BIOHIT

Innovating for Health

Annual Report 2004

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The hummingbird

The sensitive and precise qualities of the hummingbird symbolise Biohit's product groups of liquid handling, diagnostic products, and analysis systems. Biohit's products based on the company's innovations and technologies are characterised by versatility, flexibility, power, speed, light weight, quality, robust and well-engineered design, ergonomics, accuracy, and precision as well as safety in delicate operations.

Biohit Group – Innovating for Health

Professor Osmo Suovaniemi founded Biohit in 1988 with the goal of promoting research, medicine, and people's welfare.

Biohit's mission is to create liquid handling products and diagnostic test systems based on reliable basic and applied research for use in health care, research, and industrial laboratories.

Biohit continues the use of its proven strategy of aggressive innovation and patenting in the development and commercial realisation of reliable and safe liquid handling products, diagnostic systems, and analysis systems consisting of these two along with instruments. Product development aims to develop test systems that can be used in promoting research and the diagnosis, screening, and prevention of gastrointestinal diseases. In particular, rapid diagnosis of gastrointestinal diseases in close proximity to the patient (a decentralised system) promotes evidence-based medicine and reduces the costs borne by the health care system.

Biohit has established a solid position around the world with its innovative high-tech liquid handling products. The product range encompasses reliable and safe electronic and mechanical pipettors and their disposable tips. Biohit is a global market leader in the field of electronic liquid handling products and the world's leading manufacturer of liquid handling products that are tailored to customers' needs. Biohit's original equipment manufacturer (OEM) clientele has included for years such companies as Becton Dickinson, bioMérieux, Johnson & Johnson, and 3M. In addition to the liquid handling products, the company offers services related to their maintenance, their calibration, and user training.

In the area of diagnostics, Biohit develops and manufactures test kits based on enzyme immunoassays (EIA). The range of diagnostic products includes, e.g., the blood-sample-based GastroPanel examination for determining the cause of upper abdominal pain and quick tests for diagnosis of lactose intolerance and Helicobacter pylori infection. In addition, Biohit's product range includes instruments and related software for analysing the test results.

Biohit's products are manufactured in the Helsinki and Kajaani plants according to the requirements of the ISO 9001, ISO 13485, and ISO 14001 quality and environment standards. About 95% of production is domestic. The proportion of net sales consisting of international business operations is approx. 94%.

Biohit has subsidiary companies in Great Britain, Japan, France, Germany, Russia, and the United States, as well as a representative's office in China and an esteemed global distribution network for sales and marketing of the products.

Biohit has been listed on the Helsinki Exchanges NM list since 1999.

Further information on Biohit is available at www.biohit.com.

Milestones in Biohit's History

VWR International, Inc. awarded Biohit for being a Consumable or Chemicals supplier who best differentiated VWR International through dedicated marketing programs for VWR's customers and sales organisation. The award, Special Achievement for the categories: Consumables, Chemicals, Liquid Handling and Marketing Programs, was given at the VWR International Sales Meeting in January 2005 in San Diego CA. In the picture from left to right: Kevin Leak (VWR), Walter Zywottek (VWR), Rich Miceli (Biohit, Inc.), Alison Murphy (VWR), Robert Gearty (Biohit, Inc.) ja Matt Malenfant (VWR).

1988
Establishment of Biohit

1990
Worldwide introduction of the electronic pipettor

Beginning of assembly of pipettors and of injection moulding operations in Kajaani, Finland

1991
Establishment of the first subsidiary, in France

1992
Launch of the mechanical pipettor

Launch of the multi-channel electronic pipettor

1993
Launch of the multi-channel mechanical pipettor

The start of co-operation with Eppendorf and bioMérieux

1994
The start of co-operation with Ortho Diagnostic Systems of Johnson & Johnson

Establishment of joint venture in Japan

1997
Start of co-operation with Becton Dickinson and 3M

1999
Listing on the Helsinki Exchanges NM list

2000
Completion of new production premises in Kajaani

2001
Marketing of the GastroPanel for research use

Completion of new production premises for diagnosis products in Helsinki

Establishment of service laboratory operations

2002
Launch of the new mLINE mechanical and eLINE electronic pipettor ranges

2003
Launch of the multi-channel electronic eLINE pipettor range

CE/IVD approval of Biohit diagnostic products

2004
Launch of the multi-channel mechanical mLINE pipettor range

Launch of quick tests for diagnosis of Helicobacter pylori infection and lactose intolerance

U.S. Food and Drug Administration (FDA) approval for the GastroPanel test kit's blood-sample-based H. pylori test

Prize awarded to Biohit by VWR, one of the largest global distributors of liquid handling products

More information about Biohit and its history is available at www.biohit.com / Company / History / Read more about Biohit and its history from here

2004 in Summary

Business Development

The net sales of the Biohit Group increased by 2% from the previous year's figures and totalled EUR 26.7 million (EUR 26.3 million). The net sales were generated primarily from sales and maintenance services related to liquid handling products. The proportion of Biohit Group's net sales consisting of international business operations was approx. 94%, of which Europe accounted for approx. 63%. The loss for 2004 was EUR 0.6 million (loss EUR 0.7 million). The operating loss for 2004 was EUR 0.2 million (loss EUR 0.2 million). Earnings per share were EUR -0.05 (EUR -0.06). Shareholders' equity per share came to EUR 1.04 (EUR 1.08).

Total assets were EUR 21.2 million (EUR 21.9 million). The equity ratio was 63.7% at the end of the fiscal year (64.7%). The net cash flow provided by operating activities was EUR 2.2 million (EUR 0.9 million). The growth resulted from the favourable development of net working capital. At the end of the fiscal year, liquid assets totalled EUR 1.3 million (EUR 1.1 million).

The Group's research and development expenditures totalled EUR 1.3 million (EUR 1.4 million) – i.e., 4.9% (5.5%) of net sales – of which development costs amounting to EUR 0.2 million have been capitalised.

Biohit employed an average of 291 persons (298) in 2004. Osmo Suovaniemi acted as the president and CEO of Biohit.

Ratios

Financial ratios	2004	2003
Net sales, EUR 1000	26 702	26 259
Operating profit/loss, EUR 1000	-172	-213
Profit/loss before extraordinary items and taxes, EUR 1000	-257	-462
Return on equity, %	-4.2	-4.9
Return on investment, %	-0.2	-0.2
Equity ratio, %	63.7	64.7
Investments in fixed assets, EUR 1000	2 058	1 190
Research and development, EUR 1000	1 304	1 447
Total assets, EUR 1000	21 183	21 875
Personnel, average	291	298

Ratios per share	2 004	2 003
Earnings per share, EUR	-0.05	-0.06
Shareholders' equity per share, EUR	1.04	1.08
Price/earnings ratio, (P/E)	-45.00	-45.00

Letter from the President

In 2004, Biohit launched new liquid handling and diagnostic products and started developing a new, automatic analyser, investing in boosting production at the same time. The most positive developments during the year have been the growth in the demand for maintenance services for the liquid handling products and the increase in international co-operation.

We have also invested in the development of the management and organisation. For example, international sales and marketing of liquid handling and diagnostic products have been split into separate divisions in order to boost operations' quality and control.

During the fiscal year, investments were made in a new, integrated enterprise resource planning (ERP) and customer relationship management (CRM) system. The ERP and CRM project was completed according to the original schedule, and the system was introduced in Biohit in January 2005. The goal is to bring the system into use also in the subsidiary companies, in 2005 and 2006. The new ERP system makes it possible to improve the co-ordination, planning, monitoring, and control of the business processes and financial information of the Biohit Group. Some of the initial goals include enhancing the order and delivery process and reducing the committed net working capital.

Biohit is adopting International Financial Reporting Standards (IFRS). The date of IFRS adoption was 1 January 2004. Biohit will release the interim reports and financial statement for 2005 according to IFRS principles.

In the fiscal year under review, net sales consisted almost entirely of sales and servicing of liquid handling devices. Net sales for 2004 totalled EUR 26.7 million, of which international sales accounted for 94%.

The domestic content of the products manufactured by the company was 95%.

The lucrative liquid handling device business has the potential to grow 5-10% on an annual basis. Intensifying operations in subsidiary companies and establishing new distributor agreements related to, e.g., new business based on innovations and the application of new technologies in liquid handling devices can in the coming years considerably accelerate this favourable progress.

The development of business related to diagnostics and analysis systems continued to affect the operational results of Biohit Group. In the period under review, the company invested in patenting, further improvement of tests and programs, evaluations, approvals from authorities, clarification of business plans, and establishment of the products in clinical use. With these operations, the company entered into marketing agreements in some countries during the accounting period. The results of these agreements will appear over the coming years.

Liquid Handling Products for Accurate and Safe Laboratory Work

Characteristic of Biohit, and necessary for its success, is an aggressive innovation and patenting strategy, which has been implemented by several key persons since the 1970s (1). Due to this strategy, the company has the world's largest range of liquid handling products (pipettors), which use state-of-the-art mechanical and electronic technologies. Pipettors and their tips are used in various types of research and clinical laboratory applications for precise measurement of small amounts of liquid.

Biohit is still a trendsetter for other companies, especially where, in addition to precision and reliability, the functional and ergonomic elements, which increase occupational safety, have been taken into account. The significance of these features in preventing work-related stress injury and improving working quality is crucial. Increasing attention in laboratories is being paid to occupational safety because of the liabilities involved as well (2, 3). In the liquid handling product business, the guiding principle and motivator is the company motto, 'Innovating for Health'.

During the 2004 fiscal year, the company complemented its pipettor selection with the multi-channel mLINE pipettor range. These products, along with the single-channel mLINE series and electronic eLINE pipettors, could justifiably be termed *the* industrial standard or the 'Rolls Royce' of liquid handling products (4).

In 2004, Biohit enhanced its co-operation with the Fisher Scientific and bioMérieux corporations. In addition to these companies, Biohit has for years supplied OEM products also to 3M and Johnson & Johnson. At bioMérieux and 3M, diagnostic systems are complemented with electronic pipettors that are tailored to customer needs by Biohit. Preconditions for these types of agreements, which are actively sought by Biohit, include patent-protected innovations from Biohit as well as high quality and the delivery reliability of the products.

During the fiscal year under review, Biohit invested in an intensified automated clean room unit for production of liquid handling products and pipettor tips. If necessary, the production of pipettors can be quadrupled without any significant additional investments, just by increasing the number of shifts and employees.

The total market for pipettes and disposable tips is approximately EUR 600 million. This market is expected to grow at least 5% on an annual basis. The market for automated liquid handling instruments is considerably larger. In the coming years, Biohit will capture a certain share of this market through further development of liquid handling instruments based on the innovations and technologies used in currently available pipettors.

Diagnostic Products for the Development of Safe Treatment

Biohit develops and manufactures tests for the diagnosis and screening of diseases of the gastrointestinal tract (1). Biohit's GastroPanel comprises pepsinogen I and II, gastrin-17, and Helicobacter pylori antibody tests – the results of which are interpreted by the GastroSoft program (2).

Biohit has also introduced to the market rapid tests for the diagnosis of H. pylori infection and lactose intolerance. These tests are performed on the biopsy specimens taken during gastroscopy. Until now, there has not been a quick and reliable test for lactose intolerance. In the Finnish population, the prevalence of lactose intolerance is 17%, and in some countries it is as high as 90%. Over half of the global population has H. pylori infection in the mucous membrane of the stomach. Almost 50% of this population will develop atrophic gastritis, which in certain cases leads to gastric cancer. H. pylori is the cause of most cases of peptic ulcer disease, which affects over 10% of the population.

The GastroPanel product is an innovative method for examining patients with dyspepsia (pain or discomfort in the upper abdomen), H. pylori infection, and atrophic gastritis (damage to the mucous membrane of the stomach). GastroPanel also estimates the status of the physiological function and the secretion of acid of the stomach. Therefore the GastroPanel examination also alerts about the patient's risk of developing acid-related diseases (peptic ulcer, gastroesophageal reflux disease and Barrett's oesophagus).

There is much basic research and clinical evidence, both in Finland and abroad, concerning the functionality and benefits of performing GastroPanel tests on a blood sample (3).

According to the results of the Finnish Setti study, it has been estimated that through performing gastric cancer risk screening with the GastroPanel product, combined with early treatment in patients over 50 years of age, some 200–300 deaths caused by gastric cancer could be prevented on an annual basis in Finland (4). In addition, the Setti study pointed out that of the cases of gastric cancers found in the screening, about 70% involved early-stage cancer, which could be treated with surgery.

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1. www.biohit.com / Company / History / Read more about Biohit and its history from here
2. Mannonen, S.; Nieminen, P.; Kaasinen, J.; Andersin, K. Raising the Standard of Mechanical Pipetting: The Biohit Solution. International Labmate 2004.
3. www.biohit.com / Liquid Handling / Literature
4. Hansen, A. Machines for Your Lab, Tamro Offers mLINE, the Rolls Royce of Pipetting, and Realtime PCR Analyzer Quantica. BioTech Forum News 2004.

In the treatment of dyspepsia, the GastroPanel examination offers new possibilities, as it provides diagnosis of H. pylori infection and atrophic gastritis as well as information on the risks involved (gastric cancer, peptic ulcers, and vitamin B12 deficiency). Until now, only gastroscopy has been able to discover these diseases and the risks involved.

If GastroPanel examination reveals that the mucous membrane of the stomach is healthy (no infection and no atrophic gastritis), either the dyspepsia symptoms are functional or the cause is some other disease. The prevalence of dyspepsia is 20-40% in Western countries. In Finland, 12-20% of dyspepsia cases involve atrophic gastritis (5, 6). Patients who are found to have atrophic gastritis via GastroPanel examination have to be referred immediately for gastroscopy and treatment because of the risks related to atrophic gastritis.

Of the more than one million Finns under the age of 55 with dyspepsia, 20-30% are diagnosed with H. pylori infection, which is then treated. In order to diagnose the infection, a 13C-urea breath test is recommended (7), which is not reliable in all cases (8-10) and does not reveal diagnosis of atrophic gastritis or the risk thereof caused by H. pylori infection or autoimmune disease. Most patients with dyspepsia (70-80%) are treated with proton pump inhibitors (PPI treatment). After this empirical treatment, 20-30% remain more or less permanent PPI users and 30-50% receive symptom-related treatment or are labelled as having a mental illness and thus offered medication for depression.

Alternatively, the preferable clinical practice for a dyspeptic patient is gastroscopy. The problem here lies in the fact that gastroscopy resources are insufficient and the National Health Service does not have the funds to examine each dyspeptic patient. Gastroscopy is recommended only for those dyspeptic patients who have 'alarm symptoms' (e.g., blood in their vomit, anaemia, and weight loss), and for those patients over the age of 55 with 'new dyspepsia symptoms' (7).

With the economical and rapid GastroPanel examination option, one can in practice offer unlimited possibilities for examination and also provide safer, more ethical diagnosis and treatment for dyspepsia. The GastroPanel product also provides the opportunity to cut costs and improve quality of life. In addition, it saves the limited gastroscopy resources for colorectal cancer screening.

