FIT Biotech Oy

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FINANCIAL STATEMENTS BULLETIN OF FIT BIOTECH OY JANUARY 1–DECEMBER 31, 2015

In 2015, FIT Biotech listed on the First North market and concentrated primarily on gene-based treatments

Main events January–December 2015:

- In March, the company signed a heads of agreement with QYH Biotech Company Ltd of China regarding therapeutic poultry vaccines.
- In April, Tekes, the Finnish Funding Agency for Innovation, decided, upon the company's application, to not collect the company's debt amounting to approximately 6.5 million euros plus interest of approximately 1.4 million euros accrued on this debt, strengthening the financial standing of the company.
- In July, the company listed on the First North Finland market and trading in the company's series K shares began.
- With the share offering and related financing activities, the company accumulated gross funding totalling approximately 3.5 million euros while also strengthening its capital structure by decreasing debt and interest liabilities by approximately 13.2 million euros.
- In September, the company announced its intention to study further the feasibility of its GTU®-technology in gene-based treatments. Positive results were reported from the studies, which confirmed the company's understanding of the functionality of the technology. In December, the company filed a patent application on gene-based treatments technology.
- The company had a revenue of 20 (1–12/2014: 30.0) thousand euros.
- Operating profit excluding extraordinary items (remission of Tekes loans) was -2,642.30 (-2,290.7) thousand euros.
- Earnings per share were 0.12 (-0.15) euros.
- Cash flow from operations amounted to -2,432 thousand euros.
- The company's cash and securities on December 31, 2015 amounted to 1,844.8 (217.3) thousand euros.

Key figures for July–December 2015:

- The company had a revenue of 0.00 (7–12/2014: 30.0) thousand euros.
- Operating profit was -1,544.9 (-1,197.3) thousand euros.
- Earnings per share were -0.07 (-0.08) euros.

Events after the reporting period:

- The company's long time CEO, Dr. Kalevi Reijonen retired from the position of the CEO as per January 1, 2016. He continues in the company as the Chief Medical Officer (CMO). The acting CEO is temporarily the Chairman of the Board, Mr Rabbe Slätis.

- On January 7, 2016, the company announced a strategic decision to develop applications for gene therapy besides vaccine development. The decision is based on the good results of the functionality of the GTU® technology already achieved by the company, as well as the treatment opportunities provided by gene therapy. Gene therapies have the potential to considerable commercial opportunities.
- The company announced on January 28, 2016 that the drug candidate based on the GTU® technology had been chosen for the clinical studies conducted by the research consortium European HIV Vaccine Alliance (EHVA) and that the European Comission had decided to grant the EHVA consortium funding in an amount exceeding 22 million euros that is to be used for the development of new concepts of treating HIV. The company's share of the funding is approximately 1 million euros, which will have a cash-flow impact predominantly in 2016 and 2017. The received funding covers the costs incurred by the company due to the EHVA project.
- On February 16, 2016, the company announced that it had gained significant preclinical results in applying GTU® technology to gene therapy. The results now obtained are significant and justify continued preclinical studies towards a clinical study permit.
- On March 7, 2016, the company lowered its profit forecast for the 2016 financial period and announced to have started raising additional financing to ensure the implementation of its business plan and continuity of its business. The profit forecast was lowered due to delays in the preclinical studies aiming at making potential license agreements related to the gene-based treatments and delays in preliminary studies into poultry vaccines.

Key figures:

Currency EUR 1000	**Jan 1–Dec 31/2015**	**Jan 1–Dec 31/2014**	**July 1–31 Dec/2015**	**July 1– 31 Dec/2014**
Revenue	20,00	30,00	0,00	20,00
Operating profit/loss	3 842,90	-2 290,70	-1 544,90	-1 197,30
Adjusted operating profit/loss (*	-2 642,30	-2 290,70	-1 544,90	-1 197,30
Profit for the period	2 615,60	-2 304,10	-1 544,77	-1 210,38
Adjusted profit for the period(**	-2 628,60	-2 304,10	-1 544,70	-1 210,38
Cash flow from operations	-2 432,30	-1 203,70		
Liquid assets	1 844,80	217,30	1 844,80	217,30
Equity	-9 274,70	-21 348,60	-9 274,70	-21 348,60
Grants	6 539,20	205,00	0,00	180,00
Balance sheet total	2 693,70	1 020,90	2 693,70	1 020,90

(* adjusted for the EUR 6,485,213.20 subordinated loan not collected by Tekes
(** excluding the financial adviser’s fees

Outlook for 2016

The company continues to implement its strategy, i.e. the licensing of the patented GTU® technology to partners for medical applications. The company primarily focuses on verifying the preclinical efficacy of its drug candidates (proof-of-concept) developed on the basis of the GTU® technology. After this, the company will seek to license the drug candidate to pharmaceutical companies for further development and finally for sales. The company's revenue model is based on the signing and milestone fees of the targeted license agreements as well as on royalties.

Due to delays in the preclinical studies aiming at making potential license agreements related to the gene-based treatments and delays in preliminary studies into poultry vaccines, the Company assesses that its operating profit for 2016 will be negative. The company has started raising additional financing to ensure the implementation of its business plan and continuity of its business.

