BIOHIT

Innovating for Health

Annual Report 2006

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Financial Statements 2006

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, lightweight quality, robustness and well-engineered design, ergonomics, accuracy, and precision as well as safety in delicate operations.

Biohit in brief

Foundation year:	1988, in Finland
Business areas:	Liquid Handling - Pipettors and disposable pipettor tips - OEM products - Pipettor maintenance and calibration services Diagnostics - Test systems for diagnosis and screening of gastrointestinal diseases - Instruments and analysis systems - Service Laboratory - Functional food products for consumers
Customers:	Research institutes, healthcare and the industrial laboratories
President & CEO:	Osmo Suovaniemi, Professor, MD, PhD
Personnel:	About 300
Subsidiaries:	Germany, France, UK, Russia, China, Japan and USA
Production plants:	Finland and China
Distribution network:	Subsidiaries and distributors, altogether about 450 distributors in 70 countries
Percentage of sales accounted for by exports:	95 %
Share trading:	BIOBV / Helsinki Exchanges (OMX Helsinki) Small cap/Health care

Biohit develops and manufactures laboratory devices and equipment and diagnostic analysis systems for use in research institutions, health care and industrial laboratories. Biohit operates in two business areas: the liquid handling business and the diagnostics business.

Liquid handling products include electronic and mechanical pipettors and disposable pipettor tips. The company's liquid handling product range is the most extensive in the world. Biohit is the global market leader in electronic pipettors and the world's leading Original Equipment Manufacturer (OEM) of liquid handling products. Many OEM customers, such as 3M and three Johnson & Johnson Group companies, complement their diagnostic test systems with Biohit's electronic pipettors.

In the diagnostics business area Biohit focuses on products for diagnosing, screening and prevention of gastrointestinal diseases. The range of diagnostic products includes GastroPanel, a blood sample based examination, developed and patented by Biohit, for diagnosing diseases of the stomach and the risks associated with these diseases, as well as quick tests for the diagnosis of lactose intolerance and *Helicobacter pylori* infection.

In addition to liquid handling products and diagnostic tests, Biohit's product range includes instruments and the related software for analysing test results, and analysis systems comprising all products.

The service laboratory, located in Helsinki, offers analysis services for GastroPanel and other Biohit diagnostic tests. Biohit also provides pipettor maintenance, calibration and training services through its global distributor network.

Biohit employs over 300 people in 8 countries. Biohit has production plants in Finland (in Kajaani and Helsinki) and in China (in Suzhou). The subsidiaries focus on the sales and marketing of products and services. Additionally, Biohit's products are also sold by approximately 450 distributors in 70 countries. Biohit's share (BIOBV) is quoted on the Helsinki Exchanges (OMX Helsinki) in the Small Cap market capitalisation group in the Health Care sector.

For more information about Biohit, visit **www.biohit.com**

Success factors

- Investments in research, product development and innovations
- Technological expertise protected by patents
- Ergonomic, safe, economical and high-quality liquid handling products
- High-quality pipettor maintenance, calibration and training services
- Unique diagnostics products and extensive scientific collaboration
- Company has its own subsidiaries in major market areas
- Long-term co-operation with customers
- Flexible, cutting-edge and highly automated production
- A professional and experienced staff – many employees have 10-30 years of experience

Year 2006 in brief

January – March

- Co-operation between Biohit and bioMérieux S.A. on the delivery of customised OEM liquid handling products expands. A new agreement enables global sales of Biohit products to bioMérieux and also expands co-operation to pipettor maintenance and filter tip delivery. bioMérieux is a leading manufacturer of diagnostic analysis systems.
- Det Norske Veritas grants Biohit's liquid handling business the international ISO 13485 certificate. In accordance with the European Union IVD Directive (*in vitro* diagnostics), manufacturers of medical equipment must comply with strict ISO 13485 quality standards. The diagnostics business was granted the ISO 13485 certificate back in 2003.

April – June

- Biohit reveals its plans to develop and bring to market new products and procedures for preventing the risks of gastrointestinal cancers. These products, which eliminate carcinogenic acetaldehyde in the mouth and stomach, include XyliCyst chewing gum and BioCyst nutritional supplements, a current focal point for product development.
- A mechanical mLINE pipettor for handling small volumes (0.1–3 µl) is launched. It is suitable for molecular biology applications in particular.
- Biohit begins to introduce its pipettor maintenance concept at subsidiaries and distribution companies in its main market areas.

July – September

- In September, Biohit opens a new production facility in Suzhou, near Shanghai in China. Both the factory, which focuses on pipettor assembly, and the office in Shanghai will primarily serve the growing Asian markets. Norwegian-born Eirik Pettersen, who has lived and worked in China for a long time, is named Managing Director for Biohit China.
- The Gastritis Consensus Workshop is held in Shanghai in September. The workshop decides to recommend GastroPanel tests for use in Chinese healthcare and later gives an official statement in a Chinese medical journal. The GastroPanel tests, which are performed on a blood sample, had already been granted an import license in China. At a congress held in Thailand in November, the Western Pacific Gastric Cancer Association decides to recommend the GastroPanel tests to diagnose *Helicobacter pylori* and atrophic gastritis. This recommendation covers the Asian countries, Australia and New Zealand.
- A new quick test for lactose intolerance is brought to market to better serve gastroscopists in those countries where the prevalence of lactose intolerance is low.

Biohit's production facility in Suzhou, China was opened in September.

Biohit's GastroView examination, which supplements GastroPanel, can be used around the clock. RAY's Managing Director Sinikka Mönkäre, MD, PhD, was one of those who gave a blood sample for examination during the Finnish Medical Convention in Helsinki in January.