The introduction of GastroPanel use in the primary diagnosis of dyspepsia is under way in different parts of the world. In Italy, a GastroPanel handbook written by leading gastroenterologists was distributed during 2004 to 35,000 general practitioners (11, 12). The objectives of this handbook and the studies detailed therein, which have taken over two years to complete, are that in primary care each patient with dyspepsia receives a GastroPanel examination. GastroPanel results, along with other patient information and examination results, provide guidance concerning potential further examinations and ultimately toward the correct diagnosis and treatment.

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2. www.biohit.fi
3. www.biohit.com / Diagnostics / Literature
4. Varis, K.; Sipponen, P.; Laxen, F.; Samloff, I. M.; Huttunen, J. K.; Taylor, P. R.; Heinonen, O. P.; Albanes, D.; Sande, N.; Virtamo, J.; Härkönen, M. (The Helsinki Gastritis Study Group). Implications of Serum Pepsinogen I in Early Endoscopic Diagnosis of Gastric Cancer and Dysplasia. Scand. J. Gastroenterol. 2000 (9):950-956.
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12. www.biohit.com / Diagnostics / Literature: 2004: Books: Di Mario, F.; Franze, A.; Cavallaro, L. G. Non-Invasive Diagnosis for Gastric Diseases. One Global Medicine s.r.l. 2004: 1-48.

Analysis Systems in Decentralised Diagnostics

Liquid handling products, tests for diagnosis, and analysers with attached programs marketed by Biohit comprise analyser systems for research and clinical use (1). There are hundreds of thousands of vertical measurement analysers worldwide, which, like the analysers marketed by Biohit, are suitable for GastroPanel determinations, among other things (2-4). In addition, GastroPanel tests can supplement the analyser system test menus of large international diagnostic companies, through simply changing the measuring methods. These expensive, high-capacity analyser systems are not suitable for decentralised laboratory diagnostics.

In order to complement analyser systems, the company is developing easy-to-use analysers to be used in private practice, at health care centres, for hospital emergency duty, and in specialised analysis. The main objective is to develop decentralised laboratory diagnostics, which will improve the speed of disease diagnosis and the likelihood of correct treatment (evidence-based medicine) during the patient's medical check-up. Tekes (the National Technology Agency of Finland) allocated funds during 2004 in order for Biohit to start a project for the development of an automated analyser ('GastroMate'). The GastroMate project exploits the globally well-utilised vertical measurement option (2-4) and newer innovations as well. This project will be completed in approximately two years' time. The company has clean room facilities for the production of the tests that will be used with the new analysers. These facilities can be expanded if so needed. GastroMate analysers are produced by Biohit, though this could be outsourced if necessary.

Biohit: Innovating for Health!

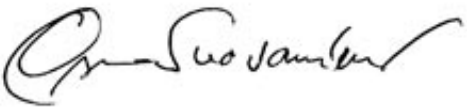
Our operations are guided and motivated by a human precept, 'Innovating for Health'. Being unbiased and aggressive, Biohit is better prepared to take on future challenges.

Business related to liquid handling products is to be intensified and expanded, and we can look forward to profitable growth. New diagnostic products, ready for launch and successfully tested in various countries, offer great market potential. Combined with a strengthened marketing organisation, they provide a solid foundation for growth in the diagnostics business during 2005.

I wish to express my sincere gratitude to the personnel and scientific advisors of Biohit for their diligent work contribution and to all our shareholders for their patience, as well as to other interest groups for their exemplary co-operation.

Helsinki, 18 March 2005

Yours sincerely,



Osmo Suovaniemi, MD, PhD
Professor
President and CEO of Biohit Group

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Liquid Handling

Biohit's liquid handling products are manufactured in the Helsinki and Kajaani plants. At Kajaani, particular emphasis is placed on automating injection moulding, material handling, and production. The proportion of domestic production is 95%.

Biohit offers new users a start-up kit, which includes, e.g., mechanical single-channel mLINE pipettors and colour-coded tip boxes as well as other accessories.

Biohit's product range encompasses ergonomically designed electronic and mechanical pipettors that are available as single-channel and multi-channel versions. Biohit's pipettors are safe to use.

Biohit's space-saving linear stand can be used with all of the company's pipettors.

Biohit's liquid handling business encompasses mechanical (the mLINE and Proline range) and electronic (the eLINE, Proline, ePET, rLINE, Midi, and XL range) liquid dispensers as well as disposable pipettor tips. In addition, the company offers services related to maintenance, calibration, and training concerning liquid handling devices.

Intellectual Capital and Production in Biohit's Hands

Biohit combines experience and innovation. Many of Biohit's current leaders and key persons have 10 to 30 years' experience in developing liquid handling products. Ideas born of new talents and new technologies supplement the work of Biohit's experienced experts. Expertise in various fields combines to form a broad area of know-how that is put to use in Biohit's research and development. The experience, innovative thinking, and skills of the personnel – and the resultant intellectual capital – are the company's most important resources.

Biohit has established its position in the market with its innovative, high-tech liquid handling products. Biohit's liquid handling product range is currently the widest in the world.

In its development of liquid handling products, Biohit has paid special attention to the safety and ergonomic aspects of the products, which contribute to, e.g., reducing the risk of work-related upper limb disorders. In addition to product safety, the products developed and manufactured by Biohit are as environmentally friendly as possible over their total life cycle. A major portion of the materials used is recyclable.

Liquid dispensers and their disposable tips are manufactured according to the requirements of the international ISO 9001, ISO 14001, and ISO 13485 quality and environment standards in the Helsinki and Kajaani plants. All of Biohit's liquid handling products have IVD (In Vitro Diagnostics) CE acceptance. The main production plant for pipettors and pipettor tips is the Kajaani facility, where special emphasis is on automation of injection moulding, material handling, and production. New robot-equipped production lines and the packaging automation system for disposable products were brought into use in 2004. One of Biohit's strengths is that it manufactures its products almost completely by itself and uses only a few, reliable subcontractors in the manufacturing of certain components.

Liquid Handling Products That Supplement Each Other

The electronic eLINE pipettor range has been developed for the most demanding liquid handling applications. The accuracy and precision of electronic pipettors are excellent, and the ergonomic design of the range and the unique electronic tip removal solution reduce the risk of work-related upper limb disorders significantly.

In the development of the mechanical mLINE pipettors, Biohit has paid special attention to pipettor qualities that contribute to accuracy and ergonomics. The low weight and smooth plunger action of the pipettor facilitate liquid handling. Moreover, as is the case with electronic pipettors, most of Biohit's mechanical pipettors are equipped with tip filters, which reduce the risk of contamination between the pipettor and the samples while also improving the quality and safety of pipetting.

In 2004, the company launched the mechanical multichannel mLINE pipettors, which cover a volume range of 0.5-300 microlitres. In addition, Biohit launched a single-channel pipettor based on the mLINE, which is intended especially for applications in which the timing of pipetting is of crucial importance – e.g., the measurement of clotting factors in blood.

The pipettors and injection-moulded plastic disposable tips manufactured by Biohit combine to form a functional and reliable system. Biohit guarantees the precision and accuracy of its

pipettors when the customer uses tips developed and manufactured by Biohit. During the fiscal year Biohit also launched a new, lengthened tip design for special liquid handling product applications; this covers the volume range of 50-1,200 microlitres.

Picture 1
With the ROTEM® System, Pentapharm GmbH, Germany has developed a whole blood Point-of-Care coagulation system. A key component of the system is the Biohit eLINE electronic pipettor. The system comprises a detection system, the Biohit eLINE electronic pipettor, intuitive software, reagents and disposable cuvettes. The compact measuring unit is operated by PC-notebook attached via the keyboard or the electronic pipettor. The system has the potential to reduce transfusion requirements in critical surgery such as liver transplant, cardiac or vascular surgery, orthopaedic or trauma surgery.

The foundation of Biohit's business operations is its aggressive innovation and patenting strategy. In 2004, in the area of liquid handling (relating to, e.g., the suction device and tips, and also detachment of the tips), Biohit was awarded patents in Europe, Japan, Russia, and the United States.

Biohit's Market Position Remains Stable

Biohit is the global market leader in electronic pipettors, with approx. 60% of the world market. As to mechanical liquid handling products, Biohit holds nearly a 10% share of the world market. In the disposable tip arena, Biohit's share of the world market is about 2%; growth in net sales of disposable tips continued in 2004 and was particularly strong in Western Europe and Asia.

Biohit sells and markets its liquid handling products in international markets both directly and in co-operation with carefully selected partners. Subsidiary companies are located in Biohit's most important market areas. The subsidiaries act as sales and marketing units for Biohit's products and also offer local maintenance, calibration, and training services. Biohit's subsidiary companies also sell and deliver Biohit's OEM and private-label products locally to global partners.

In addition, Biohit has nearly 100 foreign main distributors, which together with their local distributors form a network of 450 members covering 70 countries.

Biohit's liquid handling products and related services are suited for several market segments that differ from each other with respect to their application area, performance, and price. The customer base for Biohit's liquid handling products consists of laboratories at research institutes, universities, medical and biotechnology companies, and hospitals. Moreover, the food industry and environmental control laboratories are important customers for Biohit.

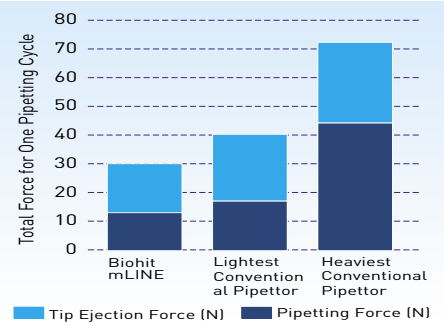
The OEM and Private-Label Business Areas Are Doing Well

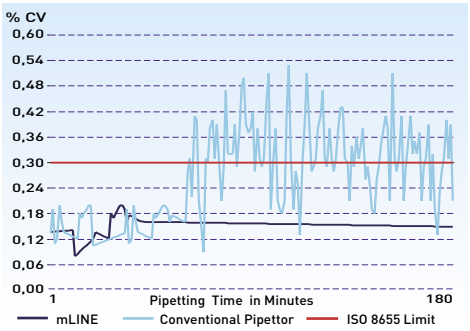
The comprehensive patent protection in Finland and abroad, which has resulted from Biohit's aggressive patenting policy, and various agreements have formed a solid and reliable basis for Biohit's OEM business. Biohit is currently the global market leader in the manufacture of electronic OEM liquid handling products. Global market leaders such as Pentapharm *(picture 1)*, 3M, bioMérieux, Eppendorf, and the Johnson & Johnson Group's companies (e.g. Ortho Clinical Diagnostics and Ortho Diagnostics) supplement their diagnostic systems with electronic pipettors from Biohit that are tailored to each customer's needs.

During 2004, Biohit deepened its customer connections with, e.g., the bioMérieux Group, whose American subsidiary has started to deliver Biohit's mechanical pipettors to the North American market. Biohit's products are used with bioMérieux's diagnostic test systems, for example.

Also, Biohit delivers private-label products for large multinational companies. These are pipettor and tip designs manufactured by Biohit that the co-operation partners resell under their own trademark.

In 2004, the company started to deliver, e.g., electronic pipettors (Midi Plus) that are designed for large volumes for Fisher Scientific UK Ltd., in Great Britain. The company also made a tip delivery agreement with Fisher Scientific Company LLC that forms an addition to the private-label agreement of 2003 for delivery of eLINE pipettors to the US market. Fisher Scientific International Group is one of the world's leading sales and delivery organisations for laboratory equipment and instruments. It has sold Biohit's liquid handling products in North and South America and Asia for several years. Other private-label customers include Hamilton, Tyco, Hirschmann, and Boeckel.





Due to Biohit's patented light spring mechanism, the pipetting forces required are lower with mLINE pipettors than for all other mechanical pipettors on the market today. The pipetting results are always reproducible.

Maintenance and Accreditation Are Growing Businesses

In addition to the liquid handling products, Biohit offers maintenance, calibration, and training services through its subsidiary and distributor network and through the global customer service networks of its OEM and private-label customers. Over the past couple of years, maintenance of liquid handling products has become a significant part of Biohit's after-sales service business.

One of the new challenges of the near future involves tracking the performance of liquid handling products. Today, due to tightening quality control requirements, liquid handling product customers are increasingly turning to accredited calibration laboratories. The calibration laboratory for Biohit's liquid handling products was accredited by FINAS (the Finnish Accreditation Service) in 2000. The calibration laboratories of Biohit SAS (in France) and Biohit Ltd. (in Great Britain) were accredited by COFRAC (Comité Francais d'Accreditation) and UKAS (the United Kingdom Accreditation Service), respectively. Currently, there are only a few accredited calibration laboratories for liquid handling products in the world.

The accreditation of calibration services for liquid handling products that are performed in the production plants in Helsinki and Kajaani reinforces Biohit's market position as one of the leading manufacturers of liquid handling devices in the world. As a result of the accreditation, Biohit is able to offer its customers worldwide calibration certificates for liquid handling devices, which are based on national and international measurement standards. Moreover, Biohit is able to fulfil the international (ISO 17025) and national traceability requirements set for liquid handling devices. Traceable calibration certificates already form an important part of the reliable analysis services provided by laboratories.

Prospects for the Future

According to Biohit's estimates, total sales of pipettors and disposable tips for the next year are expected to come to approx. 600 million euros. Now, about 1.5 million mechanical pipettors and 100,000 electronic pipettors are sold annually, and a rough estimate for the number of disposable tips sold is over 10 billion. The markets for pipettors and pipettor tips are expected to grow at least 5% in the next year, and as far as electronic pipettors are concerned, the growth is expected to be approx. 10% in the next year (A Global Strategic Business Report 2003; Global Industry Analysts, Inc.).

The total markets for automatic liquid handling instruments are considerably larger. It can be expected that electronic liquid handling applications that are integrated into automated laboratory instruments and analysis systems, along with tightening safety, quality control, and efficiency requirements, will considerably increase the demand for electronic liquid handling products.

According to Biohit's estimates, there are no changes expected in the markets for liquid handling products that could have a negative impact on the development of net sales, and Biohit's current profitable liquid handling product business operations will have the possibility to increase by 5-10% in a year. This positive development can be significantly quickened in the coming years by intensifying the operations of the subsidiary companies, by making new distribution agreements, and by launching new liquid handling instruments that are based on the innovations and technologies utilised in the current products.

In 2005, Biohit's product development will concentrate on the further development of the current products and on productisation of the analysis systems that combine liquid handling and diagnostics operations. In its sales and marketing, the company will pay special attention to developing the OEM branch of business and its global distribution network, as well as its customer service concept.

Diagnostics

Biohit develops its diagnostic products in co-operation with experts in a variety of fields. The new diagnostic products and product improvements have enhanced opportunities for co-operation, especially with large diagnostics companies and service laboratories, whose product ranges Biohit's products supplement.