The company's other development projects have advanced as expected. One example is the HIV immunotherapy project. The company has been invited to join the major research consortium European HIV Vaccine Alliance (EHVA) developing new vaccines against HIV. The company's share of the consortium's funding is approximately 1 million euros, which will have a cash-flow impact predominantly in 2016 and 2017. The received funding covers the costs incurred by the company due to the EHVA project.

Rabbe Slätis, CEO

'The year 2015 was a significant step in the implementation of the company's strategy. The company's financial position was strengthened by the listing on the First North Finland market in the summer, making it possible to continue current research projects.

The company's strategy to focus on making use of the patented GTU® technology for next generation medical treatments is beginning to show results. In the autumn of 2015, the company reported favourable results from the application of GTU® technology in gene-based treatments. During the review period, this technology has become a viable commercial option for the company as a result of our present studies and the strong transition taking place in the pharmaceutical market. In December 2015, the company filed a patent application for gtGTU® technology (gene therapy, Gene Transportation Unit). The present extended studies, which precede the gtGTU® clinical studies, will use antibodies mimicking proper medical treatment. The pre-clinical studies have taken longer than assessed. The company will begin to commercialise the gtGTU® technology when the initial results from the extended studies have been completed. Significant agreements between biotechnology companies and major pharmaceutical companies have been announced in the market during the review period, which strengthen the company's view of business opportunities and prove that it is on the right strategic path.

During the review period, the company received confirmation that the Horizon 2020 consortium had proceeded to the final stage of the grant application process and to contract negotiations with the European Commission based on the research plan of the consortium. The consortium (EHVA, European HIV Vaccine Alliance) is a significant step in European cooperation for the development and testing of new preventive and treatment vaccines. The most authoritative independent players in the field have rated the company's technology as very high in quality. After the review period, the project has proceeded to the signing of the financing agreement. If obtain positive results are obtained from clinical trials, these results will further promote the commercialisation of the GTU® technology. The trial products of the project will be manufactured in the company's GMP-level (Good Manufacturing Practice) production facilities. The entire project will continue until 2021.

The company is now preparing to relaunch the GMP production, which was interrupted due to financial reasons. The company’s strategic strength is its ability to maintain its own GMP-level production facility, where it can produce vaccines used in clinical trials. The production machinery and equipment used meet government requirements and enable pure and safe vaccine production.

The Chinese pharmaceutical market is growing at a fast pace and the demand for modern biomedicines is increasing. The company believes that this trend will provide it interesting growth opportunities in the mid-term. New and better vaccines are also needed for the medication of production animals. During the review period, the company made progress in China to achieve a license agreement, and a heads of agreement was signed with QYH Biotech Company Ltd regarding poultry vaccines in March 2015. Initial studies aiming at making a license agreement have taken longer than assessed, and they are still ongoing.

The successful initial public offering bolstered the company's capital allowing it to implement its plans and strengthened its financial structure. The company gained in total around 200 new shareholders in the initial public offering. As a listed company, FIT Biotech is now an even more viable partner in the eyes of potential international licensing partners.

FIT Biotech offers investors the opportunity to participate in the long-term development of completely new types of medicines in the areas of gene-based treatments, such as for cancer; infectious diseases, such as for HIV and tuberculosis; and animal vaccines. I am grateful for the investors' interest toward the company. We aim to be actively involved in events that are particularly targeted at private investors. I thank the company's old and new investors, its committed personnel and international business partners for the past year for together enabling the successful operation of the company.’

REVIEW OF OPERATIONS Jan 1–Dec 31, 2015

Company's business and strategy

The business objective of the company is to license the patented GTU® technology to various partners for medical applications. The company will seek to license the GTU® technology for drug candidates with a high commercial potential and which are targeted at 1) existing large markets and/or 2) markets that need more efficient, safe and affordable treatments.

The company primarily focuses on verifying the preclinical efficacy of its drug candidates (proof-of-concept) developed on the basis of the GTU® technology. After this, the company aims at licensing the drug candidate to pharmaceutical companies for further development and finally for sales.
The company's revenue model is based on the signing and milestone fees of the targeted license agreements as well as on royalties.

The drug candidate applications developed on the basis of the company's GTU technology are applied in different gene-based treatments and vaccines.

Development projects

The company has several ongoing development projects that apply the company's widely patented GTU® technology. The company reported of its development projects in the offering circular published on May 29, 2015 in connection with the initial public offering. Of these projects, the treatment vaccine against bovine papilloma virus and Ebola did not meet the targets of the company. Said genetic vaccines projects have been discontinued and the suitability of said drug candidates for gene-based treatments is being examined. On January 7, 2016, the company announced the composition of its development project portfolio, and the portfolio currently comprises the following projects:

1. GTU® gene therapy

In gene therapy, the aim is to transport the desired genes to human somatic cells where they start to produce therapeutic or preventive proteins. The company is presently conducting preclinical studies to obtain proof-of-concept for the patented GTU® technology in gene therapy.

2. GTU® genetic vaccines

With its GTU® vaccines, the company focuses particularly on the prevention and treatment of diseases in areas where treatments do not exist at the moment, or where medical treatments have poor efficacy or safety. Examples of such areas are tuberculosis, HIV and certain animal infectious diseases.

3. Research collaboration

Besides direct license agreements, the company aims to enter research agreements as a stepping stone for final licence agreements. The company is a member of the EU Horizon 2020 research consortium developing a new type of treatment for HIV. The company manufactures the test vaccines in its own production facility.