October – December

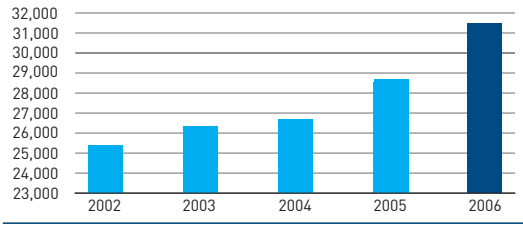
- Biohit launches the GastroView examination, which has been developed alongside GastroPanel. The user-friendly, economical GastroView examination is primarily intended for use in health centres and occupational healthcare. A non-fasting fingertip blood sample can be taken at any time and sent to Biohit's service laboratory for analysis (www.gastroview.com).
- The new *Helicobacter pylori* IgA/IgG ELISA kit is launched. *H. pylori* infection can now be even more reliably diagnosed, because the new test measures both the IgA and IgG *H. Pylori* antibodies in an EDTA blood sample.
- A new product suitable for automatic multiple dispensing is launched – the eLINE Dispenser, which is part of Biohit's electronic eLINE pipettor product family. Biohit's multiple dispensing products are rounded out by a mechanical stepper and tips suitable for both products.

Key figures

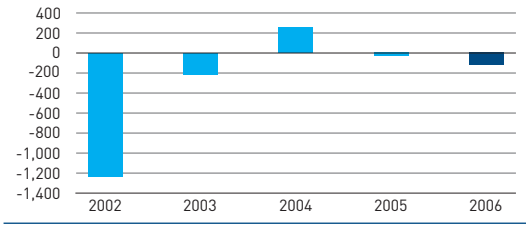
	2006	2005	change %
Net sales, EUR 1,000	31,408	28,660	10 %
Operating result, EUR 1,000	-143	-33	-327 %
Result before taxes, EUR 1,000	-607	-256	-137 %
Return on equity	-6.1 %	-1.6 %	-281 %
Return on investment ROI	0.0 %	0.5 %	-96 %
Equity ratio	49.4 %	51.5 %	-4 %
Investments in fixed assets, EUR 1,000	1,928	1,988	-3 %
Personnel, average	310	295	5 %

Key figures per share			
Earnings per share, EUR	-0,06	-0,02	-200 %
Shareholder's equity per share, EUR	1,04	1,10	-5 %

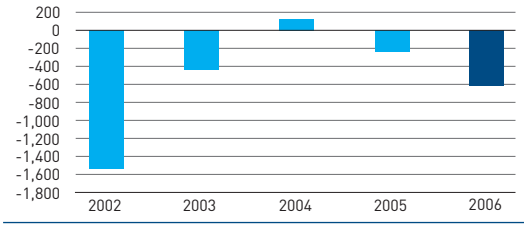
Net sales, EUR 1,000



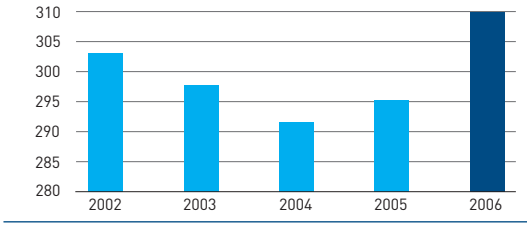
Operating profit/loss, EUR 1,000



Profit/loss before taxes, EUR 1,000

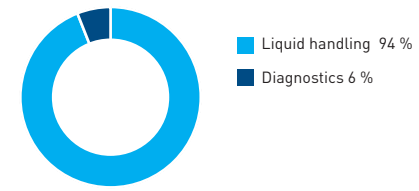


Personnel, average

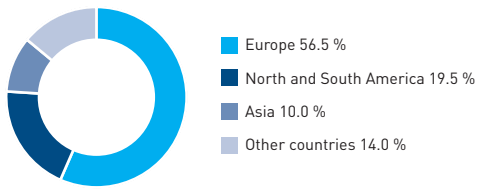


2002-2003 According to FAS, 2004-2006 Accordingto IFRS

Net sales by business segment 2006



Net sales by geographical area 2006



Letter from the President

The year 2006 saw satisfactory development in Biohit's business. When it came to liquid handling products, our business slightly outpaced market growth in pipettor sales. In order to safeguard continued competitiveness and growth, we also increased our production capacity by opening a new factory in China.

In the diagnostics business area, new products were developed. The evaluation of other products continued around the world. A major step forward was taken in September when Chinese scientists recommended the GastroPanel examination for use in Chinese healthcare.

We clarified the structure and organisation of our two main business areas in 2006. In January 2007, we announced our plans to hive off the diagnostics business into a separate company. Our intention is to boost the international marketing and distribution of our diagnostics products.

The decision forms part of the company's new strategy to bolster the position of both our businesses. We are also aiming to improve operational efficiency and earnings throughout the Group.

Net sales growth of 10 per cent

The Biohit Group's net sales for the reporting period totalled EUR 31.4 million, representing growth of 10 per cent on the previous year.

Sales and maintenance of liquid handling products accounted for 94 per cent of net sales. The net sales of the liquid handling business totalled EUR 29.5 million, up 9 per cent on the previous year. The net sales of the diagnostics business amounted to EUR 1.9 million, representing growth of 22 per cent on the previous year.

Earnings for 2006 were burdened by the costs of starting up the Chinese production facility and restructuring the Japanese organisation.

The Group's result for the reporting period was a loss of EUR 0.8 million and an operating loss of EUR 0.1 million. Operating profit for the liquid handling business remained at the same level as in the previous year at EUR 2.2 million. The operating loss for the diagnostics business was EUR 2.4 million.

Liquid handling increases its market share

Sales of mechanical pipettors grew in spite of increased competition and sales of disposable pipettor tips were also satisfactory.

One favourable trend is that major companies in the pharmaceutical and biotechnology industries are using more of our liquid handling products than ever. The expansion of our customer base will enable our substantial growth to continue.

Automated pipetting equipment and small-sized, efficient computer controlled analysis systems promote research and decentralised laboratory diagnostics. We have been engaging in even closer product development co-operation with many companies in this rapidly growing market.

Demand for pipettor calibration and maintenance services is rising as equipment ages and quality standards become stricter. During 2006, we continued the launch of our successful maintenance concept at subsidiaries and in the distribution network. We also completed a management software, which will make pipettor maintenance and calibration easier. Calibration and maintenance services are one of our major future growth areas.

In quality assurance our liquid handling business was granted the ISO 13485 certificate for medical devices. This will notably strengthen our position as an OEM supplier.