Lactose intolerance quick test
Result in 20 minutes

GastroPanel and GastroSoft are innovations patented by Biohit

Helicobacter pylori quick test
Result in 1–2 minutes

In the business area of diagnostics, the focus of Biohit is on the research, development, production, and marketing of products enabling screening, prevention, and diagnosis of diseases related to the gastrointestinal tract. The company's range of diagnostic products includes the blood-sample-based GastroPanel (Pepsinogen-I, Pepsinogen-II, Gastrin-17, and Helicobacter pylori tests) and the related GastroSoft software for determining the cause of upper abdominal pain as well as biopsy specimen 'quick tests' for diagnosis of lactose intolerance and H. pylori infection. In addition, Biohit offers a blood sample test for the diagnosis of systemic lupus erythematosus (SLE) and instrument products that support the use of Biohit's diagnostic tests (see the diagnostics catalogue and the 'Instruments' section at www.biohit.com).

Biohit's GastroPanel for Early Diagnosis of Dyspepsia

Upper stomach pain and discomfort (dyspepsia) is often treated with various medicines without first determining the nature and cause of the symptoms. However, it would be much safer and more economical to obtain information on the nature of the dyspepsia and the health status of the stomach mucosa before starting medical treatment.

As a result of decades of Finnish medical research, a new type of innovation has been developed – the GastroPanel. The blood-sample-based GastroPanel examination reveals the status and functioning of the stomach mucosa without causing risks or discomfort for the patient. GastroPanel testing represents a new era in the diagnosis and treatment of dyspepsia, H. pylori infection, and atrophic gastritis. Much basic research has been done on the effectiveness and benefits of GastroPanel examination, and clinical evidence has been gained in Finland and abroad (www.biohit.com / Diagnostics / Literature).

The GastroPanel innovation developed and manufactured by Biohit is intended for use as the initial examination method. Until now, only gastroscopy has provided reliable information on the health status of the stomach mucosa.

GastroPanel examination measures the levels of Pepsinogen I and II, Gastrin-17, and H. pylori antibodies present in a patient's blood sample.

A GastroPanel Examination Patient Report Reveals:

The diagnosis of

• Functional or organic dyspepsia of the stomach. When the GastroPanel analysis estimates the stomach mucosa to be healthy, the reason for stomach problems is often functional dyspepsia or some non-stomach-related disease.
• Helicobacter pylori infection
• Atrophic gastritis (damage or severe malfunctioning of the gastric mucosa) and the likelihood of problems with the mucosa of the corpus and antrum parts of the stomach (normal status, gastritis, or atrophic gastritis)

Risk of

• Gastric cancer
• Vitamin B12 deficiency
• Peptic ulcers
• Gastroesophageal reflux disease and Barrett's oesophagus

Recommendations, if necessary

• For gastroscopy and biopsy examination
• For treatment of H. pylori infection
• For determination of vitamin B12 and homocysteine levels
• For a GastroPanel follow-up study (atrophic gastritis findings and follow-up on recovery from H. pylori infection and atrophic gastritis)

More information about the GastroPanel Interpretation is available at www.biohit.com/gastropanel.

New Quick Tests and Other Diagnostic Products Supplement the Product Range

At the beginning of 2004, Biohit launched quick tests for diagnosis of H. pylori infection and lactose intolerance on the basis of a biopsy sample. Quick tests are intended for patients who will undergo gastroscopy anyway. It is possible to take a biopsy sample during gastroscopy that will enable diagnosing lactose intolerance and H. pylori infection in a couple of minutes. Biohit's quick test is a welcome innovation, as there was previously no quick and reliable means of diagnosing lactose intolerance.

In 2004, Biohit launched new products, such as the above-mentioned quick tests, the stabiliser for the Gastrin-17 test kit for the GastroPanel, and a new version of the Gastrin-17 test kit. In addition, Biohit

produced a new version of the GastroSoft software used in interpreting GastroPanel findings. Biohit's diagnostic products are manufactured in Finland, in Biohit's own clean room unit. The production capacity of the current clean room unit totals about 60,000 test kits annually. Premises exist for increasing the production capacity, and production can be quadrupled.

Evaluations and Patents As Part of Marketing

Performing evaluations is crucial for marketing the GastroPanel. Clinical studies have shown that the blood-sample-based GastroPanel examination is a reliable method for revealing H. pylori infection and atrophic gastritis of the stomach mucosa, and uncovering the related risk levels.

At the end of 2004, 34 evaluations were in progress, of which 21 were being conducted in Europe, seven in Asia, two in North America, two in Africa, one in South America, and one in the Near East. Some of the results of the evaluations have been published in international scientific journals and conference abstracts. A list of the published material is available in the 'Literature' section at the company's Web site.

The company's aggressive patenting strategy extends to the diagnostics operations as well (www.biohit.com / Company / History / Read more about Biohit and its history from here). In 2004, Biohit was awarded patents related to the GastroPanel in China, Russia, and the United States. Previously, e.g., European patents were awarded for the tests used in the GastroPanel. Biohit's lactose intolerance test was awarded patents in Russia and China. Earlier patents were awarded for the test in Finland and several other European countries.

Decentralised Laboratory Diagnostics for Improving Health Care

The clients for Biohit's diagnostic products include health centres, private clinics, hospitals and laboratories, among others.

The GastroPanel examination brings new possibilities for the treatment of dyspepsia because it enables distinguishing functional stomach problems from stomach problems that are related to an organic disease and that require urgent further examination and treatment. GastroPanel examination helps general practitioners and occupational health physicians to avoid test treatments that are often given without diagnosis, therefore causing related risks, and unnecessary costs. GastroPanel also evaluates which patients require urgent examination and treatment so that they can be sent for gastroscopy. A high proportion of patients can avoid the expensive and unpleasant gastroscopy examination. GastroPanel examination is not only reliable and patient-friendly but is also cost-efficient and therefore extremely suitable for initial examination at health centres, hospitals, and private clinics.

In Finland, Biohit has its own service laboratory, which collects patient samples for analysis from, e.g., health centres, occupational health clinics and other clinics, and district and central hospitals. The service laboratory participates in the research, development, and comparison of diagnostic tests and analyses various patient data in co-operation with members of the domestic and international academic community.

The service laboratory operations promote decentralised laboratory-based diagnosis, which again promotes correct diagnosis and evidence-based medicine. This is beneficial for the patient, the doctor, and the health centre responsible for the costs, and indirectly the whole of society.

International Marketing Progressing Step by Step

Approvals from the relevant authorities represent an element that is crucial in Biohit's efforts to cultivate the market potential related to diagnostics. Currently, all diagnostic products of Biohit can be sold for research use worldwide. At the end of 2004, the company had sales rights for products for clinical use in the EU, Russian, and Indian market areas. In the fourth quarter of 2004, the blood-sample-based H. pylori test for the GastroPanel was cleared by the US Food and Drug Administration (FDA) for marketing and distribution, which enables Biohit to sell the test both for clinical use and to research applications, in the United States. Test kits for the GastroPanel are still being evaluated

by the FDA and by China´s State Food and Drug Administration (SFDA).

The company has intensified its international product sales and marketing. New diagnostic products and product improvements have enhanced the possibilities for co-operation, especially with large diagnostics companies and service laboratories, whose product lines Biohit's products supplement. Development of the distribution network has had a positive start. Over the next year, Biohit will work to continue negotiations concerning co-operation in the following market areas: Europe; North America; and, in the Asian market, India and China.

Prospects for the Future

Over half of the global population are usually infected by H. pylori and related gastritis (infection of the mucosa). In nearly half of the cases of infection, the gastritis develops into atrophic gastritis, which is known to lead to gastric cancer. In many countries, including Japan, China, and Russia, gastric cancer is very common and the number of cases is continuously growing due to the increasing life expectancy.

Before 1982, and even for a long time after that, it was believed that peptic ulcers develop primarily as a result of stress and hyper secretion of acid. Now we know that in many cases H. pylori infection and gastritis are related to the developing of gastric cancer and peptic ulcers. According to the consensus statement published by the International Agency for Research on Cancer (IARC) operating under the auspices of the WHO, H. pylori infection is considered to be related to the development of gastric cancer (carcinogenicity class 1) in a similar way to that in which smoking is related to lung cancer.

As the population grows older, it is more and more important to introduce examination methods such as the GastroPanel that enable easy and inexpensive diagnosis of atrophic gastritis and determination of the related risks. These include the risk of gastric cancer, peptic ulcers, and a vitamin B12 deficiency (which, in turn, may increase the risk of, e.g., dementia, depression, damage to the peripheral nervous system, and an increase of the level of homocysteine in the body – which is a risk factor for atherosclerosis as well as heart attacks and strokes). The risk of atrophic gastritis and related conditions grow strongly with age.

In Finland, all people over 50 years of age are given a basic examination, in which, for example, blood pressure, cholesterol levels, and blood sugar are measured. By including GastroPanel examination in this basic examination, diagnosis could be improved and diseases could be prevented, resulting in benefits for the patient and the health care system.

In Western countries, 20-40% of the population have dyspeptic problems, and in Finland atrophic gastritis is involved in 12-20% of these cases.

These persons can be identified with GastroPanel examination and, consequently, due to the risk of atrophic gastritis, they can be referred for gastroscopy and given suitable treatment.

A pharmaceutical company that markets proton pump inhibitors (PPIs) printed and distributed a GastroPanel related guide to 35,000 general practitioners in Italy in 2004. There are over two years and continuing research behind these guidelines. The goal of this guide is to introduce GastroPanel in primary health care as an initial examination of all patients suffering from dyspepsia. The results and other information and test results concerning the patient could be used in referring the patient for possible further examination and, finally, for yielding a correct diagnosis and providing suitable treatment (applying evidence-based medicine without the use of PPI test medications for several weeks).

GastroPanel examination enables developing safer and more ethical treatment practice for a dyspeptic patient, for example. At the same time, the costs of

health care can be reduced, uncertain diagnosis resulting from the lack of gastroscopy can be improved, and scarce endoscopy resources can be directed to the screening of colorectal cancer.

Biohit's goal is to establish the GastroPanel as the initial examination method for dyspeptic patients and supplement further examinations with other tests developed by Biohit.

Often atrophic gastritis found in GastroPanel screening has few symptoms or is asymptomatic. In such cases, the related risks (gastric cancer, peptic ulcers, a vitamin B12 deficiency, etc.) cannot be discovered early enough. Similarly, the symptoms of reflux disease can resemble e.g. cardiac symptoms, for instance, or it can be asymptomatic although the patient has erosive esophagitis and/or Barrett's oesophagus, which may lead to adenocarcinoma.

The results of the so-called Setti study carried out in Finland have suggested that use of the GastroPanel in the screening of gastric cancer with patients over 50 and the resulting early gastroscopy could prevent 200-300 deaths due to gastric cancer in Finland every year. The study showed that 70% of the cases of gastric cancer found in the screening were in the early stages and could be surgically treated.

In 2005, the main events in Biohit's diagnostics operations will be the concluding of distribution agreements, completion of evaluations, receipt of approvals from the relevant authorities, advances in the consensus statements and in the preparation of treatment method instructions, and introduction of knowledge of the benefits of GastroPanel examination to those involved in basic health care.

GastroPanel Examination and Service Laboratories

When the examination is done on the basis of a doctor's referral, the Social Insurance Institution of Finland (Kela) will provide compensation for the performed GastroPanel tests. You can become acquainted with the GastroPanel examination by sending EDTA plasma samples to Biohit's service laboratory. Instructions can be found at www.biohit.com/gastropanel, under "Biohit Service Laboratory". Examination requests may be sent to palvelu.laboratorio@biohit.com or made by phone (+358 9 773 861).

Places for giving the blood samples needed in GastroPanel examination:
Espoo: - Laurea Polytechnic, Espoo Institute Otaniemi, Metsänpojankuja 3, 02130 Espoo
Helsinki: - ChiroMed, Aleksanterinkatu 50 A 6, 00100 Helsinki - Biohit Service Laboratory, Biohit Oyj, Laippatie 1, 00880 Helsinki

Analysis Systems

Biohit focuses solely on those business areas in which it possesses knowledge of the customer and market needs as well as a strong basis for research, technological know-how, innovations, and products and methods protected by patents. The basis of Biohit's business is its aggressive innovation and patenting strategy, which Professor Osmo Suovaniemi has applied successfully in his companies since the 1970s (1). In addition to liquid handling products, immunodiagnostics, and laboratory instruments, Biohit's product range includes the development, manufacturing, and international marketing of analysis systems composed of elements from these three product lines.

Analysis Systems for Developing Decentralised Diagnostics

Liquid handling products, diagnostic tests, analysers, and related software marketed by Biohit provide analysis systems for research use and clinical diagnosis (2). Worldwide, there are hundreds of thousands of analysers based on vertical photometry (1, 3) that can be used in, e.g., GastroPanel examination similarly to the analysers marketed by Biohit. In addition, by changing the measuring method, GastroPanel tests enable supplementing the test range of the analysis systems in use at large international diagnostics companies. These expensive, large-capacity analysis systems are not suited for decentralised laboratory diagnostics.

The company is supplementing its current analysis systems by developing a user-friendly analyser to be used in private clinics, health centres, emergency rooms, and special analyses. The main goal is to develop decentralised laboratory diagnostics that can be used to promote rapid diagnosis of the patient's condition and evidence-based medicine.

Tekes has provided a grant for Biohit's GastroMate development project, which began in 2004. In the first phase, this automatic analyser, GastroMate, will perform GastroPanel tests on the blood sample. GastroSoft evaluates and reports the results of the tests, also storing them for future use. GastroMate is suited for various types of immunoassays, and the purpose is to expand the test and panel range in the field of screening and diagnosis of gastrointestinal diseases, which is the core of Biohit's diagnostics business operations.

The reagents used in GastroPanel tests and the other tests and panels used by GastroMate are consumables that only Biohit and its authorised distributors are allowed to sell. The customer undertakes to use these reagents as (s)he acquires a GastroMate analyser.

The greater the extent to which the cost-efficiency and benefits of decentralised laboratory diagnostics for the doctor, the patient, and the health care system are absorbed in different countries, the more demand there is for GastroMate and similar analysers. There is a large supply of individual tests in use in the field (e.g., for determining cholesterol and blood sugar levels) but are fewer different kinds of panels (among them are Pathfast™ from Mitsubishi and Evidence™ from Randox). Private clinics and small and medium-sized clinical laboratories are typical GastroMate customers.

It has been estimated that, for example, in Japan there are 100,000, in Germany 70,000, and in Italy 50,000 private clinics in the core market group for GastroMate. These private clinics with one or several doctors endeavour to improve diagnosis and treatment, and also to increase the clinic's profit by performing the necessary analyses themselves and thus getting more regular customers. The market price of GastroMate has been estimated to be 8,000 euros. The reagents needed for one GastroPanel examination cost about 20 euros. At a private clinic, the patient is invoiced 140 euros for a GastroPanel examination, of which the Social Insurance Institution of Finland, for example, will cover nearly 50%. The project's calculations include an estimate that one doctor or assisting nurse conducts approx. 1,000 GastroPanel examinations per year.