Production

The company's preparedness to operate its own GMP (Good Manufacturing Practice) level production facility is one of its strategic strengths. The facility allows the company to produce vaccines used in clinical trials. The facility meets all requirements by the authorities for vaccine production, as well as enables flexible production of pure and safe vaccines for research purposes. The production machinery and equipment have been selected to meet government requirements and to enable sufficient vaccine production without compromising the purity and safety of the vaccine.

The company's production was interrupted for financial reasons, which is why the GMP status, which is granted for a specified duration, expired for the production facility in the summer of 2015. FIT Biotech will apply for reinstating the GMP status prior to restarting test manufacturing.

FINANCIAL REVIEW Jan 1–Dec 12, 2015

Revenue, profitability and financial performance

The company's revenue for the review period amounted to 20,000 (30,000) euro. Due to the product development focus of the company's business, revenue remained small. The revenue was generated through the sales of services related to the HIV vaccine. The company's main objective is to verify the preclinical efficacy of its drug candidates and after that, aim to finance clinical product development by entering collaboration or licence agreements with pharmaceutical companies.

The company's operating profit for the review period excluding extraordinary items (remission of Tekes loans) amounted to -2,642,236.97 (-2,290,719.66) euros. Earnings per share were 0.12 (-0.15) euros. The non-recurring expenses related to the company's First North listing amounted to 1,997.0 thousand euros, realised during the review period, of which 756.0 thousand euros were paid in cash and 1,241.0 thousand euros were paid as share remuneration. Share remuneration was recorded in financial expenses on the income statement and reserve for invested unrestricted equity on the balance sheet. Currency exchange rates had no significant effect on the profit.

Tekes decided on the basis of the company's application (April 20, 2015), to not collect an amount of approximately 6.5 million euros from the principal amount of the company's capital loans plus interest of 1.4 million euros accrued on this amount. Tekes has also extended the company's loan periods. The grants do not affect cash flow.

No significant research and development expenses were realised during the review period, which was due to the layoffs of the personnel.

Balance sheet, financing and capital expenditure

The balance sheet on December 31, 2015 stood at 2,693,711.07 (1,020,931.54) euros. The share issues carried out during the first half the review period and the First North listing strengthened the company’s balance sheet position. The company will use the funds from the IPO to ensure the sufficiency of its working capital and business continuity, finance its research and product development projects, and commercialise the GTU technology. The conversion offering and issue without consideration strengthened the company’s capital structure further by decreasing the company’s debt and off-balance liabilities by a total of approximately 13.2 million euros when including the automatic conversion of the subordinated convertible bonds issued in 2015 into the company's series K shares in connection with the listing.

Cash and cash equivalents on December 31, 2015 amounted to 1,844,832.76 (217,316.57) euros.

At the end of the review period on December 31, 2015, the company's short-term debt totalled 194,386.87 (123,466.06) euros and subordinated debt amounted to 11,774,069.63 (18,259,282.83) euros. Financing expenses amounted to 1,227,620.75 (13,902.45) euros.

The company did not have distributable funds, and no dividends were paid.

The company's patents (715,985.08 euros as at 31 December 2015) are recognised in the balance sheet at their acquisition cost less depreciations.

No product development investments were made during the review period.

Equity

The company's total equity on December 31, 2015 was -9,274,745.43 euros. Total equity at the end of the comparison period on December 31, 2014 was -21,348,599.35 euros.

Share capital on December 31, 2015 amounted to 7,761,023.98 euros, and the total number of shares in the company was 27,670,281. Equity and subordinated loans totalled 2,499,324.20 euros in the aggregate.

In January 2015, the company received a loan of 80 thousand euros for strengthening its working capital from the Finnish Innovation Fund Sitra. The company's board of directors, authorised by the annual general meeting of February 24, 2015, issued a convertible bond loan of no more than 1.5 million euros on March 11, 2015 to strengthen the company's financial position. The convertible bond loan was subscribed for up to a total of 613.5 thousand euros and it was converted into the company's series K shares.

The company's capital structure was significantly strengthened by the conversion offering in connection with the listing in which the company's subordinated convertible loans, other loans and interest receivables were converted into the company's series K shares pursuant to the terms of the offering. A total of 6,237,115 new series K shares were issued without consideration to entities that had interest receivables based on subordinated convertible loans from the company, and as a reward to the Certified Advisor of the company assisting with the share offering and listing.

Capital loans

Capital loans without right of conversion

Tekes, the Finnish Funding Agency for Innovation, has granted capital loans for an aggregate amount of 20.4 million euros. Of this amount, 2.1 million euros were given in the form of a grant. On April 20, 2015, Tekes decided to not collect a portion of 6.5 million euros of the remaining amount of the capital loan plus the accrued interest of 1.4 million euros on this portion. As at December 2015, the capital loans amounted to 11.7 million euros in total and the accrued unpaid interest amounted to 3.3 million euros. The loan period is between eight and sixteen months from withdrawal. The interest rate is one (1) percentage point lower than the base rate in force from time to time, in any case at least 3%. The capital loan was granted for the company's product development projects, and the loan has been used to cover the contractual proportion of the projects' product development costs. The capital loans were taken out in 1998–2010.