Increased efficiency in automation and logistics

As our production volumes grow, we have been making substantial outlays on the automation of liquid handling product manufacture and on efficient logistics.

We are also taking various measures to enhance cost-effectiveness in production, such as improving workload distribution between our factories in Helsinki, Kajaani and China.

The Chinese factory, which was opened in Suzhou in September 2006, and the administration and marketing unit in Shanghai serve the growing Asian markets.

We are meeting price competition in liquid handling products by making our production processes efficient and by ensuring the high quality of our products as well as the availability of maintenance services.

Diagnostics and nutritional supplements

In 2006, we continued to build up our distribution network for diagnostics products. We made new agreements on the sales and marketing of GastroPanel and other diagnostics products.

Growth in the diagnostics business is dependent on receiving approvals from the relevant authorities in new countries. In the United States, the FDA (Food and Drug Administration) will soon receive and be able to evaluate the results of additional patient research on GastroPanel's Pepsinogen I and II tests. The FDA has already approved GastroPanel's Gastrin-17 and *Helicobacter pylori (H. pylori)* antibody tests. GastroPanel tests have also been granted approval throughout the EU and in countries such as India, Canada, China, Ukraine and Russia.

At a conference held in Shanghai in September 2006, GastroPanel tests were recommended for use in Chinese healthcare to diagnose upper abdominal complaints (dyspepsia), *H. pylori* infection, and atrophic gastritis and associated risks (such as gastric cancer). GastroPanel's blood tests had already been granted an import licence and we expect the recommendation to increase demand for the test panel in China.

In 2006, we developed the innovative GastroView to complement the GastroPanel. Because GastroView does not require a fasting blood sample, it is suitable for round-the-clock use at health centres, in occupational healthcare and by general practitioners. The fingertip blood samples can also be sent to our service laboratory for analysis by, for example, chemists, health spas, and nursing homes and sheltered housing for the elderly.

We will begin selling GastroView through chemist chains in the UK in the first half of 2007. These distribution channels will also make the product available to general practitioners, enabling it to become part of standard examination routines.

In 2006, we completed a prototype of XyliCyst chewing gum, which eliminates carcinogenic acetaldehyde that dissolves in saliva during smoking. Another one of our innovations – the BioFood process – removes the acetaldehyde contained in many foodstuffs, such as yoghurt. We are offering licenses to the food industry for both XyliCyst and the BioFood process.

BioCyst nutritional supplements (capsules, for example) are one of Biohit's focal points for development. When taken with every meal, they offer an economical way to eliminate acetaldehyde that may form in the stomach. Mouth bacteria, which are able to live and reproduce in an achlorhydric stomach, produce carcinogenic acetaldehyde from ingested carbohydrates. An achlorhydric stomach is associated with the atrophic gastritis caused by an *H. pylori* infection or, more rarely, an autoimmune disease. Proton pump inhibitors (PPIs) can also lead to an achlorhydric stomach.

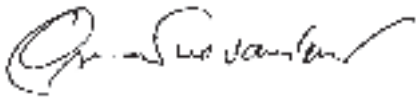
Screening with GastroView will determine whether a patient has atrophic gastritis and to this related achlorhydric stomach. This result can be verified by a GastroPanel examination.

Aiming for vigorous growth

The favourable trends in net sales of liquid handling products are expected to continue during 2007. One of our major challenges is to keep the Group's operational costs in check and to develop a strong, independent distribution network alongside our subsidiaries.

Favourable trends are also expected for diagnostics products in new markets similar to China. Developing an efficient international network of distributors and partners is also essential for sales growth in diagnostics products.

I would like to extend my warmest thanks to Biohit's personnel both in Finland and abroad, as well as to our three thousand plus shareholders and other interest groups, for the confidence you have shown in our company. We are engaging in valuable and successful co-operation that will benefit research and people's well-being.



Osmo Suovaniemi, MD, Ph. D.
Professor
President & CEO

The company's mission, vision and values

Mission

Biohit's mission is encapsulated in the company's slogan 'Innovating for Health'. The company uses strongly innovative methods to produce new solutions for medical science, research institutions and industrial laboratories, thereby promoting research and diagnostics, as well as improving quality of life by preventing disease, inhumane suffering and financial losses.

Vision

Biohit's leading position in the liquid handling business in 2010 has been further strengthened and expanded to new market segments. By 2010, the company has made a breakthrough with its diagnostics products and analysis systems.

Values

To promote health and well-being through innovation and shared goals.

Understanding and benefiting from the power of co-operation between different cultures.

Openness and fair treatment of all stakeholders of the company.

Strategy

Our goal is profitable growth

Biohit operates globally in two business areas: liquid handling and diagnostics. The company is developing both business areas as independent units. The goal is to create profitable growth and to become a leading manufacturer and provider of selected product ranges.

In January 2007 the Board of Directors of Biohit decided to investigate the possibility of hiving off the company's diagnostics business into a separate limited company. This would enable both businesses to focus on developing their own strengths.

A strong market position in liquid handling

In the liquid handling business, the company has already achieved a strong market position. The objective is to secure profitable growth and to strengthen its position in existing and new market segments. The most important strategic choices of the liquid handling business are:

- Investment in innovative R&D in existing and new customer segments
- A focus on certified pipettors and pipettor tips
- An emphasis on quality throughout the lifetime of products
- Life-cycle management, traceability and environmental friendliness of products
- Continuous development of cost-effectiveness and flexibility in production
- Co-operation with partners with regard to components, distribution and OEM products
- Growth of after-sales services

Diagnostics business – at a global breakthrough

The diagnostics business area is at a global breakthrough phase. A breakthrough requires equity and efficient international marketing. For this reason the company seeks to hive off the diagnostics business into a separate company and to increase the efficiency of its international marketing and distribution. The most important strategic choices are:

- Enhanced marketing efforts
- Creation and strengthening of the distributor network specialised in diagnostics
- Procurement of approvals and reimbursement programmes from relevant authorities as fast as possible in key market areas
- Further co-operation with opinion leaders in key market areas

Business environment

Liquid handling

Biohit strengthens its position in the liquid handling products market in spite of increased competition. There are several major manufacturers and marketers operating in the global liquid handling products market. Biohit is the market leader for electronic pipettors and OEM liquid dispensers.