The GastroMate project utilising the globally proven vertical measurement method (1, 3, 4) and new innovations should be completed in two years. For manufacturing reagents, the company has a clean room unit that can be expanded as necessary. Biohit manufactures the GastroMate analyser itself, but its production can be outsourced if need be.

1. www.biohit.com / Company / History / Read more about Biohit and its history from here
2. www.biohit.com / Instruments
3. Suovaniemi, O. (1994). Automated Instrumentation for Clinical and Research Laboratories – Innovation and Development of Vertical Light Beam Photometers and Electronic Pipettors. PhD dissertation, Helsinki University.
4. Tiusanen, T. (1992). Inner-Filter Correction with a Fluorometer-based Multifunctional Instrument. PhD dissertation, Helsinki University.

Board of Directors in 2004

Reijo Luostarinen, born in 1939, DSc (Econ.), Professor
Chairman and independent member of the Board of Biohit since 1993; internationalisation and strategic planning
Other relevant experience: Professor and Director of International Business at the Helsinki School of Economics (HSE); Head of the faculty and Director of the International Business (IB) programme as well as 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 companies in total (in 1980-1997). Several international confidential posts for, e.g., the United Nations. Author of 15 books and more than 75 articles and research papers. Holdings in Biohit: 76,300 B-shares.

Arto Alanko, born in 1949, MD, PhD, Docent
Independent member of the Board of Biohit since 2001; co-operation with health care units. Provincial Medical Officer of Southern Finland since 2001 and Director of the Regional Unit for Health and Social Affairs from 2002
Other relevant experience: The Director of Jorvi Hospital (in Espoo, Finland), the Administrative Medical Officer of the Helsinki University Central Hospital, and holder of varied managerial duties at several hospitals. Participation in numerous work groups in Finland. Author of 140 scientific articles and publications.
Holdings in Biohit: 7,400 B-shares.

Hannu Seristö, born in 1962, DSc (Econ.), Professor.
Independent member of the Board of Biohit until 5 August 2004; international marketing and competitive strategies
The Marketing Director of Polar Electro Oy since June 2004
Other relevant experience: Professor of International Business at the Helsinki School of Economics (HSE). Worked in international positions at Finnair Oy, McKinsey & Co. Inc., and Suunto Oy. The chairman of the Board of Directors of the HSE International Centre, which provides the leading Master of Business Administration (MBA) programme in the Nordic countries.
Holdings in Biohit: 336 B-shares.

Osmo Suovaniemi, born in 1943, MD, PhD, Professor
Founder, President and CEO, and non-independent member of the Board of Biohit; management and development of the operative activities of the Group; development of the liquid handling and diagnostic product ranges
Other relevant experience: The founder, main shareholder, chairman, and CEO of Labsystems Oy and Eflab Oy. Nearly 70 patents in Finland and a few hundred worldwide. A board member, vice-chairman, and chairman of the General Industry Group in Finland in 1978-1986. A board member of the Confederation of Finnish Industry in 1986. A member of the Academy of Technical Sciences from 2003.
Holdings in Biohit: 2,285,340 A-shares and 965,207 B-shares.

Peter Tchernych, born in 1957, MSc (Econ.), LLM
Independent member of the Board of Biohit since 2004; international sales and marketing as well as trade and financing
Position of Senior Vice President in the GE Health Care Projects unit
Other relevant experience: Management consultant at Egon Zehnder International; Director of Sales and Marketing for the Eastern European operations of Labsystems Oy; Business Development Manager at Kaukomarkkinat Oy; and Export Manager for Partek Group.
No shareholdings in Biohit.

Mårten Wikström, born in 1945, MD, PhD, Academy Professor
Independent member of the Board of Directors of Biohit since 1997; development of co-operation with the scientific and research communities
Professor of Physical Biochemistry at the University of Helsinki; Academy professor since 1996
Other relevant experience: Director of the international Helsinki Bioenergetics Group and Research Director of the Institute of Biotechnology at the University of Helsinki, as well as Director of Research and Operative Director at Eflab Oy and Labsystems Oy. Over 160 original publications and several scientific awards.
No shareholdings in Biohit.

Management Team

Osmo Suovaniemi
born in 1943, MD, PhD, Professor, completed the JOKO Executive Education study programme and education programme at the Finnish Institute of Management (LIFIM)
Founder, President and CEO of Biohit
Prior to Biohit: Founder, President and CEO of Labsystems Oy and Eflab Oy.
Holdings in Biohit: 2,285,340 A-shares and 965,207 B-shares.

Erik Forsblom
born in 1948, MSc (Biochemistry)
R&D and Production, Diagnostics
With Biohit since 1990
Prior to Biohit: Research Chemist, Production Manager and Assistant Director at Labsystems Oy, and Laboratory Technician and Chemist at the Clinical Laboratory Centre and at United Clinical Laboratories in Helsinki.
Holdings in Biohit: 6,000 B-shares.

Jussi Heiniö
born in 1962, LLM
Administration and Legal Affairs
With Biohit since 1997
Prior to Biohit: An Attorney-at-Law at Law Office Matti Oksala Ky; a junior lawyer undergoing court training, and later a judge in the District Court of Vantaa, Finland.
No shareholdings in Biohit.

Kalle Härkönen
born in 1968, MSc
Production, Liquid Handling
With Biohit since 2001
Prior to Biohit: Factory Manager at Delipap Oy and several positions at the packaging factory Tetra Pak Oy.
Holdings in Biohit: 4,333 B-shares.

Semi Korpela
born in 1970, MSc (Econ.)
Accounting and Finance
With Biohit since 2003
Prior to Biohit: International Business Controller and other international positions at Sonera Corporation.
No shareholdings in Biohit.

Sari Mannonen (née Ylätupa)
born in 1966, PhD (Biochemistry), completed the Business Unit Management Program at JOKO Executive Education Oy
Sales and Marketing, Liquid Handling
With Biohit since 1995 (since 1989 at Locus genex Oy, part of Biohit Group)
Prior to Biohit: Biochemist and Product and Marketing Manager at Locus genex Oy (now Biohit Diagnostics); performing duties related to the development of tests for use in diagnostics at Labsystems Oy.
Holdings in Biohit: 8,600 B-shares.

Mikael Muittari
born in 1966, MSc (Econ.)
Sales and Marketing, Diagnostics
With Biohit since September 2004
Prior to Biohit: Over 12 years' experience in sales and marketing in the international pharmaceuticals industry.
No shareholdings in Biohit.

Seppo Riikonen
born in 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.
Holdings in Biohit: 14,520 B-shares.

Erkki Vesanen
born in 1956, MSc (Engineering, Electronics)
Research and Development
With Biohit since 1989
Prior to Biohit: Managing Director of Innomedia Oy and holder of several duties at Labsystems Oy related to product development, production, materials management, marketing, and international operations.
Holdings in Biohit: 4,260 B-shares.

Information on shareholdings as they were on 31 December 2004.

Management of Subsidiaries

U.K: Biohit Ltd.
Richard Vaughton, Managing Director since 1992.

Japan: Biohit Japan Co. Ltd.
Takao Saito, Managing Director since 1998.

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.

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

China: Finland Biohit Co, Ltd. – Shanghai Representative Office
Esko Tikkanen, Manager of the representative's office since 2004.

Scientific Advisors

Herman Adlercreutz, MD, PhD. Professor Emeritus of Clinical Chemistry at the University of Helsinki. Director of Folkhälsan Research Center and head of the Institute for Preventive Medicine, Nutrition, and Cancer. At Biohit, advisor for diagnostics and laboratory instrumentation.

Hannu Harjunmaa, PhD. Principal Scientist at VivaScan Corporation, Massachusetts, U.S. At Biohit, advisor for liquid handling and laboratory instruments. Current focus on the research and development of new techniques for liquid handling.

Matti Härkönen, MD, PhD. Professor Emeritus of Clinical Chemistry at the University of Helsinki. At Biohit, advisor for diagnostics and laboratory instrumentation including liquid handling. Current focus on the gastric test panel.

Frank Laxén, Consultant Gastroenterologist for the Department of Medicine of the University of Turku, has actively studied the early detection of gastric cancer. At Biohit, he is an advisor for diagnostics.

Aavo Mikelsaar, MD, PhD. Professor at the University of Tartu, Estonia, in the field of human biology and genetics. Director of the Institute of General and Molecular Pathology, Medical Faculty. At Biohit, advisor for cancer diagnosis.

Arto Orpana, PhD. Docent in biochemistry at the University of Helsinki. At Biohit, advisor for diagnostics and instruments (PCR and liquid handling equipment) and development of PCR and other applications.

Aarno Palotie, MD, PhD. Professor, University of California at Los Angeles, Dept. of Pathology and Laboratory Medicine. At Biohit, advisor for genetic laboratory diagnostics.

Ari Ristimäki, MD, PhD. Docent of Cell Biology. Actively engaged in basic scientific research (molecular cell biology) at the University of Helsinki and the Helsinki University Central Hospital. At Biohit, advisor for diagnostics. Current focus on cyclooxygenase-2.

Nils-Erik Saris, PhD, honorary MD. Professor Emeritus at the University of Helsinki. Actively engaged in basic scientific research (biochemistry, biophysics, clinical chemistry). At Biohit, advisor for laboratory instruments, including liquid handling.

Eeva-Marjatta Salonen, PhD. Docent. Helsinki University Central Hospital Laboratories, Division of Virology. At Biohit, advisor for diagnostics. Current focus on telomere research.

Seppo Sarna, PhD. Professor of Biometrics at the University of Helsinki. At Biohit, provider of biostatistical and epidemiological expertise.

Pentti Sipponen, MD, PhD, holds the rank of Professor and is the head of the Department of Pathology at Jorvi Hospital in Espoo, Finland, which is a laboratory engaged in large-scale histopathological routines and research. At Biohit, he serves as advisor for diagnostics and diagnostic devices. His current focus is on the gastric test panel and lactose intolerance test.

Agu Tamm, MD. Dr.Med. Professor of Laboratory Medicine, University of Tartu, Estonia. At Biohit, advisor for diagnosis of dyspepsia, hypolactasia tests, and the gastric test panel.

Corporate Governance

Biohit Oyj and the Biohit Group adhere to the requirements of the Finnish Companies Act, the national legislation applicable to subsidiaries, the Finnish Securities Market and Accounting Act, the guidelines of the Helsinki Exchanges (HEX), and the provisions of the Articles of Association of Biohit Oyj. In addition, Biohit Oyj complies with the recommendations on Corporate Governance for publicly listed companies issued in 2003 by HEX Plc., the Central Chamber of Commerce of Finland, and the Confederation of Finnish Industry and Employers.

Annual General Meeting

The Annual General Meeting (AGM) of Biohit Oyj is the highest decision-making body of the company. The AGM is held annually by the end of April. An extraordinary general meeting may be held at the request of the Board of Directors (BOD) or when stipulated by law.

The AGM resolves and decides on, e.g.,
the following issues:
- Approval of the consolidated financial statements and balance sheet of the parent company and the Group
- Action concerning the financial result
- Discharging of the members of the BOD and the president and CEO from liability
- Confirmation of the number of members of the BOD, election of members, and decision on remuneration
– Appointment of the auditor and deputy
- Changes in the Articles of Association

A summons to the AGM will be published in Helsingin Sanomat and Kauppalehti. In addition, Biohit posts all invitations to general meetings on its corporate web site. The agenda and nominees for members of the BOD will be presented in the summons to the AGM. Prerequisites for BOD membership are that the nominees have been approved by shareholders possessing at least 10% of the votes and have accepted their nomination. In addition, the nominee for auditor will be announced in the summons.

It is presumed that the Chairman of the BOD will open the AGM. Other members of the Board of Directors and the auditor are requested to attend the meeting, if possible.

Board of Directors

The Board of Directors, which comprises at least five members elected by the Annual General Meeting, is responsible for the administration of the Group and the proper organising of its operations. The BOD elects a chairman amongst its members. The membership commences from the election by the AGM and lasts until the next AGM.

The BOD is responsible for the organisation and control of the accounting and financing function. The BOD discusses and approves the annual financial statements of the parent company and the Group as well as the interim financial statements through the end of March, June, and September. In addition to the duties set forth by law, the BOD approves the operating principles, the business plan, and the budget of the Group. Moreover, the BOD decides on Group strategy, possible redirection of operations, organisational structure, investments, and other matters of significant importance and with long-term implications. The decision-making of the BOD is based on the reports drawn up by the operative management concerning the activities and development of the Group and its business areas.

In general, the BOD convenes once a month (i.e., 10-12 times per year). When necessary, Board meetings are held at more frequent intervals and via telephone. The schedule for the meetings will be confirmed for the entire term in advance. The BOD summons the AGM and draws up the proposals for the agenda. The BOD assesses at the end of each financial year its activities and work methods. The assessment shall be made by the BOD, and it shall be discussed at the meeting thereof.

The BOD decides on the internal division of duties in order to enhance the development of the activities of the Group optimally on the basis of the expertise and experience of the members of the BOD.

The guidelines of administration and control systems of listed companies are taken into consideration when proposals concerning the members of the BOD are made. The BOD has drawn up a written working order for its activities. No separate committees have been established for enhancing the work of the BOD.

President and CEO

The president and CEO, appointed by the Board of Directors, is responsible for the day-to-day management of the Group. The president and CEO is responsible for the management of the operative activities of the Group, the realisation of the operative plan and budget, and informing the BOD of matters related to business operations and their administration. Furthermore, the president and CEO assumes liability for the legality and reliable organisation of accounting and financial management. At the monthly meetings, the president and CEO reports to the BOD on business operations and possible changes. The president and CEO informs the BOD immediately of changes that are of crucial importance to the company and its activities.

The BOD approves the remuneration, incentives connected with the result of the company, and other terms of employment of the president and CEO. Currently, the retirement age and employment terms and conditions of the president and CEO have not yet been confirmed.

Management Team

The duty of the Management Team (MT) is to assist the president and CEO in planning and controlling the business operations of the company, in managing daily operations, and in preparing matters to be submitted for the consideration of the BOD.

The MT comprises the president and CEO and the directors of the different functional areas of the Group. The following business functions are represented in the MT: Sales and Marketing, Production, Finance, Research and Development, Administration, and Quality Systems.

The president and CEO appoints the members of the Management Team and approves the terms of the employment thereof in accordance with the instructions given by the BOD. The instructions concerning the services provided by the MT need to be based on written agreements, the terms of which have been clearly stated. The terms of remuneration of the MT and those of the managing directors of subsidiaries should be fair and motivating. It is recommended that the MT convene once a month and, if possible, before Board meetings.

The MT assists the president and CEO in action planning and operative management as well as in preparation concerning matters discussed by the BOD. Moreover, development of internal co-operation, corporate culture, and the corporate image of the company are central tasks of the MT.

Managing Directors of Subsidiaries

The managing directors of subsidiaries and the BODs of subsidiaries are responsible for the management of subsidiary operations. The subsidiaries are responsible for the sales and marketing of the products of Biohit in the different market areas. The subsidiaries' managing directors operate under the management and control of the president and CEO and the director of Administration. The BOD of each subsidiary is composed of the managing director of the subsidiary and the necessary number of members of the Management Team of Biohit Oyj.