Business continuity and sufficiency of funding

The funds from the initial public offering, which was arranged in connection with the listing on the First North Finland market, reached the minimum target of 3.5 million euros. In its offering circular dated May 29, 2015, the company assessed that its operating profit would turn positive by the end of 2016, provided that the assumptions made at that point, of which the most important was the accrual of assumed signing and milestone fees totalling 3.6 million euros and entering them as revenue for 2016, would materialise. The company expects that a significant share of these fees will be generated from possible license agreements to be entered into in the field of gene-based treatments.

Due to the delays in signing the license agreements related to the gene-based treatments and delays in preliminary studies into poultry vaccines, the company lowered its profit forecast on March 7, 2016 and assessed that its operating profit for 2016 will be negative. The company has started raising additional financing to ensure the implementation of its business plan and continuity of its business.

In the raising of additional finance, the company considers various different short and long-term sources of finance. The company aims to complete the raising of additional finance by autumn 2016. However, the company is aware that in the current economical situation, all contemplated measures aiming at raising additional finance do not always realise as planned and, therefore, raising additional finance and the continuity of the company's activities involves material uncertainties.

The company has been invited to join the major research consortium European HIV Vaccine Alliance (EHVA) developing new vaccines against HIV. The company's share of the consortium's funding is approximately 1 million euros, which will have a cash-flow impact predominantly in 2016 and 2017. The received funding covers the costs incurred by the company due to the EHVA project.

Personnel, management and administration

The number of personnel at the end of the review period was 11 (12 on December 31, 2014). The number of personnel decreased by 1 person during the review period. Part of the personnel was laid off during the review period, with the layoffs continuing after the period.

Management team and changes during the review period

In July, the company announced the appointment of Adjunct Professor Milla Koistinaho, Ph.D., to the newly created position of Chief Operating Officer as of the beginning of August. She resigned from her position on September 14, 2015.

On December 31, 2015, the company announced that its long time CEO, Dr. Kalevi Reijonen will retire as per 1.1.2016 and will continue in the company as the Chief Medical Officer (CMO). The recruitment process of the new CEO is in progress. The acting CEO is the Chairman of the Board Mr Rabbe Slätis until the new CEO is appointed.

On December 31, 2015, the members of the company's management team were Kalevi Reijonen (CEO and President), Mart Ustav (SVP, Chief Scientific Officer), Liisa Laitinen (Vice President, HR, Administration & Finance), Matti Lähde (VP Production) and Jussi Seitsonen (VP Quality Assurance and Quality Control).

As of January 1, 2016, the members of the company's Management Team are Rabbe Slätis (CEO and President), Mart Ustav (SVP, Chief Scientific Officer), Kalevi Reijonen (Chief Medical Officer, CMO), Liisa Laitinen (Vice President, HR, Administration & Finance), Matti Lähde (VP Production) and Jussi Seitsonen (VP Quality Assurance and Quality Control).

On January 21, 2016, the company announced that Mr Andres Männik, Ph.D. had been appointed as Chief Scientific Officer of the company, with Professor Mart Ustav continuing in the company as a member of the Scientific Advisory Board.

Board of directors and changes during the review period

The extraordinary general meeting of the company held on October 22, 2015 decided to increase the number of the members of the board of directors so that there are six (6) ordinary members at the board. In addition, the general meeting decided to elect Tomi Numminen and Rabbe Klemets as new members of the board of directors, who resigned from their positions on January 1, 2016. Tina Nyfors resigned from the company's board of directors starting August 2015.

As at December 31, 2015, the members of the company's board of directors were Rabbe Slätis (chairman), Juha Vapaavuori (vice chairman), Rabbe Klemets, Tomi Numminen, Erkki Pekkarinen and Dirk Teuwen.

As of January 1, 2016, the members of the company's board of directors are Juha Vapaavuori (chairman as of January 20, 2016), Erkki Pekkarinen, Rabbe Slätis and Dirk Teuwen.

General meetings of shareholders

Extraordinary general meeting on February 24, 2015
The extraordinary general meeting of the company decided, in accordance with the proposal of the board of directors, to incorporate the company's shares into the book-entry system and authorised the board to decide on the date of the incorporation. The shares were incorporated in the book-entry system maintained by Euroclear Finland on June 1, 2015.

The extraordinary general meeting also resolved to authorise the board to decide on an issue of the K shares as well as option rights and other special rights entitling their holders to K shares. The authorisation allows the board to decide upon a directed issue including the right to derogate from the shareholders' pre-emptive subscription right and the right to grant special rights provided that the requirements set forth by law are met. A maximum of 5,000,000 new K shares or K shares held by the company may be issued under the authorisation. The authorisation is valid until December 31, 2016. Based on the authorisation, the board of directors decided to issue a subordinated convertible loan on March 12, 2015 and March 13, 2015. The loan includes an obligation pursuant to Chapter10(1) of the Limited Liability Companies Act to convert the loan into new series K shares in the company. The lender has an obligation to convert the loan into series K shares in the company, in which case the loan will be automatically converted into series K shares in the company on the last subscription day of the offering without any action on the lender's behalf. The number of series K shares to be issued to each lender upon the conversion equals the nominal value of the respective lender's share of the principal of the loan divided by the subscription price, which is twenty per cent (20%) less than the subscription price in the offering. No security has been given for the loan. The loan was subscribed for 613,500 euros.