Products and services	Main customer base	Markets	Focal points for business development
Liquid dispensers and tips	*Laboratories:* - Industry, especially the pharmaceutical and chemical industries - Research institutions and universities - Clinical laboratories	*Pipettors and disposable tips* totalling EUR 600 million per year *Mechanical pipettors* - 1.7 million pipettors per year - Annual market growth about 5% - Fastest growth: China and the rest of Asia *Electronic pipettors* - 100,000 pipettors per year - Annual market growth about 10% - Fastest growth: Europe and North America *Tips* - About 14 billion per year - Annual market growth about 5%	Bolstering our market position, especially in North America and Asia Expanding our range of pipettor tips Continual improvement of production technologies Developing cost-effective production processes and logistics Enhancing product lifecycle management and end-to-end quality control
Customised pipetting equipment (OEM products) **Integratable dispensing modules**	Large companies that manufacture diagnostic tests and analysis systems, such as bioMérieux, 3M and three subsidiaries of the Johnson&Johnson Group.	*Major areas:* United States and Europe	Long-term co-operation relationships and projects Product development Enhancing product lifecycle management and end-to-end quality control
Maintenance and calibration services	All laboratories, especially accredited laboratories	Fast growth in demand in all main market areas due to tightened quality requirements	Expanding the after-sales service concept into new market areas

Market figures: A Global Strategic Business Report, Global Industry Analysts

Diagnostics

Diagnostics for the safe, ethical and cost-effective development of research and treatment. Methods and products for the removal of carcinogenic acetaldehyde from the upper gastrointestinal tract.

GastroPanel and GastroView	Primary healthcare General practitioners and occupational healthcare Hospitals Private practices Other companies and institutions in the healthcare industry Service laboratories Large research institutions and laboratories	Biohit's test panels are unique Current methods are either unreliable or expensive and unpleasant for patients Global market potential about EUR 4 billion	Receiving approvals from relevant authorities and reimbursement for tests. Building up a specialised distribution network for diagnostics products Devoting efforts to scientific publications, training healthcare staff, and sales and marketing.
Quick tests (lactose intolerance and *Helicobacter*)	Specialised health care Gastroenterologists Hospitals	Familiar examination method, low market threshold World population - over 50% have *H. pylori* infection - Lactose intolerance o Western countries 15–20% o Asia and Africa up to 90%	Receiving approvals from relevant authorities and reimbursement for tests. Building up a specialised distribution network for diagnostics products Devoting efforts to scientific publications, training healthcare staff, and sales and marketing.
Functional food products containing cysteine (XyliCyst, BioCyst, BioFood)	Consumers Food industry	Global market potential about EUR 500 million for XyliCyst chewing gum and about EUR 5 billion for BioCyst capsules Around the world - 2 million people a year contract cancer of the upper gastrointestinal tract, primarily due to smoking and alcohol use. - 300-500 million people suffer from an achlorhydric or low-acid stomach in which bacteria are able to live and produce carcinogenic acetaldehyde. This condition can be diagnosed with the GastroPanel and GastroView examinations and acetaldehyde can be eliminated with BioCyst capsules.	Building up a network of partners in co-operation

Monetary market potential figures are based on Biohit's own evaluations

Liquid handling

Biohit's liquid handling business develops, manufactures and markets laboratory equipment and accessories for the pharmaceutical, food and other industries, as well as for use in research institutions, universities and hospitals. Biohit's products are also used to complement the diagnostic test and analysis systems of many global companies.

Liquid handling	2006	2005
Net sales, EUR million	29.5	27.1
Change, %	9	
of Group net sales, %	94	95
Operating result, EUR million	2.2	2.3

Pipettors and maintenance services

Biohit has been known for its electronic pipettors since the beginning of the 1990s and is the global market leader. Its product range also includes mechanical pipettors and disposable tips, and sales of both products are rising. Biohit has increased its market share in mechanical pipettors, mainly through the standardisation projects implemented at major international pharmaceutical companies.

Although Biohit also manufactures private label products for partners in co-operation, the majority of the company's products are sold under the Biohit brand.

In addition, Biohit offers a global pipettor maintenance service concept aimed at managing the pipettor lifecycle and increased customer satisfaction. In 2006, the after-sales service concept was also launched at subsidiaries and in the distribution network. In the end of 2006, as part of this concept, Biohit completed a pipettor maintenance and calibration management software. The distribution of this software has already begun in main market areas.

Products are used in laboratories

Biohit's liquid handling products are used in laboratories. These include private or public sector research institutions, universities, industrial companies or hospitals.

Many laboratories are automating their analysis systems to guarantee error-free research. Biohit's customised electronic pipettors and rLINE dispenser modules can be integrated into these systems. During 2006, Biohit engaged in even closer co-operation with partners who develop automated analysis systems.

The pharmaceutical industry is our key customer business area

The pharmaceutical industry has become one of the key customer business areas for Biohit's liquid handling products. This industry is characterised by strict quality standards in research and product development, as well as for the equipment used in quality control. Pharmaceutical companies often source their products from multinational distributors or through a single local distributor, which is why Biohit is focusing on close co-operation with these distributors. The pharmaceutical industry is constantly re-evaluating its suppliers and Biohit aims to be the number one supplier in its own business area.

During the reporting period, Biohit has been particularly successful as a supplier of both mechanical and electronic pipettors to global pharmaceutical and biotechnology companies. This in turn boosts the sales of Biohit pipettor tips. A special focus on ergonomics and safety has helped Biohit's products succeed in this segment.

Research is another important customer business area for Biohit. Researchers at companies, research institutions and universities need accurate, user-friendly and durable instruments with good ergonomics.

Primary products and services

- Mechanical pipettors
- Electronic pipettors
- Disposable tips
- Pipetting aids for special applications
- Customised products (OEM)
- Integratable dispensing modules
- Pipettor maintenance and calibration services

Pipettor calibration and maintenance services are a rapidly growing part of Biohit's liquid handling business. Many laboratories have completely outsourced their pipettor maintenance and calibration.

