit SAS
2 Rue du Grand Chêne
78830 Bonnelles, France
Tel: +33-1-3088 4130
Fax: +33-1-3088 4102
commercial.france@biohit.com

United States
Biohit Inc.
3535 Route 66, Bldg. 4
P.O. Box 308, Neptune,
N.J. 07754-0308, U.S.A.
Tel: +1-732-922 4900
Fax: +1-732-922 0557
pipet@biohit.com

Russia
Biohit OOO, Saint-Petersburg
Vasiljevskij ostrov, line 5 -68
building 4, letter D
199178 Saint-Petersburg, Russia
Tel: +7-812-327 5327
Fax: +7-812-327 5323
main@biohit.ru

Biohit OOO, Moscow
Petrovsko-Razumovsky av. 29,
building 2
103287 Moscow, Russia
Tel: +7-495-614 9550
Fax: +7-495-613 5577
taras.pravdoljubenko@biohit.ru

China
Biohit Biotech (Suzhou) Co., Ltd.
Room 501, Office Block
Hotel Equatorial
65 Yan An Xi Lu
Shanghai, 200040
P. R. China
Tel: +86-21-6248 5589
Fax: +86-21-6248 7786
info.china@biohit.com

NORDIC ENVIRONMENTAL LABEL
Printed matter
441 032