General meetings of shareholders on April 17, 2015
The annual general meeting of the company adopted the financial statements for 2014 and discharged the members of the board and the CEO from liability for the financial period 2014. The annual general meeting decided that no dividends be paid for the financial period 2014 and that the loss for the period, -2,304,135.14, be transferred to the profit/loss account.

The annual general meeting also decided on the remuneration of the members of the board of directors and the auditor. The number of board members was decided to be five. Rabbe Slätis, Tina Nyfors, Erkki Pekkarinen, Dirk Teuwen and Juha Vapaavuori were elected members of the board.

The decision was taken to elect the firm of Authorised Public Accountants PricewaterhouseCoopers Oy as the company's auditors with Mr Janne Rajalahti, APA, as the principal auditor.

Extraordinary general meeting on May 18, 2015
The extraordinary general meeting of the company decided upon applying for the admission of the company's series K shares to trading on the First North Finland market maintained by NASDAQ Helsinki Oy.

The general meeting also decided to authorise the board of directors to decide upon the issuance of a maximum of 12,558,000 shares of the new K series against payment in one or more issues and upon the issuance of a maximum of 8,371,000 shares of the new K series without consideration in one or more issues. The authorisation also allows the board to decide upon a directed issue including the right to derogate from the shareholders' pre-emptive subscription right. The authorisations are valid for one year from the closing of the general meeting. The authorisations do not modify or invalidate earlier share issue authorisations to the board. Based on the authorisation, the board decided on May 29, 2015 to issue a maximum of 5,418,578 shares of the new K series in an issue.

Extraordinary general meeting on October 22, 2015
The extraordinary general meeting of the company decided to increase the number of the members of the board of directors so that there are six (6) ordinary members at the board. In addition, the general meeting decided to elect Tomi Numminen and Rabbe Klemets as new members of the board of directors. To other extent, the composition of the board remained the same with the current board members Rabbe Slätis, Erkki Pekkarinen, Dirk Teuwen and Juha Vapaavuori continuing as the ordinary members of the board. Rabbe Slätis will continue as the chairman of the board.

Shares and shareholders

Trading with the company's shares on the Nasdaq First North Finland market commenced on July 1, 2015 with the trading symbol FITBIO. The initial public offering comprised an institutional offering, a public offering and a conversion offering in which shares were offered to holders of the Company's subordinated convertible loans and subordinated loans and to one loan holder. A total of 11,109,116 shares were subscribed to in the initial public offering and the issue without consideration in connection with the offering.

The final subscription price for the shares in the institutional, public and conversion offerings was 1.56 euros per share. Through the offering, the company collected gross funds of approximately 3.5 million euros and strengthened its capital structure by reducing its debts and off-balance interest liabilities by approximately 13.2 million euros, taking into account the offering and the other measures taken.

The company's shares are divided into three series, A, D and K, of which only the K series shares are traded on the First North list. The company has a total of 27,670,281 shares, which are divided in share series as follows: A: 5 229 shares, D: 68 235 shares and K: 27 596 817 shares. No shares in series B have been issued so far. The main differences between different share series relate to proportional distribution upon placing the company in liquidation or upon dissolving the company and to the conversion of shares between the share series. The company's articles of association contains a more detailed description of the different rights pertaining to different share series and on the conversion of shares. The company is not in possession of any of its own shares.

During July 1–December 31, 2015, the company's series K shares were traded for a total amount of 327 thousand euros, corresponding to 325.4 thousand shares and 1.2% of the total number of shares. The highest quoted price was 1.59 euros and the lowest was 0.80 euros. As at the end of the review period, the closing price was 0.80 euros and the average price during the review period was 1.0049 euros. As at December 31, 2015, the market capitalisation of the company totalled 22,079,854 million euros.

The number of shareholders on December 31, 2015 was 405.

The company's related persons and shareholders who have become owners already before the initial public offering are subject to a lock-up, which is in force for 12 months from the listing. The entire lock-up covers 21,426,539 shares representing 77.63% of the entire share capital. As at December 31, 2015, the company’s board members and the CEO held 41,240 series K shares, i.e. 0.15 per cent of all the shares in the company.

Option and incentive programmes

The extraordinary general meeting of February 24, 2015 authorised the board of directors to decide upon granting option rights to key personnel of the company. The board of directors, in its meeting on May 18, 2015, approved the 2015 option rights. Option rights will be issued for a total maximum number of 1,910,000, and they will entitle their holders to subscribe for no more than 1,910,000 new series K shares in or possessed by the company. Of the share options, 1,004,330 will be marked with the symbol 2015A; 301,890 with the symbol 2015B; 301,890 with the symbol 2015C, and 301,890 with the symbol 2015D. The option rights will be granted to key personnel without consideration. Each option right entitles its holder to subscribe for one (1) new share in the company or existing share held by the company. The share subscription period for share options 2015A will be July 1, 2016–December 31, 2021, for share options 2015B January 1, 2018–December 31, 2021, for share options 2015C January 1, 2019– December 31, 2021 and for share options 2015D January 1, 2020–December 31, 2021. The share subscription price with option right

2015A is 1.25 euros, i.e. twenty per cent (20%) less than the subscription price in the offering, with option right 2015B 1.56 euros, i.e. the same as the subscription price in the offering, with option right 2015C 1.56 euros, i.e. the same as the subscription price in the offering, and with option right 2015D 1.56 euros, i.e. the same as the subscription price in the offering. The subscription price of a share subscribed for with an option right may be set lower in special cases. Notwithstanding this, the subscription price of the share is always a minimum of 0.01 euros per share. The following table sets forth the option rights granted based on the company's 2015 option programme for the board of directors and management.