Industry also makes considerable use of Biohit's products. Biohit is a well-known supplier to, for example, the petrochemical, food and cosmetics industries.

Hospitals also form a large customer group – one that is concentrating on increasingly larger, computerised analysis systems that make use of robotics.

Quality – a deciding factor

Biohit's liquid handling products are sold all over the world. In Europe, Biohit has gained market share from its competitors. Another main market is the United States, where the focus is on OEM co-operation. Russia is a growing market, as the government is making substantial outlays on healthcare. In relative terms, sales in the Chinese and other Asian markets are expected to grow more than in other areas during 2007.

The number of competitors in the liquid handling products market has grown in recent years. Strict quality standards have made market entry difficult for cheap pipettors manufactured in Asia. Quality is becoming increasingly more important, which is why Biohit has made substantial investments in complying with international quality standards. You can read more about this on page 20 of this annual report.

The level of precision required in laboratory research processes is constantly rising and the quantities of liquid to be measured are becoming smaller. This trend underlines the importance of quality pipetting equipment, because the accuracy and precion of measurements in research and diagnostics are directly dependent on the processes and equipment available. Biohit's pipettors and pipettor tips are known for their quality. The Finnish technology that began with the innovations made by Professor Osmo Suovaniemi in the late 60s and early 70s is now used globally and is highly respected in the liquid handling market. Biohit's liquid handling products are about 95% Finnish.

Biohit is strongest in electronic pipettors, in which it is the market leader. Its solid position is founded on innovative product development, aggressive patenting and powerful partners. This strategy has led the company to supply, alongside its own products, a notable quantity of OEM (Original Equipment Manufacture) products to global companies including 3M, bioMérieux and three companies in the Johnson&Johnson Group.

The ISO 13485 quality certificate received by the liquid handling business during the reporting period will further bolster the company's position as an OEM supplier, because most of Biohit's customer base uses the company's products to complement their diagnostics equipment and analysis systems.

Pipettor calibration and maintenance is another rapidly growing section of Biohit's liquid handling business. Biohit has developed a global maintenance concept that covers the entire pipettor lifecycle and aims for traceability management and increased customer satisfaction. Many laboratories have already completely outsourced their liquid handling maintenance, and this trend is continuing. After-sales and maintenance services also promote pipettor sales.

Increasing market shares

The total pipettor market has grown by an annual average of five per cent in recent years and Biohit has succeeded in increasing its market share. Total market growth is faster than average in emerging markets. Electronic pipettors are growing at an annual rate of about 10 per cent and pipettor tip consumption is increasing by a good five per cent a year.

New product areas to support growth are found with the aid of innovations and product development. The trend in western markets is a shift towards computerised analysis systems and pipettor equipment that makes use of robotics. Biohit intends to participate in

the development of these systems as a liquid handling expert and is developing products suitable for integration into automated systems.

Growth in pipettor sales is supported by the introduction of new features and, above all, an increase in after-sales services. There is growing demand for calibration and maintenance services and their significance is being underlined as quality and traceability standards rise and the current generation of equipment in use begins to age.

Major co-operation agreement

Biohit's co-operation with bioMérieux S.A expanded with a contract signed in the end of 2005. Biohit has been supplying customised pipettors to bioMérieux – a leading manufacturer of diagnostic analysis systems – for several years. The new agreement enables global sales of Biohit's products to bioMérieux and extends co-operation to cover global pipettor maintenance. This led to a notable rise in sales of, for example, disposable pipettor tips to bioMérieux in 2006.

Outlook for the future

The liquid handling business will focus on improving production efficiency. The opening of the Chinese factory and the development of product lifecycle management and end-to-end quality control will further help in reaching this goal. In addition to focusing on close co-operation with customers, the company will also be making outlays on product development, improvements to logistics and the expansion of the maintenance concept to major market areas.

Biohit will be bolstering its position geographically, especially in the North American, Chinese and other Asian markets.

The Marie Curie Research Institute counts on Biohit's products

Laboratory dispensing equipment must be extremely accurate, because the quantities of liquid to be handled are often as small as 0.1 microlitres (one ten millionth of a litre). The precision instruments – pipettors – that are developed and manufactured by Biohit are also used by France's Marie Curie Research Institute, one of the largest institutions specialising in cancer research in Europe. A total of 1,700 employees work on the institute's research and at its hospital.

For over 80 years, this prestigious institute has focused on two related areas of cancer prevention – cancer research and patient treatment – in accordance with the wishes of its founders Marie Curie and Claudius Regaud. The interdisciplinary collaboration between clinicians and researchers is a key aspect of the institute's operations and aims to obtain the fastest possible practical benefit from the latest cancer research.

The Translational Research Department (TRD) holds a key position when the fruit of the latest research is made available in patient care. The department supports collaboration between clinicians and researchers on innovative projects that are implemented in ultramodern technical facilities.

The TRD needs efficient, accurate and ergonomic equipment for projects involving many biological samples that require simultaneous analysis, as well as the manufacture of microchips. The TRD's genetic researchers have chosen Biohit's mechanical mLINE® and electronic eLINE® pipettors, which can be used to make extensive gene maps for a variety of diseases.

When choosing their pipettors, the researchers noted the equipment's reliability, light weight and user-friendliness – a combination that guarantees efficient, fast and accurate pipetting. The ergonomics of Biohit's pipettors enable superb comfort even during lengthy dispensing sequences. Clean samples and equipment are vital to this type of research, because even the slightest impurity can distort results.

Biohit's mLINE and eLINE pipettors represent the pinnacle in liquid handling technology in terms of user-friendliness, quality, design and, above all, safety. That's why top research institutions all over the world, like the Marie Curie Research Institute, put their trust in them.

Diagnostics

Biohit's diagnostics business develops, manufactures and markets products and analysis systems primarily for the diagnosis, screening and prevention of diseases of the gastrointestinal tract.

Diagnostics	2006	2005
Net sales, EUR million	1.9	1.5
Change, %	22	
of Group net sales, %	6	5
Operating result, EUR million	- 2.4	-2.3

Products for healthcare professionals and consumers

Biohit's diagnostics products are targeted at two different customer groups: healthcare professionals and consumers. Products for the first group are suitable for use in hospitals, health centres and general practices for diagnoses, screening and disease prevention.