Each managing director of a subsidiary is responsible for ensuring that the business operations of the subsidiary are managed, planned, controlled, reported, and developed in accordance with the operating principles of the Biohit Group.

The president and CEO approves the salaries of the subsidiaries' managing directors in accordance with the instructions provided by the BOD of Biohit Oyj. Incentives related to profit are dependent on the development of the sales and profitability of various product groups.

Internal Control

Subsidiaries report to the MT of the Group on a monthly and quarterly basis on the development of business and profitability. The MT of the Group reports to the BOD on the overall development of business; these two bodies, together with the president and CEO, decide on overall corporate strategies and procedures guiding the operations of the Group.

The MT of the Group decides, on the basis of the instructions given by the BOD, on the guidance of business activities, financing, and investments. In general, the MT convenes once per month.

The BODs of subsidiaries follow the development of business and ensure that the instructions and other guidelines accepted and provided by the parent

company are followed. The BOD of each subsidiary convenes at least four times per year, primarily after each calendar quarter.

Steering and control of the business of Biohit Group is carried out in accordance with the management system described above. The company provides reporting systems necessary for business and financial management.

The financial department of the parent company provides instructions for drawing up annual and interim financial statements and prepares the consolidated financial statements. The financial department of the parent company maintains central control of matters related to funding and is responsible for the management of interest and exchange rate risks. The managing directors of subsidiaries ensure that subsidiaries' reporting is carried out in accordance with the instructions given by the MT of the Group. The administration department of the parent company provides instructions on, and controls, the agreement and personnel policies enacted at the Group level.

Risk Management

The objective of the risk management policy of Biohit is to identify the most important risks related to the business and the business environment. The risks need to be controlled and monitored in a cost-effective manner so as to promote the operational and strategic goals of the Group in the best possible way.

The MT of the Group assumes overall operational responsibility for the risk management policy. The management is responsible for the organising and planning of the risk management strategy as well as its development, co-ordination, and follow-up. The MT of the Group reports to the BOD. The BOD of the parent company accepts the risk management policy and its objectives.

The risk management policy of Biohit forms part of the management, control, and reporting systems of the Group. Regular reporting and follow-up is carried out at both the Group and subsidiary level. The identification of risks takes place at both levels as well.

The main risk factors of the company have been identified and divided by area of responsibility amongst the members of the MT. Each member of the MT is expected to follow up on the risks of his/her functional area of responsibility as well as to carry out all measures necessary for risk management. The administrative department of the Group is responsible for general risk management. Each managing director of a subsidiary is responsible for following the risk management policy at subsidiary level and reporting to the MT of the Group. The management of subsidiaries should recognise and evaluate the most important risks and draw up a response plan in co-operation with the MT of the Group.

Internal and External Auditing

Currently, a separately organised function for internal auditing purposes does not exist in the company. The Group has an auditor and reporting systems for monitoring the development of business and for financial management purposes. In addition, the auditor and each subsidiary assess the functionality of the internal control system during the statutory audit.
The auditor elected by the AGM is responsible for the statutory audit. According to the Articles of Association, the company needs to have one auditing body approved by the Central Chamber of Commerce. The auditor announces the name of the individual auditor who assumes the main responsibility for conducting the audit. The term of the auditor begins during the financial year in progress, and it ends during the next AGM.

In connection with the publication of the financial statements, the auditors issue their statutory report to the shareholders. The auditors of the parent company report their findings to the BOD and CEO. The reports drawn up by the auditors of the parent company are based in part on the audits carried out by the auditors of subsidiaries. The MT of the Group evaluates the subsidiary reports.

Insiders

Biohit Oyj applies the Guidelines for Insiders approved by the Helsinki Exchanges.

Biohit's statutory insiders comprise the members of the BOD, the president and CEO, and the principal auditor and his/her substitute. On the basis of their duties, also the members of the MT are considered to be insiders.

In addition, the company maintains a register of project-specific insiders who participate in the planning and execution of important projects, such as acquisitions and mergers.

Permanent insiders are not allowed to sell or purchase shares in Biohit Oyj for 14 days before the publication of the financial statements and interim reports. Insiders participating in projects are not allowed to sell or purchase shares in Biohit before an announcement has been made of the continuation or discontinuation of a project. A list of insiders is published on the corporate web site at www.biohit.com.

Salaries of the Management

The salary of the president and CEO was 140 thousand euros in 2004.

The Fees Paid to the Members of the Board of Directors

The remuneration for the members of the Board totalled 66 thousand euros in 2004, and the remuneration for consulting services was 12 thousand euros.

Board Meetings

The Board of Directors assembled 14 times in 2004. The average turnout was 72.6%.

Auditors and Their Fees

On 15 April 2004, the Annual General Meeting of Biohit chose public accountancy company PricewaterhouseCoopers Oy as the auditor and decided that the company's fee was to be paid on the basis of the invoice issued. The responsible auditor is APA Hannele Selesvuo.

During the 2004 fiscal year, the invoiced auditor's fees totalled 102 thousand euros. In addition, public accountancy company PricewaterhouseCoopers Oy has been paid 19 thousand euros for other services.

Pension Plans

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

Ownership by the Management

The members of the Board and the president and CEO of the company owned a total of 2,285,340 A-shares and 2,340,072 B-shares on 31 December 2004. This in total represents 35.75% of all shares and 54.01% of votes in the company. Detailed information about the ownership of the management is included in the Annual Report, pages 20-21.

Risk Management

With its risk management policy, Biohit has prepared for various risks related to international business. The responsibility for the risk management policy belongs to the BOD and MT of the Biohit Group. Risk management is an essential part of the Group's operations management. The related instructions and methods of organisation have been described in the section on Biohit's corporate governance (under 'Risk Management').

The risks related to Biohit's business have been charted and divided into market risks, financial risks, property and liability risks, personnel risks, data system risks and juridical risks.

Market Risks

Biohit practises worldwide business in several market areas, where the prices and distribution channels of competing products may vary significantly even within a short time interval due to company organisation issues and strategic integration. Biohit has prepared for this risk by forming an extensive and flexible distribution network that includes also the subsidiaries in all main market areas. With this operational distribution network, Biohit can react quickly to market changes. Biohit has developed manufacturing processes that are as cost-effective as possible, in order to be able to respond to changes in the pricing of products.

Sales and marketing directors share the responsibility for following the market risks together with the managing directors of the subsidiaries. The president and CEO of the Group is responsible for readiness.

Financial Risks

At the beginning of 2005, Biohit's parent company introduced a new enterprise resource planning (ERP) system that is to be introduced in the subsidiaries as well. The ERP system and the improvement of monitoring and reporting aim at enhancing the order and delivery process and at reducing the need for working capital.

According to Biohit's management, the most significant financial risks at the moment are related to the fluctuation of exchange rates and especially to the strength of the euro. The Group has taken the currency risks into consideration by controlling various currency-based acquisitions, for example.

Biohit's clientele consists mainly of well-established companies, and consequently Biohit does not consider credit loss risks a significant threat. The Group's financial management is responsible for following the development of financial risks and preparing for the risks on the operational level.

Property and Liability Risks

Biohit has extensive insurance against harm to property and personnel. The insurance policies are checked at least once a year. Policy amounts have been adjusted to correspond to the extent of the operations and developments in operations. Biohit has also prepared for product liability risks with contractual methods involving insurance policies that have worldwide coverage.

The parent company's administrative director and financial director are responsible for following up on loss risks and liability risks.

Personnel Risks

Biohit's business development and the complexity of the operational environment require constant development of the skills of the personnel. In particular, realisation of the expected growth in the diagnostics business requires recruiting skilful personnel.

Biohit aims at minimising personnel risks by concentrating on workers' well-being, on-the-job learning, commitment, and education.

The unit directors and the administrative director of the parent company are responsible for minimising personnel risks.

Data System Risks

There are data system risks connected to guiding and monitoring international business operations. Biohit has taken these risks into consideration by implementing solutions that improve the security of the company's data systems. The prevention and control of risks have been improved by, e.g., providing data security instructions.

On the operative level, the manager of Biohit's IT department is responsible for the data system risks.

Juridical Risks

Inventions related to the company's products have been protected with patents and various contractual arrangements. The company has taken the risks related to the business operations into consideration via written agreements drawn up by the company's lawyer. The main emphasis in controlling the juridical risks is on preventive measures, such as informing and guiding the personnel participating in the sales operations.

The company's administrative director is responsible for following up on the juridical risks.

Report of the Board of Directors

Biohit manufactures liquid handling products and accessories as well as diagnostic test systems for use in research, health care and industrial laboratories. Biohit's product range encompasses also instruments and related software, which, together with the liquid handling products and diagnostic tests, enable the company to provide complete analysing systems for its customers.

In the liquid handling field, Biohit's main products are electronic and mechanical pipettors, and their disposable tips. The company's diagnostic product range encompasses the following tests: GastroPanel for diagnosing upper stomach symptoms as well as for screening the risk of gastric cancer and peptic ulcers from blood samples; and fast and reliable quick tests for diagnosing lactose intolerance and Helicobacter pylori infection.

Net Sales

The net sales of the Biohit Group increased by 2% from the previous year's figures and totalled EUR 26.7 million (EUR 26.3 million). During the fourth quarter of 2004, net sales were 3.6% lower than for the corresponding quarter in 2003, due to temporary delivery problems with the new liquid handling products. The Group's net sales for the fiscal year were generated primarily from sales and maintenance services related to liquid handling products. In particular, the growth in net sales was generated from increased sales of liquid handling products in the European market.

The proportion of Group net sales consisting of international business operations was approx. 94%. The primary market area continued to be Europe, which accounted for about 63% of the Group's net sales. The decrease of the euro / US dollar exchange rate slowed the growth of net sales considerably.

Result

The loss for 2004 was EUR 0.6 million (loss EUR 0.7 million). The operating loss for 2004 came to EUR 0.2 million (loss EUR 0.2 million). The operating profit before goodwill amortisation was EUR 0.1 million (EUR 0.2 million), of which liquid handling business accounted for EUR 2.1 million and diagnostics accounted for EUR 2.0 million.

In the course of the fiscal year under review, Biohit split its international sales and marketing for liquid handling and diagnostic products into separate divisions. The Group has also intensified product sales and marketing.

The Group's accounting principle for development costs was changed as of 1 January 2004 to comply with IFRS 38. Development costs amounting to 187 thousand euros were capitalised during the reporting period, which improves the operating margin and operating profit accordingly.

Income tax (EUR 0.3 million) has been accounted for on the basis of the result for the fiscal year. However, deferred tax assets relating to taxable losses have not been addressed in this manner. Of the income tax that is set against income on the income statement, EUR 0.2 million comes from the decrease in deferred tax assets relating to the dissolution loss taken on Locus Genex Oy.

Deferred taxes as of 31 December 2004 have been calculated based on the 26% tax rate in effect from 2005. The change of the tax rate increased the tax for the fiscal year by EUR 0.1 million.

Net financial expenses totalled EUR 0.1 million (EUR 0.2 million).

Earnings per share were EUR -0.05 (EUR -0.06). Shareholders' equity per share totalled EUR 1.04 (EUR 1.08).

Balance Sheet

The total assets came to EUR 21.2 million (EUR 21.9 million). The equity ratio was 63.7% on 31 December 2004 (64.7%). In accordance with a decision made by the Annual General Meeting on 15 April 2004, accumulated losses of EUR 2.3 million have been covered by the share premium fund.

Liquidity

The net cash flow provided by operations was EUR 2.2 million (EUR 0.9 million). The growth resulted from the favourable development of net working capital. At the end of the fiscal year, the liquid assets of the Group totalled EUR 1.3 million (EUR 1.1 million).

Investments

Gross investments totalled EUR 2.1 million (EUR 1.2 million). The majority of the investments consisted of machinery and equipment acquired for the Kajaani plant for the automation of production of liquid handling products, injection moulding tools used in the manufacture of liquid handling devices, the capitalisation of development costs, and the acquisition of business premises for the French subsidiary Biohit SAS.

The Group's research and development expenditures totalled EUR 1.3 million (EUR 1.4 million) – i.e., 4.9% (5.5%) of net sales – of which development costs amounting to EUR 0.2 million have been capitalised.

Personnel

The average number of personnel in 2004 was 291 (298), with 164 (174) of these employed by the parent company and 126 (124) by the subsidiaries.

Equity Turnover and Price Development

In 2004, Biohit's B-share turnover on the Helsinki Exchanges was EUR 2,695,304, or 1,131,410 in pieces. The highest price in 2004 was EUR 3.09 and the lowest EUR 1.75. The average price was EUR 2.38. The closing price at the end of 2004 was EUR 2.06. The market capitalisation value of the B-shares totalled EUR 18,667,982. Biohit has been listed on the Helsinki Exchanges NM list since 1999.

Administration

The members of the Board of Directors of Biohit Group in 2004 were Professor Reijo Luostarinen as chairman, and members Docent Arto Alanko; Professor Hannu Seristö (until 5 August 2004); Peter Tchernych, LLM, MSc (Econ.) (since 15 April 2004); Professor Osmo Suovaniemi, MD, PhD; and Professor Mårten Wikström. Osmo Suovaniemi acted as the President and CEO of the Biohit Group.

PricewaterhouseCoopers Oy acted as auditors, with Hannele Selesvuo, Authorised Public Accountant, serving as the responsible auditor.

Prospects for 2005

In the area of liquid handling, Biohit expects to respond more effectively to the market demand, on account of its more comprehensive product range. According to Biohit estimates, there are not expected to be any changes in the new liquid handling products that could have a negative impact on the development of net sales.

The market penetration of diagnostic products has been slower than was anticipated. However, Biohit expects that intensification of sales, increased co-operation with distributors, several evaluations, and approvals received from authorities will lead to increased net sales in 2005.

On the basis of the factors mentioned above, the net sales of the Biohit Group are expected to grow and profit to improve in 2005. This outlook is supported by the reorganisation of the international sales and marketing divisions for liquid handling and diagnostic products as well as the new enterprise resource planning system introduced in the parent company at the beginning of 2005.