Holder of the option right	**2015A (pcs)**	**2015B (pcs)**	**2015C (pcs)**	**2015D (pcs)**	**Total (pcs)**
Board of directors					
Erkki Pekkarinen	-	86,254	86,254	86.254	258,763
Tina Nyfors (*	-	86,254	86,254	86,254	258,763
Rabbe Slätis................	160,693	-	-	-	160,693
Dirk Teuwen...............	-	86,254	86,254	86,254	258,763
Juha Vapaavuori..........	-	-	-	-	-
Management					
Kalevi Reijonen	439,187	-	-	-	439,187
Liisa Laitinen	292,792	-	-	-	292,792
Jussi Seitsonen	-	-	-	-	-
Mart Ustav	241,039	-	-	-	241,039
Matti Lähde................	-	-	-	-	-

(* the option rights have returned to the company on 12 August 2015.

Risks and uncertainties

The company's business is at a development stage and is based on research and product development projects, and there is no guarantee that the business will develop favourably. The company's future profitability and prospects will materially depend on the company's ability to enter into collaboration agreements relating to the GTU® technology developed by the company.

The company's operating profit depends on the fees under new agreements, in particular those aimed to be made in the field of gene-based treatments, as well as the fees based on the heads of agreements already signed by the company being fulfilled as planned. Typically to pharmaceutical industry, the amount of fees possibly received based on the agreements is difficult to anticipate accurately due to various uncertainties. Of the advance fees of collaboration agreements, particularly milestone fees and, subsequently, sales-linked royalties of license agreements depend on how risky product development advances and whether a sales permit for the pharmaceutical is obtained.

The company's development projects may progress slower than planned. It is also uncertain whether the company will succeed in securing its short-term financing and the continuity of the company's business on the basis of the planned cash flow financing.

Collaboration projects and plans are not always realised in the expected manner, and they include substantial uncertainties. Development projects always involve a technology risk, which is typical for the field. However, the risk decreases as the studies proceed to the clinical phase.

If the product development of the drug candidates based on the company's GTU® technology proceeds faster than expected or if the product development costs do not stay within the limits of the company's budget, the company may need to acquire equity or debt financing earlier or more than assessed. If product development progresses slower than estimated, the product development costs and the resulting need for funding may be postponed correspondingly. If the commercialisation of the research results takes place earlier, the need for additional financing will be decreased correspondingly.

The company's current or future business partners may not necessarily succeed in commercialising drug candidates based on the GTU® technology. The future development of the company's business largely depends on the company's and its business partners' ability to succeed in bringing the development of its current and future drug candidates to a stage in which it is possible to conclude collaboration agreements with third parties under terms that are feasible for the company.

The company’s success, growth and the profitability of its business depend materially on the expertise of the company’s management and other key persons and the company’s ability to retain the current management and other key persons and to recruit new, experienced personnel with industry expertise also in the future.

Events after the end of the period

The chairman of the company's board of directors, Mr Rabbe Slätis, has also been acting as the CEO after Kalevi Reijonen resigned from the position of the CEO on January 1, 2016 and continued in the company as the Chief Medical Officer. Slätis resigned from his position as the chairman of the board but continues as a member of the board. As of January 20, 2016, Mr Juha Vapaavuori, M.Sc. has acted as the chairman of the board.

On January 7, 2016, the company announced that the board of directors of the company had made a strategic decision to develop applications for gene therapy besides vaccine development. The decision is based on the good results of the functionality of the GTU® technology already achieved by the company, as well as the treatment opportunities provided by gene therapy. Gene therapies have the potential to considerable commercial opportunities. In December 2015, the company filed a patent application related to its gene therapy technology.

On January 21, 2016, the company announced that it had appointed Mr Andres Männik (43), Ph.D. as Chief Scientific Officer and member of Management Team as of January 20, 2016. Mr Männik has been employed by the company earlier in 2000–2011 as Senior Scientist specialising in the development of GTU® technology. The current Chief Scientific Officer, Professor Mart Ustav will continue in the company as a member of the Scientific Advisory Board.

On January 28, 2016, the company announced that it had been invited to join the major research consortium European HIV Vaccine Alliance (EHVA) developing new vaccines against HIV. The research collaboration with leading European HIV research institutions and two major multinational pharmaceutical companies will start in January 2016 and run until 2021. The project is part of the EU-Horizon 2020 framework programme. The European Commission has granted the EHVA consortium funding to an amount exceeding 22 million euros that is to be used for the development of new concepts of treating HIV. The company's share of the funding is approximately 1 million euros, which will have a cash-flow impact predominantly in 2016 and 2017. Through the study, the company will complement clinical proof of concept of the functionality of the GTU® technology opening up opportunities to enter into commercial collaboration and license agreements with a major international pharmaceutical company. The received funding covers the costs incurred by the company due to the EHVA project.