Consumer products eliminate carcinogenic acetaldehyde, and therefore aid the prevention of cancers of the gastrointestinal tract.

Recommendation for GastroPanel in China

GastroPanel is a blood-sample based test panel (Pepsinogen I and II, Gastrin 17 and *Helicobacter pylori* IgA and IgG antibodies) to be used in primary health care for the diagnosis of upper abdominal complaints. GastroPanel diagnoses functional and organic dyspepsia (chronic or occasional pain or discomfort in the upper abdomen), *H. pylori* infection and atrophic gastritis (a functional disorder of the stomach due to atrophy of the gastric mucosa). GastroPanel also identifies the risks of gastric cancer, peptic ulcer disease, calcium, iron and vitamin B12 deficiencies, as well as the complications of gastroesophageal reflux disease (see the table on page 14).

Extensive use is predicted for the GastroPanel examination because it can accurately and reliably diagnose the risks mentioned above. Current methods are either inaccurate or, as in the case of gastroscopy, laborious and unpleasant for the patient.

Biohit intends to make GastroPanel the national standard examination – complete with social security reimbursement – in a variety of countries. There is a good chance for success as GastroPanel is notably more affordable and safer to implement than the alternatives.

Biohit has set out to build up a solid and specialised network of distributors for its diagnostics products. During the reporting period, Biohit made numerous agreements concerning the sales and marketing of GastroPanel and other diagnostics products.

Approvals from the relevant authorities in a variety of countries are required if Biohit's business is to grow. All of GastroPanel's tests (Pepsinogen I and II, Gastrin 17 and *Helicobacter pylori* antibodies) currently have IVD status and sales permits for clinical diagnostics throughout the EU (CE/IVD) and in other countries such as India, Canada, China, Ukraine and Russia. In the United States, the additional research on American patient populations required by the FDA is currently ongoing for the Pepsinogen I and II tests.

Chinese healthcare representatives held the 2006 Gastritis Consensus Workshop in Shanghai in September. This workshop of almost 100 people decided to recommend GastroPanel examinations for use in Chinese healthcare – a major opening for GastroPanel in China.

Brand new GastroView

Alongside GastroPanel, Biohit has been developing the user-friendly and cost-effective GastroView examination (patent applied for). GastroView provides valuable information about the condition of the stomach before self-

Primary products and services

- GastroPanel and GastroView for primary health care
- Lactose intolerance and *Helicobacter pylori* quick tests for specialised health care
- Monoclonal antibodies for research use
- Instruments and analysis systems for laboratories
- Service laboratory

medication or a visit to a doctor. The results provided by GastroView can be verified by a GastroPanel examination.

The GastroView examination's key customer group comprises those members of an aging population who want to monitor their own health.

The GastroView examination can be performed on a non-fasting blood sample taken from the fingertip. In Finland, this sample can be posted to Biohit's service laboratory. GastroView is primarily intended for health centres, general practitioners and occupational healthcare. It is also suitable for use in chemists, health spas, and nursing homes and sheltered housing for the elderly.

In the first half of 2007, distribution of GastroView will begin in the UK through chemists. Chemist staff will take a blood sample and send it to Biohit's local laboratory. Biohit also intends to make the test a part of general practitioners' service offering. The test results show whether the gastric mucosa is healthy or not, and what further procedures are recommended.

The advantages of GastroPanel over other examination methods

The GastroPanel examination offers an accurate and reliable means to determine the condition of the gastric mucosa and whether it is functioning properly. It evaluates the risk of a patient falling ill and diagnoses diseases of the gastric mucosa and their associated risks. Testing for these by other methods is laborious, inaccurate and unpleasant for the patient.

Table. Summary of the data provided by the GastroPanel examination and the ^{13}C- urea breath – or stool antigen test of the "test and treat" strategy. The GastroSoft program supplies a patient report. The reports produced by the GastroSoft are based on clinical studies comparing the results of GastroPanel examinations with results from gastroscopy and biopsy examinations (www.biohit.com/gastrosoft). The serious medical and ethical problems of the "test and treat" strategy can be corrected simply and economically by replacing its ^{13}C- urea breath test or stool antigen test by the GastroPanel examination (www.gastropanel.net, www.biohit.com/Diagnostics/Literature and www.gastroview.com).

	The GastroSoft report states:	^{13}C - urea breath test or Stool antigen test report:
The diagnosis for		
Functional vs. organic dyspepsia. When GastroPanel indicates the gastric mucosa is healthy, the dyspepsia complaints are often caused by functional dyspepsia or another disease not involving the gastric mucosa	YES	NO
H. pylori infection (gastritis)	YES	NOT RELIABLE [1]
Atrophic gastritis (damaged and severely dysfunctional gastric mucosa) and the probabilities of different conditions affecting the mucosa of the gastric corpus or antrum or both (normal, gastritis or atrophic gastritis)	YES	NO
The risks (related to atrophic gastritis) of		
Gastric cancer	YES [2]	NO
Vitamin B12 deficiency	YES [7]	NO
Calcium and iron deficiency	YES [3]	NO
Gastroesophageal reflux disease:		
Esophagitis and Barrett's esophagus	YES [4]	NO
If necessary, a recommendation for		
Gastroscopy and biopsy examination	YES	NO
Treatment of *H. pylori* infection	YES [5]	NOT RELIABLE [1]
Determination of vitamin B12 and homocysteine	YES	NO
Determination of calcium and iron	YES	NO
Follow-up examination to monitor		
the incidence of atrophic gastritis	YES [5]	NO
the healing of the *H. pylori* infection	YES	NOT RELIABLE [1]
the healing of atrophic gastritis	YES	NO

[1] The ^{13}C- urea breath - and stool antigen tests give 40 – 50 % false negative results if the patient has a) atrophic gastritis and related risks, b) MALT lymphoma or c) bleeding peptic ulcer disease or d) if the patient is currently receiving antibiotics or PPIs (proton pump inhibitors).