Income Statement

INCOME STATEMENT 1 January – 31 December		Group		Parent company	
EUR 1000	Note	2004	2003	2004	2003
NET SALES	2.1.	26 702	26 259	16 333	17 019
Change in inventories of finished goods and work in progress		-454	367	-228	73
Other operating income		173	303	232	248
Materials and services	2.2.	-5 124	-5 300	-3 542	-3 682
Personnel expenses	2.3.	-10 787	-10 739	-6 159	-6 363
Depreciation and value adjustments	3.1.	-1 796	-2 005	-1 696	-4 143
Other operating expenses		-8 886	-9 096	-5 136	-5 562
OPERATING PROFIT/LOSS		-172	-213	-196	-2 409
Financial expenses net	2.4.	-86	-250	-70	-175
PROFIT/LOSS BEFORE TAXES		-257	-462	-267	-2 584
Income tax	2.5.	-322	-252	0	0
Minority interests		-8	-4		
PROFIT/LOSS FOR THE FISCAL YEAR		-588	-719	-267	-2 584

Balance Sheet

BALANCE SHEET 31 December		Group		Parent company	
EUR 1000	Note	2004	2003	2004	2003
ASSETS					
FIXED ASSETS					
Intangible assets	3.1.1.	1 177	1 038	3 290	3 502
Goodwill	3.1.1.	2 356	2 638		
Tangible assets	3.1.2.	6 585	6 195	5 653	5 693
Shares and holdings	3.2.	11	11	3 503	3 423
Total fixed assets		10 130	9 881	12 446	12 618
CURRENT ASSETS					
Inventories	3.3.	3 565	4 074	2 174	2 406
Deferred tax assets	3.7.	843	1 141		
Long-term receivables				190	292
Short-term receivables	3.4.	5 350	5 724	5 719	6 450
Cash at bank and in hand		1 296	1 054	967	489
Total current assets		11 054	11 993	9 050	9 637
TOTAL ASSETS		21 183	21 875	21 496	22 255
SHAREHOLDERS' EQUITY AND LIABILITIES					
SHAREHOLDERS' EQUITY					
Share capital	3.5.1.	2 199	2 199	2 199	2 199
Share premium fund	3.5.1.	13 109	15 425	13 109	15 425
Accumulated profit/loss from previous years	3.5.1.	-1 283	-2 869	0	268
Profit/loss for the year	3.5.1.	-588	-719	-267	-2 584
Capital loans	3.5.4.	1 243	1 243	1 243	1 243
TOTAL SHAREHOLDERS' EQUITY		14 681	15 280	16 285	16 552
MINORITY INTERESTS		0	65		
UNTAXED RESERVES				359	359
LIABILITIES					
Deferred tax liability	3.7.	93	104		
Long-term liabilities	3.8.1.	2 400	2 302	2 046	2 179
Short-term liabilities	3.8.2.	4 009	4 124	2 806	3 166
Total liabilities		6 502	6 530	4 852	5 345
TOTAL SHAREHOLDERS' EQUITY AND LIABILITIES		21 183	21 875	21 496	22 255

Cash Flow Statement

CASH FLOW STATEMENT	Group		Parent company	
EUR 1000	2004	2003	2004	2003
Cash flow from operating activities:				
Profit/loss before extraordinary items	-257	-435	-267	-2 585
Adjustments:				
Depreciation and value adjustments	1 796	2 005	1 694	4 143
Financial income and expenses	86	250	70	175
Other adjustments	-46	-50	-34	-49
Cash flow before change in net working capital	1 579	1 770	1 463	1 684
CHANGE IN NET WORKING CAPITAL				
Increase (+) / decrease (-) in non-interest-bearing receivables	376	-419	731	-1 006
Increase (+) / decrease (-) in inventories	510	-483	232	-406
Increase (+) / decrease (-) in non-interest-bearing liabilities	-104	287	-151	445
Funds generated before financial items and income tax	2 361	1 155	2 275	717
Interest and other financial items paid	-210	-399	-206	-200
Interest received	133	180	135	55
Income tax paid	-46	-73	0	0
Net cash flow from operating activities (A)	2 238	863	2 203	573
NET CASH FLOW FROM INVESTMENT ACTIVITIES:				
Investments in tangible and intangible assets	-2 130	-1 142	-1 491	-1 045
Grants received	33	0	33	0
Proceeds from sales of tangible and intangible assets	8	0	8	0
Loans granted for subsidiary companies			0	-150
Subsidiary shares acquired	-80	0	-80	0
Repayments of loan receivables			102	203
Interests received from investments	28	120	28	120
Dividends received from investments	1	5	1	5
Net cash flow from investment activities (B)	-2 140	-1 017	-1 399	-867
NET CASH FLOW FROM FINANCING ACTIVITIES:				
Increase in long-term loans	780	611	300	600
Repayment of long-term loans	-632	-758	-627	-754
Net cash flow from financing activities (C)	148	-147	-327	-154
Net increase (+) / decrease (-) in cash and cash equivalents (A+B+C)	246	-301	477	-448
Cash and cash equivalents at the beginning of the fiscal year	1 054	1 374	489	936
Translation difference relating to cash and cash equivalents	-4	-20		
Cash and cash equivalents at the end of the fiscal year	1 296	1 054	967	489

Notes to the Financial Statements

1. ACCOUNTING PRINCIPLES

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

The separate financial statements of the Group companies have been adjusted to be in accordance with the Group's uniform accounting principles prior to their being combined with the Group's financial statements.

Preparation of the financial statements in conformity with generally accepted accounting principles requires that the management make estimates and assumptions that affect the amounts and figures in the financial statements. Actual results could thus be at variance with those estimates.

Amounts are presented in euros and are based on the original value of transactions.

PRINCIPLES OF VALUATION AND PERIODISATION OF REVENUES AND COSTS

Valuation of Fixed Assets

Fixed assets are recorded in the balance sheet at historical cost, exclusive of grants received and depreciation. Depreciation is calculated on a straight-line basis over the lifetime of the assets.

Depreciation periods:

Intangibles	3–10 years
Goodwill (Group)	20 years
Goodwill (parent)	10 years
Development costs	5 years
Other capitalised costs	5–10 years
Buildings	20–30 years
Machinery and equipment	3–10 years

Based on the impairment test, an amortisation in excess of planned figures, in the amount of EUR 2.1 million was made in 2003 on the goodwill in the parent company.

Valuation of Inventories

Inventories are stated to have a value equal to the lower of cost, on a first-in, first-out (FIFO) basis, and net realisable value. Acquisition cost of inventories includes an appropriate proportion of production overheads in addition to the direct costs.

R&D Expenses

Research and development costs are recorded as expenses at the point when they occurred. Development costs have been capitalised in accordance with IAS 38 since 1 January 2004, and they shall be depreciated at the end of their time of influence, in 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

Costs for maintenance and repairs are recorded as expenses when incurred. The costs of renovating rented premises have been capitalised under 'Other capitalised expenses', with depreciation to be calculated on a straight-line basis over the remaining rental period.

Pensions

The pension schemes and any additional pension benefits required by Finnish law are arranged through pension insurance companies. Pension costs are charged to the income statement for the period in which they are earned. For foreign subsidiaries, pension costs are accounted for in accordance with the local practice.

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 balance sheet date. Exchange-rate-related gains and losses are recorded in profit and loss accounting.

ACCOUNTING PRINCIPLES USED IN THE CONSOLIDATED FINANCIAL STATEMENTS

Scope of Consolidated Financial Statements

The consolidated financial statements include Biohit Group and all companies in which the Group holds more than 50% of the voting rights. Subsidiary companies are included in the consolidated financial statements from the date of acquisition.

Intra-Group Shareholdings

The consolidated financial statements have been prepared using the purchase method. The difference between the acquisition cost and the shareholders' equity corresponding to the acquired holding is presented as goodwill.

Intra-Group Transactions and Margins

Intra-Group transactions, unrealised internal profits, receivables, and debts, as well as intra-Group distribution of profits, are eliminated in the consolidated financial statements.

Currency-Related Differences

The income statements of foreign Group companies are translated into euros at the average exchange rate for the year, and the balance sheets at the exchange rate on the balance sheet date. Differences arising from the translation, as well as those from translating shareholders' equity, are recorded in the consolidated financial statements under 'Accumulated profit/loss from prior years'.

Deferred Taxes

Deferred income tax liabilities and receivables have been accounted for on temporary differences based on tax rates enacted at the balance sheet date. The deferred tax liability has been fully provided for while the deferred tax assets have been stated at the recoverable amount. No deferred tax assets have been recognised on tax losses that are carried forward.

2. NOTES TO THE INCOME STATEMENT

2.1. Net Sales by Geographical Area	Group		Parent company	
EUR 1000	2004	2003	2004	2003
Finland	1 579	1 517	1 579	1 517
Other Europe	15 151	13 540	8 680	8 745
North and South America	5 265	5 512	3 162	3 683
Asia	3 406	3 500	2 700	2 908
Other countries	1 302	2 190	212	166
Total	26 702	26 259	16 333	17 019

2.2. Materials and Services	Group		Parent company	
EUR 1000	2004	2003	2004	2003
Materials				
Purchases during the year	4 381	5 199	3171	3 809
Change in inventories	4	-341	4	-341
Total materials	4 385	4 858	3175	3 468
External services	739	442	367	214
Total materials and services	5 124	5 300	3 542	3 682

2.3. Personnel Expenses and Number of Personnel	Group		Parent company	
EUR 1000	2004	2003	2004	2003
Salaries and wages	8 803	8 550	5 171	5 097
Pension expenses	1 119	1 079	866	852
Other personnel expenses	1 163	1 110	420	414
Capitalisation	-298		-298	
Total	10 787	10 739	6 159	6 363

Salaries and Fees of the Management, EUR 1000

The salaries of the Group's managing directors came to 619 (554 in 2003). The fees paid to the members of the Board of Directors were 77 (64 in 2003) in the parent company and in the Group. Any other notable pension arrangements other than those laid down by law have not been made with the managing directors of Group companies.

Personnel	Group		Parent company	
	2004	2003	2004	2003
Office personnel	202	200	75	76
Factory personnel	89	98	89	98
Average no. of personnel	291	298	164	174
Personnel at the end of the year	285	300	157	173

2.4. Financial Income and Expenses	Group		Parent company	
EUR 1000	2004	2003	2004	2003
Dividend income from outside the Group	1	5	1	5
Interest income from long-term investments				
From Group companies			21	40
Other interest and financial income	140	180	114	15
Total interest income from long-term investments and other financial income	140	180	135	55
Value adjustments of shares and holdings			0	-1
Interest expenses and other financial expenses				
To Group companies			-9	-9
To others	-227	-435	-197	-226
Total financial income and expenses	-86	-250	-70	-175
Net foreign exchange losses included under 'Financial income and expenses'	-1	113	5	78

2.5. Income Tax	Group		Parent company	
EUR 1000	2004	2003	2004	2003
Income tax on ordinary operations	-35	-73	0	0
Change in deferred income tax liability/assets	-287	-179	0	0
Total	-322	-252	0	0

3. NOTES TO THE BALANCE SHEET

3.1. Tangible and Intangible Assets

3.1.1. Intangible assets, group EUR 1000	Develop-ment costs	Intangibles	Goodwill	Other capitalised costs	Total
Acquisition cost at beginning of year	0	1 240	6 547	1 291	9 078
Additions	188	92		157	437
Decreases				-193	-193
Acquisition cost at end of year	188	1 333	6 547	1 255	9 322
Accumulated depreciation and value adjustments at beginning of year	0	-615	-3 909	-879	-5 403
Accumulated depreciation and value adjustments at end of year	0	0	0	193	193
Depreciation during the year	-1	-118	-281	-178	-578
Accumulated depreciation and value adjustments at end of year	-1	-733	-4 190	-863	-5 788
Net book value at end of year	187	600	2 356	391	3 534

Intangible assets, parent company EUR 1000	Develop-ment costs	Intangibles	Goodwill	Other capitalised costs	Total
Acquisition cost at beginning of year	0	1 240	6 558	1 087	8 886
Additions	188	92	0	156	436
Decreases	0	0	0	-71	-71
Acquisition cost at end of year	188	1 333	6 558	1 172	9 251
Accumulated depreciation and value adjustments at beginning of year	0	-615	-4 092	-677	-5 385
Accumulated depreciation and value adjustments at end of year	0	0	0	71	71
Depreciation and value adjustments during the year	-1	-118	-352	-177	-648
Accumulated depreciation and value adjustments at end of year	-1	-733	-4 445	-782	-5 961
Net book value at end of year	187	600	2 114	390	3 290

(EUR 1000) Goodwill in parent company consists of patents (5,045) transferred as a result of the dissolution of Locus genex Oy and liquidation loss (1,513).

3.1.2. Tangible assets, group EUR 1000	Area	Buildings	Machinery and equipment	Total
Acquisition cost at beginning of year	0	2 309	9 497	11 806
Additions	72	477	1 059	1 608
Translation differences			-6	-6
Decreases			-340	-340
Acquisition cost at end of year	72	2 786	10 210	13 068
Accumulated depreciation and value adjustments at beginning of year	0	-374	-5 237	-5 611
Translation differences	0	0	6	6
Accumulated depreciation and value adjustments at end of year			340	340
Depreciation during the year		-119	-1 099	-1 218
Accumulated depreciation and value adjustments at end of year	0	-493	-5 990	-6 483
Net book value at end of year	72	2 293	4 220	6 585

Tangible assets, parent company EUR 1000	Buildings	Machinery and equipment	Total
Acquisition cost at beginning of year	2 309	8 168	10 477
Additions	68	946	1 014
Decreases	0	-103	-103
Acquisition cost at end of year	2 377	9 012	11 389
Accumulated depreciation and value adjustments at beginning of year	-374	-4 409	-4 784
Accumulated depreciation and value adjustments at end of year	0	95	95
Depreciation during the year	-117	-931	-1 048
Accumulated depreciation and value adjustments at end of year	-491	-5 245	-5 736
Net book value at end of year	1 886	3 767	5 653

The book value of production machinery and equipment is 3.328 (EUR 1000).

3.2. Shares and Holdings

Parent company EUR 1000	Shares, Group companies	Other shares	Total
Net book value at beginning of year	3 413	10	3 423
Additions	80	0	80
Net book value at end of year	3 493	10	3 503

Group Companies, 31 December 2004	Group holding	Parent company shareholding
Biohit Ltd., Great Britain	100%	100%
Biohit SAS, France	100%	100%
Biohit Deutschland GmbH, Germany	100%	100%
Biohit Japan Co. Ltd., Japan	100%	100%
Biohit Inc., USA	95%	95%
Biohit OOO, Russia	100%	100%
Oy Finio Ab, Finland	100%	100%
Vantaan Hienomekano Oy, Finland	100%	100%

Oy Finio Ab and Vantaan Hienomekano Oy were not operating during 2004. The minority interest of Biohit SAS was redeemed in 2004.

3.3. Inventories

	Group		Parent company	
EUR 1000	2004	2003	2004	2003
Materials	1 367	1 333	1 367	1 328
Finished products/goods	2 198	2 741	807	1 078
Total inventories	3 565	4 074	2 174	2 406

3.4. Receivables

	Group		Parent company	
EUR 1000	2004	2003	2004	2003
Long-term receivables				
Receivables from Group companies				
Loans receivable			191	292
Short-term receivables				
Receivables from Group companies				
Accounts receivable			3 602	3 877
Loans receivable			107	107
Receivables from other companies				
Accounts receivable	4 611	5 068	1 643	2 154
Other receivables	366	351	163	175
Prepayments and accrued income	373	305	204	137
Total short-term receivables	5 350	5 724	5 719	6 450

3.5. Shareholders' Equity

3.5.1. Shareholders' equity	Group		Parent company	
EUR 1000	2004	2003	2004	2003
Share capital at beginning and at end of year	2 199	2 199	2 199	2 199
Share premium fund at beginning of year	15 425	15 425	15 425	15 425
Covered losses from prior years	-2 316	0	-2 316	0
Share premium fund at end of year	13 109	15 425	13 109	15 425
Accumulated profit/loss from prior years at beginning of year	-3 588	-2 803	-2 316	268
Transfer from share premium fund	2 316		2 316	
Translation differences	-11	-67	0	0
Accumulated profit/loss from prior years at end of year	-1 282	-2 869	0	268
Loss for the year	-588	-719	-267	-2 584
Capital loans at beginning and at end of year	1 243	1 243	1 243	1 243
Total shareholders' equity	14 681	15 280	16 285	16 552

In accordance with a decision made by the Annual General Meeting on 15 April 2004, accumulated losses of EUR 2.3 million have been covered by the share premium fund.