On February 16, 2016, the company announced that it had gained significant preclinical results in applying GTU® technology to gene therapy. The results now obtained are significant and justify continued preclinical studies towards a clinical study permit. The expressed antibody reached a desired serum concentration that was sustained during the entire observation period. This is a prerequisite for developing gene therapy for clinical use. The next extended preclinical studies will use antibodies mimicking proper medical treatment.

On March 7, 2016, the company assessed that its operating profit for 2016 will be negative and lowered its profit forecast for the 2016 financial period and announced to have started raising additional finance to ensure the implementation of its business plan and continuity of its business. The profit forecast was lowered due to delays in the preclinical studies aiming at making potential license agreements related to the gene-based treatments and delays in preliminary studies into poultry vaccines.

Board of director's proposal to the general meeting for the distribution of profit

The company's profit for the financial period 2015 amounted to 2,615.6 thousand euros. As at December 31, 2015, the company did not have distributable funds.

The company's board of directors proposes to the annual general meeting that no dividend be paid for the financial period of January 1–December 12, 2015.

Accounting principles

The financial statement has been prepared observing good accounting practice and Finnish legislation. Figures in the financial statement bulletin are unaudited. The scope of the information follows section 4.6 (e) of the First North rules.

Financial information in 2016

The interim report for the half-year 2016 will be published on Thursday, September 15, 2016. The financial statement will be published on the company's website on March 18, 2016. The Annual General Meeting is planned to be held on April 8, 2016.

Formulas for key figures

Equity ratio = Equity / balance sheet total
Earnings per share = Profit for the period / average number of shares

Income statement (FAS)

Currency EUR	Jan 1, 2015 - Dec 31, 2015	Jan 1, 2014 - Dec 31, 2014
REVENUE	20,000.00	30,000.00
Other operating income	6,543,853.31	221,740.25
Materials and services		
Materials and supplies		
Purchases during accounting period	-10,029.64	-7,008.69
Outsourced services	-315,832.56	-37,389.56
Materials and services total	-325,862.20	-44,398.25
Personnel expenses		
Wages and salaries	-762,069.56	-419,868.11
Indirect employee costs		
Pension expenses	-85,128.07	-71,962.74
Other indirect personnel expenses	-28,876.04	-37,421.14
	-876,073.67	-529,251.99
Depreciation and amortisation		
Depreciation according to plan	-157,230.09	-1,317,909.63
	-157,230.09	-1,317,909.63
Other operating expenses	-1,361,711.12	-650,900.04
OPERATING PROFIT (LOSS)	3,842,976.23	-2,290,719.66
Financial income and expenses		
Other interest and financial income		
From others	307.60	486.97
Interest and other financial expenses		
To others	-1,227,620.75	-13,902.45
	-1,227,313.15	-13,415.48
PROFIT (LOSS) BEFORE NON-RECURRING ITEMS	2,615,663.08	-2,304,135.14
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	2,615,663.08	-2,304,135.14
PROFIT (LOSS) FOR THE PERIOD	2,615,663.08	-2,304,135.14

Balance sheet (FAS)

Currency EUR	Dec 31, 2015	Dec 31, 2014
A S S E T S		
NON-CURRENT ASSETS		
Intangible assets		
Intangible rights	715,985.08	698,802.59
	715,985.08	698,802.59
Tangible assets		
Property, plant and equipment	11,646.71	15,528.97
	11,646.71	15,528.97
NON-CURRENT ASSETS TOTAL	727,631.79	714,331.56
CURRENT ASSETS		
Receivables		
Short-term		
Other accounts receivable	80,415.02	59,808.54
Accrued income	40,831.50	29,474.87
Short-term receivables total	121,246.52	89,283.41
Cash and bank receivables	1,844,832.76	217,316.57
CURRENT ASSETS TOTAL	1,966,079.28	306,599.98
ASSETS TOTAL	2,693,711.07	1,020,931.54

Balance sheet (FAS)

Currency EUR	Dec 31, 2015	Dec 31, 2014
L I A B I L I T I E S		
SHAREHOLDERS' EQUITY		
Share capital		
Share capital	7,761,023.98	158,286.97
Share capital increase	0.00	2,378.85
	7,761,023.98	160,665.82
Share premium account	6,906,058.33	6,906,058.33
Other reserves		
Reserve for invested unrestricted equity	9,013,186.38	7,155,353.70
	9,013,186.38	7,155,353.70
Profit (loss) from previous periods	-35,570,677.20	-33,266,542.06
Profit (loss) for the period	2,615,663.08	-2,304,135.14
SHAREHOLDERS' EQUITY TOTAL	-9,274,745.43	-21,348,599.35
DEBT		
Long-term		
Capital loans	11,774,069.63	18,259,282.83
Convertible loans	0.00	3,636,782.00
Loans from financial institutions	0.00	350,000.00
Long-term receivables total	11,774,069.63	22,246,064.83
Short-term		
Trade creditors	82,486.51	30,560.21
Other payables	22,916.46	14,139.71
Deferred income and accrued liabilities	88,983.90	78,766.14
Short-term debt total	194,386.87	123,466.06
DEBT TOTAL	11,968,456.50	22,369,530.89
LIABILITIES TOTAL	2,693,711.07	1,020,931.54