[2] The risk of gastric cancer is very low without atrophic gastritis in corpus, antrum or both. But in some cases, a H. pylori infection without histologically observable atrophic gastritis may be associated with gastric cancer and peptic ulcer disease.

[3] No peptic ulcer disease with corpus atrophy (no acid, no ulcer). The risk of peptic ulcer disease is very low without antrum atrophy.

[4] High pepsinogen I (over 165 µg /l) and high pepsinogen I and II ratio (over 10) and low gastrin-17 (below 1.0 pmol /l) may indicate high acid (HCl) output and risks for the complications of gastroesophageal reflux disease. - Increased level of pepsinogen II (over 10 µg /l) may indicate inflammation or the use of non-steroidal anti-inflammatory drugs (e.g. aspirin) or strong alcohol.

[5] When the incidence of *H. pylori* -related atrophic gastritis is monitored, the patient can be offered targeted, safe treatment at the right time. The need for medication and the costs and adverse effects of medication can thus be reduced. If the patient has been diagnosed with peptic ulcer disease (gastric or duodenal ulcer), the *H. pylori* infection has to be treated (6). It should also be treated if the patient has atrophic gastritis. The patient and the doctor may also agree on eradication treatment for other reasons for example when the patient's close relatives have been diagnosed with gastric cancer.

[6] Press Release: The 2005 Nobel Prize in Physiology or Medicine, 3 October 2005 jointly to Barry Marshall and J. Robin Warren for their discovery of "the bacterium *Helicobacter pylori* and its role in gastritis and peptic ulcer disease": - "An indiscriminate use of antibiotics to eradicate *Helicobacter pylori* also from healthy carriers would lead to severe problems with bacterial resistance against these important drugs. Therefore, treatment against *Helicobacter pylori* should be used restrictively in patients without documented gastric or duodenal ulcer disease." http://nobelprize.org/medicine/laureates/2005/press.html

[7] Adequate absorption of dietary calcium requires normal acid secretion that is impaired in atrophic gastritis and in long term PPI therapy. Subsequently, calcium is not absorbed normally in the gut, and the subjects are at risk for osteoporosis and hip fracture. Hypochlorhydric states such as atrophic gastritis and partial gastrectomy have long been known to cause iron deficiency anemia.

GastroMate to supplement the current analysis system

Biohit is developing a user-friendly automated analyser for use in private practices, health centres, hospital emergency rooms and specialised analytics.

This analyser – called GastroMate – will improve decentralised laboratory diagnostics, therefore promoting both more rapid diagnoses during doctor's appointments and the likelihood of correct treatment. GastroMate performs tests, such as GastroView and GastroPanel, on a blood sample and the results are then evaluated by GastroSoft software, which also produces a report.

Cysteine products eliminate carcinogenic acetaldehyde

Biohit is expanding its range with consumer orientated products – new innovations in functional food products with close ties to the GastroPanel and GastroView examinations.

The company is focusing on making use of cysteine in a variety of consumer products. Cysteine eliminates the carcinogenic acetaldehyde that dissolves in saliva during smoking and also forms in the stomach. Acetaldehyde is also present in some foodstuffs. Preparations for market entry were made during 2006 and Biohit aims to bring its first products containing cysteine to market in 2007.

Of these products, XyliCyst chewing gum for smokers has reached the most advanced stage. A prototype was completed in 2006 and distributors are being sought. The outlook for the product is good. There are about a billion smokers in the world and about two million people a year contract cancers of the upper gastrointestinal tract, mainly through smoking and alcohol use. XyliCyst chewing gum eliminates only one of the hazardous substances in tobacco smoke – carcinogenic acetaldehyde. Quitting smoking is therefore always recommended, because the gum does not remove other detrimental effects smoking has on health.

Biohit is offering licenses to the food industry for the BioFood process. This process also makes use of cysteine to eliminate the acetaldehyde contained in certain foodstuffs, such as yoghurt.

BioCyst nutritional supplements (capsules, for example) are one of Biohit's focal points for development. When taken with every meal, they offer an economical way to eliminate any acetaldehyde that may form in the stomach. Mouth bacteria, which are able to live and reproduce in an achlorhydric stomach, produce carcinogenic acetaldehyde from ingested carbohydrates. An achlorhydric stomach is associated with gastritis caused by an *H. pylori* infection or, more rarely, by an autoimmune disease. Proton pump inhibitors (PPIs) can also lead to achlorhydric stomach.

Screening with GastroView will determine whether a patient has atrophic gastritis and an achlorhydric stomach, and this result can be verified by the GastroPanel examination.

It has been estimated that 300–500 million people in the world suffer from an achlorhydric stomach, which poses a highly increased risk of cancer. BioCyst products can be marketed by, for example, chemists, as well as chains and companies that market and sell nutritional supplements.

Growing markets

The marketing and sales of diagnostics products require local distributors with solid expertise. In 2006, Biohit has been building up a European distributor network for its diagnostics products.

The outlook for the European market is good, FDA approval processes are progressing in the United States and expert recommendations are expected to boost sales in China. China has the world's second most rapidly growing diagnostics market with annual growth of about 16 per cent. There are also new markets opening up in India.

Adaptation of the GastroPanel examination for integration into the analysis systems of major manufacturers is also expanding its market to large research institutions and laboratories.

Outlook and challenges for the future

Entry into diagnostics markets has been slow. Delays in acquiring both approvals from the relevant authorities and reimbursement for tests affect the company's growth potential in certain market areas. Taking full advantage of market potential also requires proactive publishing for both the scientific community and customers, the training of healthcare personnel, and outlays on sales, marketing and an expert distribution network.

One future challenge is to get GastroPanel and GastroView examinations in use in the healthcare systems of various countries. This will promote safe and ethical diagnosis and treatment of dyspepsia, *H. pylori* infection and atrophic gastritis, and will also prevent atrophic gastritis and its associated risks.

Proactive scientific collaboration in the diagnostics business

The congress held in Shanghai in September 2006 was a milestone for the diagnostics business – GastroPanel tests were recommended for use in Chinese healthcare. The event was chaired by Professor Shu-Dong Xiao (front row, fifth from the right), who works in the Chinese Ministry for Health. Pioneers in the field Professor Pelayo Correa from the USA (front row, sixth from the right) and Professor Pentti Sipponen from Finland (front row, third from the right) were the only foreigners invited to the workshop, where they joined 67 healthcare development scientists from different parts of China.