3.5.2. Distributable equity on 31 December	Group		Parent company	
EUR 1000	2004	2003	2004	2003
Profit/loss from prior years	-1 282	-2 869	0	268
Profit/loss for the year	-588	-719	-267	-2 584
Unrecorded interest on capital loans	-598	-539	-598	-539
Accelerated depreciation included in shareholders' equity	-266	-255	0	0
Total	-2 734	-4 382	-865	-2 855

The calculation above demonstrates that, as per the Companies Act, Biohit does not have distributable earnings as they stood on 31 December 2004.

3.5.3. Share capital of parent company	2004 No. of shares	EUR	2004 % of shares	% of votes	2003 No. of shares	EUR
A-shares (20 votes per share)	3 875 500	658 835	30.0%	89.5%	3 875 500	658 835
B-shares (1 vote per share)	9 062 127	1 540 562	70.0%	10.5%	9 062 127	1 540 562
Total	12 937 627	2 199 397	100.0%	100.0%	12 937 627	2 199 397

Shares in Biohit comprise Class A and B shares. At shareholders' meetings, shares of series A entitle the holder to 20 votes each and shares of series B to one vote each. In distribution of dividends, the dividend payable on shares of series B shall be higher by two per cent (2%) of the nominal value than the dividend payable on shares of series A.

3.5.4. Capital loans, EUR 1000

On 31 December 2004, the parent company and Group held 1,243 in capital loans. The terms of the capital loans conform to Section 5, paragraph 1 of the Finnish Companies Act. In total, 880 of the capital loans are from the company's main shareholders.

3.6. Appropriations

	Group		Parent company	
EUR 1000	2004	2003	2004	2003
Untaxed reserves			359	359

The untaxed reserves derive from the accelerated depreciation.

3.7. Deferred Income Tax Liabilities and Assets

EUR 1000	Group 2004	2003	Parent company 2004	2003
Deferred income tax assets				
From consolidation entries	843	1 141		
Deferred income tax liabilities:				
From temporary differences	93	104		
Total	750	1 037		

Deferred income tax assets from consolidation entries include taxes paid as a result of the dissolution of Locus genex Oy of 644 (in EUR 1000), deferred in the Group accounts over the remaining amortisation period of 14 years of the goodwill relating to Locus genex Oy.

Cumulative tax losses of Biohit Group companies, including losses for the current year, amount to approximately EUR 3.2 million. The related deferred tax assets, EUR 0.9 million have not been accounted for in the financial statements.

3.8. Liabilities

3.8.1. Long-term liabilities	Group		Parent company	
EUR 1000	2004	2003	2004	2003
Loans from Group companies			200	
Loans from others				
Loans from financial institutions	1 807	1 623	1 326	1 564
Other long-term liabilities	593	679	520	615
Total long-term liabilities	2 400	2 302	2 046	2 179
Debts falling due in more than five years:				
Loans from financial institutions	309	0	0	0
Other long-term liabilities	142	237	142	237
Total	451	237	142	237

3.8.2. Short-term liabilities	Group		Parent company	
EUR 1000	2004	2003	2004	2003
Loans from financial institutions, short-term loans	864	834	808	802
Other long-term debts, debts falling due in less than a year	95	95	95	95
Advances received	80	70	12	21
Accounts payable	1 135	1 287	744	844
Other liabilities	494	443	147	143
Accrued liabilities	1 342	1 396	946	1 009
Liabilities from Group companies				
Accounts payable			45	52
Other short-term liabilities			9	200
Total short-term liabilities	4 009	4 124	2 806	3 166

Accrued liabilities consist mainly of holiday pay and related Social Security accruals.

4. OTHER NOTES

4.1. Pledges Made, Commitments and Contingencies

	Group		Parent company	
EUR 1000	2004	2003	2004	2003
Loans for which mortgages and pledges have been given				
Loans from financial institutions	2 364	2 037	1 884	2 037
Corporate mortgages	1 603	3 389	1 603	3 389
Mortgages on real estate	1 381	1 500	900	1 500
Other liabilities	615	710	615	710
Mortgages on real estate	757	757	757	757

The parent company has given pledges of EUR 0,4 million on behalf of Group companies.

Leasing commitments	Group		Parent company	
	2004	2003	2004	2003
Due for payment the following year	1 498	1 142	897	685
Due for payment at a later date	2 900	1 629	2 352	1 195
Total	4 398	2 771	3 249	1 880

Leasing commitments include mainly fixed-term leasing and rental agreements that are effective for more than one year.

Interest on Capital Loans, EUR 1000

On 31 December 2004, accumulated, unrecorded interest on capital loans was 598 (539) for the parent company and for the Group.

Derivative Contracts

The Group does not have any off-balance-sheet financial instruments.

4.2. Ratios

Financial ratios	2004	2003	2002	2001	2000
Net sales, EUR 1000	26 702	26 259	25 354	25 545	24 247
Increase in net sales, %	1.7	3.6	-0.7	5.4	18.0
Operating profit/loss, EUR 1000	-172	-213	-1 227	237	-482
% of net sales	-0.6	-0.8	-4.8	0.9	-2.0
Profit/loss before extraordinary items and taxes, EUR 1000	-257	-462	-1 545	55	-580
% of net sales	-1.0	-1.8	-6.1	0.2	-2.4
Profit/loss before taxes, EUR 1000	-257	-462	-1 545	55	-341
% of net sales	-1.0	-1.8	-6.1	0.2	-1.4
Return on equity, %	-4.2	-4.9	-11.7	-1.3	-4.6
Return on investment, %	-0.2	-0.2	-5.5	2.0	-0.8
Equity ratio, %	63.7	64.7	66.9	65.7	66.9
Investments in fixed assets, EUR 1000	2 058	1 190	1 578	2 212	6 208
% of net sales	7.7	4.5	6.2	8.7	25.6
Research and development, EUR 1000	1 304	1 447	1 809	2 114	1 698
% of net sales	4.9	5.5	7.1	8.3	7.0
Total assets, EUR 1000	21 183	21 875	22 414	24 996	24 626
Personnel, average	291	298	303	289	222

Ratios per share	2004	2003	2002	2001	2000
Earnings per share, EUR	-0.05	-0.06	-0.14	-0.02	-0.06
Shareholders' equity per share, EUR	1.04	1.08	1.15	1.28	1.30
Price/earnings ratio, (P/E)	-45	-45	-10	-233	-101
Dividends per share	0	0	0	0	0
Dividends/earnings, %	0	0	0	0	0
Effective dividend yield, %	0	0	0	0	0
Price development of B-shares, EUR					
- average price	2.38	1.85	2.56	5.35	7.43
- lowest price	1.75	1.22	1.40	3.00	4.20
- highest price	3.09	3.30	4.40	7.20	13.50
- price on 31 December	2.06	2.50	1.41	4.28	6.20
Market price for total capital stock, EUR 1000 (assuming that an A-share's market price is the same as a B-share's)	26 652	32 344	18 242	54 114	78 389
Exchange of B-shares, 1000 pcs.	1 131	1 287	1 178	909	3 647
- % of total number of shares	12.5	14.2	13.2	10.4	41.9
Average number of shares, adjusted for share issues	12 937 627	12 937 627	12 827 781	12 643 377	12 573 123
Number of shares on the balance sheet date, adjusted for share issues	12 937 627	12 937 627	12 937 627	12 643 377	12 643 377

4.3. Shares and Shareholders

Shares and voting rights

Shares in Biohit comprise A and B shares. At shareholders' meetings, shares of series A entitle the holder to 20 votes each and shares of series B to one vote each. In distribution of dividends, the dividend payable on shares of series B shall be higher by two per cent (2%) of the nominal value than the dividend payable on shares of series A.

Share capital of the parent company	2004		2004		2003	
	No. of shares	EUR	% of shares	% votes	No. of shares	EUR
A-shares (20 votes per share)	3 875 500	658 835	30.0	89.5	3 875 500	658 835
B-shares (1 vote per share)	9 062 127	1 540 562	70.0	10.5	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 which limits the share capital can be raised or lowered without amendment of the Articles of Association.

The company does not possess shares of its own. The Board of Directors does not have outstanding authorisation to issue shares, convertible bonds, or option loans or to acquire shares in the company. The company does not currently have an option plan.

Ownership of Shares by Sector on 31 December 2004

A-shares	No. of shareholders pieces	%	No. of shares pieces	%
1. Companies	2	22.22	919 990	23.74
2. Households	7	77.78	2 955 510	76.26
Total	9	100.00	3 875 500	100.00

B-shares	No. of shareholders pieces	%	No. of shares pieces	%
1. Companies	190	4.53	2 135 285	23.56
2. Financial and insurance institutions	8	0.19	135 360	1.50
3. Public organisations	1	0.02	391 800	4.32
4. Non-profit organisations	16	0.38	96 330	1.06
5. Households	3963	94.38	6 238 850	68.85
6. Foreign	21	0.50	58 910	0.65
Shares that are not entered in the book-entry system			5 592	0.06
Total	4199	100.00	9 062 127	100.00
Nominee-registered shares	4		119 150	1.31

A-shares	No. of shareholders pieces	%	No. of shares pieces	%
1-1 000	1	11.11	10	0.00
1 001-5 000	0	0.00	0	0.00
5 001-10 000	0	0.00	0	0.00
10 001-50 000	1	11.11	19 990	0.52
Over 50 000	7	77.78	3 855 500	99.48
Total	9	100.00	3 875 500	100.00

B-shares	No. of shareholders pieces	%	No. of shares pieces	%
1-1 000	3 534	84.16	1 274 794	9.85
1 001-5 000	532	12.67	1 170 249	9.05
5 001-10 000	80	1.91	601 650	4.65
10 001-50 000	36	0.86	588 548	4.55
Over 50 000	17	0.40	9 296 794	71.86
Total	4 199	100.00	12 932 035	99.96
Shares that are not entered in the book-entry system			5 592	0.04
Total			12 937 627	100.00

Major Shareholders on 31 December 2004

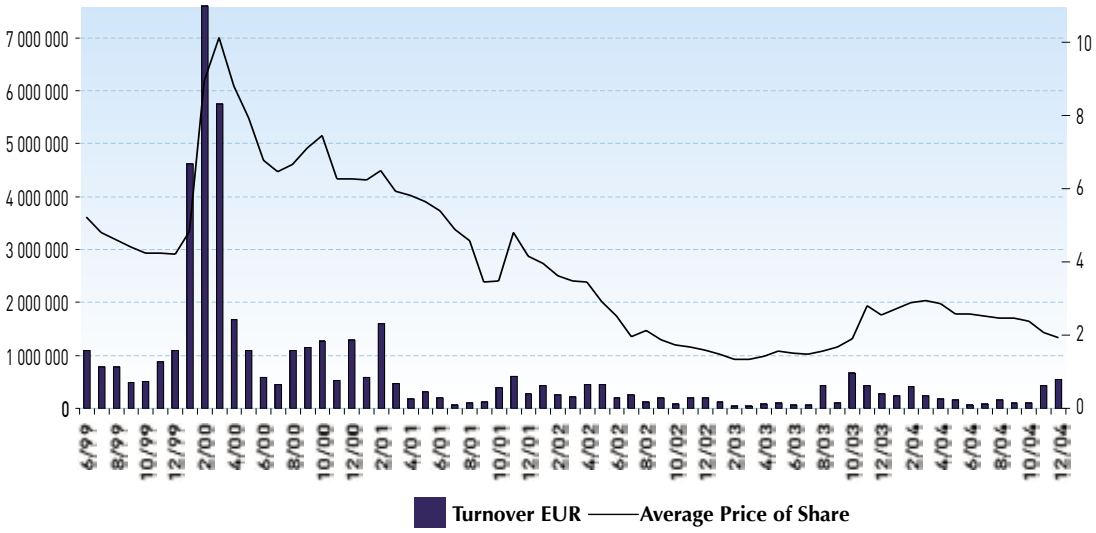
The 10 largest shareholders by number of shares	A-shares	B-shares	Total no. of shares	%
Suovaniemi, Osmo	2 285 340	2 256 372	4 541 712	35.10
Erja-Yhtymä Oy	900 000		900 000	6.96
Suovaniemi, Ville	208 280	371 300	579 580	4.48
Suovaniemi, Joel	208 280	333 700	541 980	4.19
Härkönen, Matti	57 200	439 000	496 200	3.84
Suovaniemi, Oili	121 600	294 435	416 035	3.22
Etra-Invest Oy Ab		400 000	400 000	3.03
Etera Keskinäinen Eläkevakuutusyhtiö		391 800	391 800	3.03
Suovaniemi, Vesa	74 800	263 617	338 417	2.62
Adlercreutz Herman		228 000	228 000	1.76

The 10 largest shareholders by number of votes	A-shares	B-shares	Total no. of shares	%
Suovaniemi, Osmo	45 706 800	2 256 372	47 963 172	55.40
Erja-Yhtymä Oy	18 000 000		18 000 000	20.79
Suovaniemi, Ville	4 165 600	371 300	4 536 900	5.24
Suovaniemi, Joel	4 165 600	333 700	4 499 300	5.20
Suovaniemi, Oili	2 432 000	294 435	2 726 435	3.15
Suovaniemi, Vesa	1 496 000	263 617	1 759 617	2.03
Härkönen, Matti	1 144 000	439 000	1 583 000	1.83
Tech Know Oy Ltd	399 800	141 300	541 100	0.63
Etra-Invest Oy Ab		400 000	400 000	0.46
Etera Keskinäinen Eläkevakuutusyhtiö		391 800	391 800	0.45

Ownership by Management on 31 December 2004

The members of the Board and the president and CEO of the company owned a total of 2,285,340 A-shares and 2,340,072 B-shares on 31 December 2004. This in total represents 35.75% of all shares and 54.01% of votes in the company.