Statement of cash flow

Currency EUR	Jan 1–Dec 31, 2015	Jan 1–Dec 31, 2014
Statement of cash flow		
Cash flow from operations		
Profit (loss) before non-recurring items	2,615,663.08	-2,304,135.14
Adjustments: income and expenses that do not cause cash flow	-5,244,150.52	0.00
Depreciation according to plan	157,230.09	1,317,909.63
Financial income and expenses	-13,749.53	13,415.48
Cash flow before changes in working capital	-2,485,006.88	-972,810.03
Changes in working capital:		
Change in accounts receivable, addition (-)/decrease (+)	-31,963.11	-4,829.49
Change in accounts payable, addition (+)/decrease (-)	70,920.81	-226,187.49
Cash flow from operating activities before financial items and income taxes paid	-2,446,049.18	-1,203,827.01
Interest and payment paid for financial expenses	13,441.93	-388.95
Financial income received	307.60	486.97
Cash flow before extraordinary items	-2,432,299.65	-1,203,728.99
Cash flow from operations (A)	**-2,432,299.65**	**-1,203,728.99**
Investment cash flow:		
Investments in intangible and tangible assets	-170,530.32	-325,414.86
Proceeds from sale of tangible and intangible assets	0.00	840.00
Investment cash flow (B)	**-170,530.32**	**-324,574.86**
Funding cash flow:		
Increase of equity against payment	3,536,846.16	1,272,885.00
Non-current loans drawn	693,500.00	350,000.00
Funding cash flow (C)	**4,230,346.16**	**1,622,885.00**
Change in cash flows (A+B+C) addition (+)/decrease (-)	1,627,516.19	94,581.15
Cash and cash equivalents 1 January	217,316.57	122,735.42
Cash and cash equivalents 31 December	1,844,832.76	217,316.57

Statement of changes in equity (FAS)

Currency EUR	Dec 31, 2015	Dec 31, 2014
Equity Jan 1, 2014	158,286.97	147,936.97
Share capital increase	7,602,737.01	10,350.00
Share capital registered in the Trade Register at the end of the period	7,761,023.98	158,286.97
Share issue account	0.00	2,378.85
Share capital total	**7,761,023.98**	**160,665.82**
Share premium account at the beginning of the period	6,906,058.33	6,906,058.33
Share premium account at the end of the period	**6,906,058.33**	**6,906,058.33**
Restricted equity total at the end of the period	**14,667,082.31**	**7,066,724.15**
Reserve for invested unrestricted equity at the beginning of the period	7,155,353.70	5,895,197.55
Changes during period	1,857,832.68	1,260,156.15
Reserve for invested unrestricted equity at the end of the period	**9,013,186.38**	**7,155,353.70**
Profit/loss from previous periods at the beginning of the period	-33,266,542.06	-30,681,013.84
Loss from the previous period	-2,304,135.14	-2,585,528.22
Profit/loss from previous periods at the end of the period	**-35,570,677.20**	**-33,266,542.06**
Profit (loss) for the period	**2,615,663.08**	**-2,304,135.14**
Unrestricted equity total at the end of the period	**-23,941,827.74**	**-28,415,323.50**
Equity total	**-9,274,745.43**	**-21,348,599.35**

Calculation of capital adequacy

Currency EUR	Dec 31, 2015	Dec 31, 2014
Negative equity	-9,274,745.43	21,348,599.35
+ Capital loans	11,774,069.63	21,896,064.83
Equity plus increases under Finnish Limited Liability Companies Act	**2,499,324.20**	**547,465.48**

Key financial figures

Currency EUR	Dec 31, 2015	Dec 31, 2014
Revenue	20,000.00	30,000.00
Personnel expenses	-876,073.67	-529,251.99
Depreciation and amortisation	-157,230.09	-1,317,909.63
Other operational expenses	-1,361,711.12	-650,900.04
Profit for the period	2,615,663.08	-2,304,135.14
Cash flow from operations	- 2,432,299.65	-1,203,728.99
Liquid assets	1,844,832.76	217,316.57
Equity	-9,274,745.43	-21,348,599.35
Personnel, average	11	12

Collateral, contingent liabilities and other commitments

Currency EUR	Dec 31, 2015	Dec 31, 2014
Barred accounts**		
Rent security deposits	40,610.85	32,623.73
Other contingent liabilities		
Unrecognised interest liability accrued on capital loans	3,355,340.19	4,343,061.39

** Barred accounts are presented under other receivables in the balance sheet.

General statement

Some statements in this bulletin are estimates based on the management's best knowledge at the time they were made. Therefore, they contain a certain amount of risks and uncertainty. The estimates may change in the event of significant changes in the general economic or industry conditions.

FIT BIOTECH OY
Board of directors

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FIT Biotech in brief
FIT Biotech Oy is a biotechnology company established in 1995 that develops and licenses its patented GTU® (Gene Transport Unit) vector technology for new-generation medical treatments.

GTU® is a gene transport technology that meets an important medical challenge in the usability of gene therapy and DNA vaccines.

FIT Biotech applies its GTU® technology in its development projects, which at the time include gene-based treatments, genetic vaccines and research collaboration. Application areas include cancer (gene therapy) and infectious diseases such as HIV and tuberculosis, as well as animal vaccines.

FIT Biotech series K shares are listed on the First North Finland market maintained by Nasdaq Helsinki Ltd.

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