Turnover and Average Price of Share



FORMULAS USED IN CALCULATING KEY RATIOS

Return on equity, %	Profit before extraordinary items – income tax for the period x 100 / Shareholders' equity – capital loans + minority interests (average over the year)
Return on capital employed, %	Profit before extraordinary items + interest and other financial expenses x 100 / Total assets – non-interest-bearing liabilities (average over the year)
Equity ratio, %	Shareholders' equity – capital loans + minority interests x 100 / Total assets – advance payments received
Earnings per share, EUR	Profit before extraordinary items – income tax for the period – minority interests / Average number of shares, adjusted for share issues
Equity per share, EUR	Shareholders' equity – capital loans / Number of shares on the balance sheet date, adjusted for share issues
Dividends per share, EUR	Dividends for the period / Number of shares on the balance sheet date, adjusted for share issues
Dividends/earnings, %	Dividends/share x 100 / Earnings per share
Effective dividend yield, %	Dividends, adjusted for share issues / share x 100 / Stock exchange price on 31 December, adjusted for share issues
Price/earnings ratio, (P/E)	Stock exchange price on 31 December, adjusted for share issues / Earnings per share

Proposal of the Board of Directors

Proposal for the Handling of the Loss

The company does not have distributable earnings.
The Board of Directors proposes that no dividends be paid and that the loss for the period, of EUR 266,739.42 be transferred to the retained profit/loss account from previous years.

Helsinki, 15 February 2005

Reijo Luostarinen
Chairman of the Board of Directors

Osmo Suovaniemi
Member of the Board of Directors
President and CEO

Mårten Wikström
Member of the Board of Directors

Arto Alanko
Member of the Board of Directors

Peter Tchernych
Member of the Board of Directors

Auditors´Report

To the Shareholders of Biohit Oyj

We have audited the accounting records, the financial statements, and the corporate governance of Biohit Oyj for the financial period 1.1 - 31.12.2004. The financial statements, which include the report of the Board of Directors, consolidated and parent company income statements, balance sheets, and notes to the financial statements, have been prepared by the Board of Directors and the president and CEO. Based on our audit, we express an opinion on these financial statements and the corporate governance of the parent company.

We have conducted our audit in accordance with the Finnish Standards on Auditing. These standards require that we perform the audit to obtain reasonable assurance as to whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts stated and disclosures made in the financial statements, assessing the accounting principles used, and evaluating the overall financial statement presentation. The purpose of our audit of corporate governance is to conduct examination that verifies that the members of the Board of Directors and the president and CEO the parent company have legally complied with the rules of the Companies Act.

In our opinion, the financial statements have been prepared in accordance with the Accounting Act and other rules and regulations governing the preparation of financial statements. The financial statements give a true and fair view, as defined in the Accounting Act, of the result of operations as well as the financial position of Biohit Group and the parent company. The financial statements, including the consolidated financial statements, can be adopted, and the members of the Board of Directors and the president and CEO of the parent company can be discharged from liability for the financial period for which our audit has been conducted. The proposal of the Board of Directors regarding the handling of the loss for the financial period is in compliance with the Companies Act.

Helsinki, 18 March 2005

PricewaterhouseCoopers Oy
Authorised Public Accountants

Hannele Selesvuo
Authorised Public Accountant

Transition to IFRS

This chapter provides information of the transition to IFRS standards and the reconciliations of equity on 1 January 2004 and 31 December 2004 and a reconciliation of the net income for 2004. The reconciliations related to each interim period will be demonstrated in the related interim report.

Biohit's date of adoption of IFRS standards is 1 January 2004. Biohit's first financial statement employing IFRS principles will be prepared for the fiscal year ending on 31 December 2005. The first interim report in accordance with IAS 34 will be published for the quarter ending on 31 March 2005.

Biohit has adopted IFRS 1 and the following exemptions allowed by it: business combinations, employee benefits and cumulative translation differences. The attached financial information has been compiled according to the IAS/IFRS standards applicable on the date of this release.

Prior to adoption of the IFRS standards, Biohit's financial statements were based on the Finnish Accounting Standards (FAS). The FAS-compliant accounting principles are included in Biohit Group's annual financial statement for 2004, which is the last financial statement in compliance with the Finnish Accounting Standards. The differences between IFRS and FAS, which affect to Biohit, are reported in the notes presented with the attached reconciliations. The comparative FAS figures presented in this release are in accordance with previously published information.

The most significant changes in the Group's profit and loss statement figures and balance sheet totals are due to financial leasing, pension liabilities, deferred taxes, capital loans and related interests and goodwill.

The effects of IFRS adjustments on the income statement for 2004

The result for the 2004 fiscal year according to the FAS is EUR -0.6 million IFRS adoption improves the result by EUR 0.4 million; i.e., the result for the fiscal year according to IFRS principles is EUR -0.2 million.

The impact of IFRS adjustments on the balance sheet on 1 January 2004 and on 31 December 2004

Total assets in 2003 according to the FAS are EUR 21.9 million. The IFRS adjustments increase the total assets by EUR 1.1 million, and therefore the opening IFRS balance sheet total is EUR 22.9 million. Total assets in 2004 amount to EUR 21.2 million under the FAS. The IFRS adjustments increase the total assets by EUR 1.6 million, and therefore the closing IFRS balance totals EUR 22.8 million.

Effects of the transition to IFRS accounting on the Group's balance sheet: 1 January 2004

EUR million	IFRS 1.1.2004	FAS 1.1.2004	IFRS-adjustment
Assets			
Non current assets			
Property, plant and equipment (8)	6.5	6.2	0.3
Goodwill	2.6	2.6	0.0
Other intangible assets (8)	0.7	1.0	-0.3
Deferred income tax assets (7)	2.2	1.1	1.1
	12.0	11.0	1.1
Current assets			
Inventories	4.1	4.1	0.0
Trade and other receivables	5.7	5.7	0.0
Cash and cash equivalents	1.1	1.1	0.0
	10.9	10.9	0.0
Total assets	22.9	21.9	1.1
Equity and liabilities			
Share capital	2.2	2.2	0.0
Share premium fund	15.4	15.4	0.0
Retained earnings	-3.3	-3.6	0.3
Capital loan (1)	0.0	1.2	-1.2
	14.3	15.3	-0.9

EUR million	IFRS 1.1.2004	FAS 1.1.2004	IFRS-adjustment
Long-term liabilities			
Other non-current liabilities (2)	0.5	0.0	0.5
Deferred income tax liabilities	0.1	0.1	0.0
Retirement benefit obligations (3)	0.2	0.0	0.2
Interest-bearing debt (1)	3.5	2.3	1.2
	4.4	2.4	2.0
Short-term liabilities			
Trade and other payables	3.2	3.2	0.0
Short-term interest-bearing debt	1.0	1.0	0.0
	4.1	4.1	0.0
Total liabilities	8.5	6.5	2.0
Total equity and liabilities	22.9	21.9	1.1

Effects of the transition to IFRS accounting on the Group's balance sheet: 31 December 2004

EUR million	IFRS 31.12.2004	FAS 31.12.2004	IFRS-adjustment
Assets			
Non current assets			
Property, plant and equipment (8)	6.8	6.6	0.2
Goodwill (6)	2.6	2.3	0.3
Other intangible assets (5, 8)	1.2	1.2	0.0
Deferred income tax assets (7)	1.9	0.8	1.1
	12.6	11.0	1.6
Current assets			
Inventories	3.6	3.6	0.0
Trade and other receivables	5.3	5.3	0.0
Cash and cash equivalents	1.3	1.3	0.0
	10.2	10.2	0.0
Total assets	22.8	21.2	1.6
Equity and liabilities			
Share capital	2.2	2.2	0.0
Share premium fund	13.1	13.1	0.0
Retained earnings	-1.2	-1.9	0.7
Capital loan (1)	0.0	1.2	-1.2
Total equity	14.1	14.7	-0.5
Long-term liabilities			
Other non-current liabilities (2)	0.6	0.0	0.6
Deferred income tax liabilities	0.1	0.1	0.0
Retirement benefit obligations (3)	0.1	0.0	0.1
Interest-bearing debt (1, 5)	3.8	2.4	1.4
	4.6	2.5	2.1
Short-term liabilities			
Trade and other payables	3.0	3.0	0.0
Short-term interest-bearing debt (5)	1.0	1.0	0.1
	4.1	4.0	0.1
Total liabilities	8.6	6.5	2.1
Total equity and liabilities	22.8	21.2	1.6

Reconciliation of equity

EUR million	31.12.2004	1.1.2004	
Equity under FAS	14.7	15.3	
IAS 19 Employee benefits (3)	-0.1	-0.2	
IAS 39 Capital loans (1)	-1.2	-1.2	
IAS 23 Interests on capital loans (2)	-0.6	-0.5	
IFRS 3 Goodwill (6)	0.3	0.0	
IAS 17 Financial leasing (5)	0.0	0.0	
IAS 12 Deferred taxes (7)	1.0	0.9	
Equity under IFRS	14.1	14.3	

Reconciliation of profit or loss

EUR million	31.12.2004		
Loss for the period under FAS	-0.6		
IAS 19 Employee benefits (3)	0.1		
IAS 23 Interests on capital loans (2)	-0.1		
IFRS 3 Goodwill (6)	0.3		
IAS 17 Financial leasing (5)	0.0		
IAS 12 Deferred taxes (7)	0.1		
Loss for the period under IFRS	-0.2		

Effects of the transition to IFRS on the previously reported Group profit and loss statement for the fiscal year 1 January - 31 December 2004

EUR million	IFRS 2004	FAS 2004	IFRS-adjustments
Sales	26.7	26.7	0.0
Other operating income	0.2	0.2	0.0
Increase/decrease in inventories in finished goods and in work in progress	-0.5	-0.5	0.0
Production for own use	-5.1	-5.1	0.0
Personnel expenses (3)	-10.7	-10.8	0.1
Depreciation (6)	-1.5	-1.8	0.3
Other operating expenses	-8.9	-8.9	0.0
Operating profit / loss	0.2	-0.2	0.4
Finance costs-net (2)	-0.2	-0.1	-0.1
Profit / loss before tax	0.0	-0.3	0.3
Direct taxes	-0.2	-0.3	0.1
Loss for the year	-0.2	-0.6	0.4

Key financial ratios

	IFRS 2004	FAS 2004	
Earnings per share	-0.01	-0.05	
Equity per share	1.09	1.04	
Equity ratio	62.30	63.70	

The key financial ratio formulas are the same as in the 2004 FAS.

Notes on Reconciliations

(1) Capital loans

In the financial statements according to FAS the capital loans EUR 1.2 million are presented separately within equity. In the IFRS balance sheet the capital loans are presented as a liability in accordance with IAS 39.

(2) Interests on capital loans

In the FAS financial statements the accumulated interests on capital loans are not recorded in the financial statements but presented as commitments in the notes. In the IFRS financial statements the accumulated interests on the capital loans are included in the balance sheet in the non current liabilities.

The amount of accumulated interests on 1.1.2004 is EUR 0.5 million, decreasing the IFRS opening equity 1.1.2004 by EUR 0.4 million and increasing the deferred tax receivables by EUR 0.1 million. The accumulated interests on the capital loans on 31.12.2004 are EUR 0.6 million. The interests decrease the profit before taxes by EUR 0.1 million for the fiscal year 2004.

(3) Pension obligations

The disability element of the Finnish TEL pension scheme has been accounted for as a defined benefit plan in accordance with IAS 19.

In December 2004 the Ministry of Social Affairs and Health approved certain changes to the accounting of obligations for disabilities that are effective on 1 January 2006. As a result of this change, the disability element of TEL is accounted for as a defined contribution plan under IFRS. The actuarially calculated disability obligation of EUR 0.1 million has been recognised in the balance sheet at the date of transition. The above mentioned reduction in pension obligations has been recognised as a non-recurring gain of EUR 0.1 million in the 2004 IFRS profit and loss statement.

Additionally the balance sheet at the date of transition includes EUR 0.1 million of pension obligations of subsidiaries, which are accounted for as a defined benefit plan.

(4) Intangible assets

The development costs have been activated in the FAS financial statements in accordance with IAS 38 since 1.1.2004.

(5) Lease contracts

In the financial statements according to FAS all the leasing contracts are accounted for as operational leases. In the IFRS balance sheet the financial leases are in compliance with IAS 17 recorded in the assets and liabilities to the amount corresponding the market value of the leased asset or lower net present value of lease payments at the time of contract initiation. The effect on the IFRS balance sheet as of 31.12.2004 is for intangible assets EUR 0.2 million and for debts EUR 0.2 million.

(6) Amortization of goodwill

In accordance with IFRS 3, goodwill is no longer amortized on a systematic basis but tested annually for impairment in accordance with IAS 36. This change improves earnings before tax in 2004 by EUR 0.3 million.

(7) Income taxes

Changes in deferred tax liabilities and assets arising from the above mentioned differences are taken into account in the IFRS balance sheet, increasing the IFRS balance sheet tax assets by EUR 0.2 million.
The deferred tax assets relating to the tax loss carry forwards of the group are included in the IFRS balance sheet to the extent they can probably be utilised. The inclusion of the deferred tax assets relating to the tax loss carry forwards in the IFRS balance sheet increase deferred tax assets by EUR 0.8 million and EUR 0.9 million at 1.1.2004 and 31.12.2004 respectively.

(8) Leasehold improvements

In the FAS balance sheet the leasehold improvements are classified as intangible assets while in the IFRS balance sheet they are in the property, plant and equipment. The carrying value of leasehold improvements on 1.1.2004 is EUR 0.3 million and 31.12.2004 EUR 0.2 million.

Cash flow statement calculations

There are no significant differences between cash flow statement in accordance with IFRS standards and FAS.

Segment reporting

The primary segment reporting format is based on business sectors which are liquid handling segment and diagnostics segment. The secondary segment reporting format is based on geographical segments which are Europe, America, Asia, and other parts of the world.

The calculations have not been audited.

Information for the Shareholders

Annual General Meeting

The Annual General Meeting (AGM) of Biohit Group is to be held on Thursday, 21 April 2005, at 17:00 in the restaurant Ravintola Pörssi at Fabianinkatu 14, 00100 Helsinki.

Registration by 18.4.2005 by 12 noon
by letter: Biohit Oyj, Laippatie 1, 00880 Helsinki
by telephone: +358 9 773 861 (Sanna Kurlin)
by FAX: +358 9 773 86 202
by e-mail: yhtiokokous@biohit.com

Payment of Dividends

The Board of Directors proposes to the AGM that no dividends be paid for the 2004 fiscal year.

Shares

Biohit Group's shares are listed on the NM list of the Helsinki Exchanges. The Group owns 12 937 627 shares in total, of which 3 875 500 are A-shares and 9 062 127 B-shares. B-shares are units of trading on the Helsinki Exchanges. Detailed information on Biohit Group's shares is presented in the Annual Report on pages 41-43.

Financial Reports

Biohit Group's financial statements are published in Finnish and English. You can order them by writing to Biohit Group, Laippatie 1, 00880 Helsinki or by calling +358 9 773 861.

Stock exchange releases, annual reports and other information for investors are published on the corporate web site in the 'Investors' section. Please visit www.biohit.com.

Dates of Publication of Financial Reports in 2005

Interim report 1-3/2005	6 May 2005 at 10:00 Finnish time
Interim report 1-6/2005	5 August 2005 at 10:00 Finnish time
Interim report 1-9/2005	4 November 2005 at 10:00 Finnish time

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Innovating for Health

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