Scientific collaboration and proactive publishing for both the scientific community and customers are an essential part of diagnostics product development and marketing. Biohit has an extensive scientific co-operation network. In recent years, the advantages of GastroPanel have already been studied in about 40,000 patients around the world.

A Chinese medical journal (Wei Chang Bing Xue, Chinese Journal of Gastroenterology, Vol. 11, No. 11, 2006) published a consensus report from Chinese scientists recommending the use of GastroPanel tests for diagnosing dyspepsia, *H. pylori* infection and atrophic gastritis in Chinese healthcare (see previous photograph). This recommendation was preceded by extensive research, led by Professor Shu-Dong Xiao from the Chinese Ministry of Health, on the Chinese population.

GastroPanel guide for general practitioners in Italy

Professor Francesco DiMario, Italy's leading gastroenterologist, and his colleagues have written a GastroPanel guide that has been distributed to 35,000 general practitioners in Italy by one of the world's leading PPI companies. The guide aims for the use of GastroPanel to make faster and more accurate primary diagnoses of patients suffering from dyspepsia type complaints, *H. pylori* infection, atrophic gastritis and gastroesophageal reflux disease.

Nobel prize connections

Biohit's GastroPanel has connections with the 2005 Nobel Prize for Medicine, which was awarded to Australians Robin Warren and Barry Marshall for the discovery of *Helicobacter pylori*, a cause of atrophic gastritis (http://nobelprize.org/medicine/laureates/2005/press.html). Their very first publication put forward the idea that *H. pylori* infection progresses into atrophic gastritis and is an important factor in the development of peptic ulcers. Both men have been involved in the praiseworthy, GastroPanel-related basic research that has been led by Finnish Professors Max Siurala and Pentti Sipponen since the beginning of the 1970s.

Professor Osmo Suovaniemi invented the vertical measurement principle in the late 60s/early 70s. In addition to the discovery of *Helicobacter pylori* and the extensive related research, Suovaniemi's invention – and its associated microplates, multichannel pipettors, measurement equipment and analysis systems – has also contributed to the creation and practical application of GastroPanel and GastroView. (www.google.com/ Search: Osmo Suovaniemi vertical measurement principle)

Nobel prize winner Barry Marshall (left) and Biohit's President and CEO Osmo Suovaniemi met in the GastroPanel department at the 50th anniversary conference of the Finnish Society of Gastroenterology held in Turku in September 2006. Professor Marshall was awarded the Max Siurala prize at the conference.

Production

Biohit's production facilities are located in Kajaani (picture), Helsinki and Suzhou, China.

During 2006, Biohit has been making outlays on increased efficiency and automation of liquid handling product manufacture and logistics. The company has also been focusing on workload distribution between its factories in Helsinki, Kajaani and China. The main goal of production strategy is to maintain the highest possible standards in product manufacture.

Biohit's strengths lie in its extensive product range and modular products that can be used in the manufacture of many other products. Biohit manufactures almost all of its products itself, using demanding raw materials and injection mould tools based on state-of-the-art technology. Biohit is in control of production technology, costs and quality.

Strict quality control is an essential aspect of production strategy. Every pipettor is tested and calibrated separately according to the ISO 8655 standard. The quality and sterility of disposable pipettor tips is ensured with a variety of both automatic and manual test procedures.

All robots and automation used in production processes are continuously monitored by purpose-designed software.

During the reporting period, the liquid handling business was granted the ISO 13485 certificate and this quality standard has set clear goals for production.

The diagnostics business was awarded the ISO 13485 back in 2003, and it covers the entire product process.

The focus in production design and logistics has been on total process management aimed at improved delivery reliability.

Production	2006	2005
Investments in total	1.9	2.0
of Group net sales, %	6.1	6.9

Production at three factories

In September 2006, Biohit opened a new factory in Suzhou, near Shanghai. Both the unit in Shanghai and the factory, which focuses on pipettor assembly, will primarily serve the growing Asian markets.

The opening of the Chinese factory has also clarified workload distribution at the Finnish production facilities. The synergy between the three factories is being built up on the basis of product lifecycle and market area requirements. The Suzhou factory will initially produce mechanical pipettors. Pipettors sold in Finland, Europe and the United States are produced at the Kajaani factory.

During 2006, investments were made in a new production line and further automation of pipettor tip manufacture in the factory in Kajaani. The Kajaani factory focuses on pipettor tip manufacture and pipettor assembly. A new electronic pipettor assembly line will be opened there in 2007.

Pipettor component manufacture was centralised to Helsinki in 2006. The Helsinki factory's capacity was increased and investments in production technology were made. The Helsinki factory will now be specialising in component manufacture, prototype production and specialised products.

Diagnostics production has also been centralised in the Helsinki factory, which has extendable and up-to-date clean rooms for the manufacture of reagents.

Research & Development

In 2006, Biohit's liquid handling business focused on the development of OEM products and other automated liquid handling products and pipetting equipment.
Diagnostics product development centred on further development of the GastroPanel and GastroView examinations, as well as on functional food products using cysteine.

For the liquid handling business, 2006 was a year characterised by new standards and directives. Biohit's products, especially in the OEM business, must be developed and manufactured in accordance with the same strict quality standards that its customers adhere to. Directives on new materials and product recyclability also place demands on product development.

The liquid handling business also focused its developmental efforts on expanding its pipettor and pipettor tip product families. For example, during the reporting period, the company launched a mechanical mLINE pipettor for measuring small volumes (0.1-3 microlitres) and eLINE Dispenser suitable for automated dispensing.

Staff know-how is decisive

One of the most vital foundations for Biohit's development activities is the solid, multidisciplinary technological expertise of its personnel. Many of Biohit's key personnel have between 10 and 30 years of experience in research and product development for liquid handling products and the tests and reagents used in diagnostics. Proactive co-operation with leading experts in the field, universities, research institutions and customers rounds out the company's R&D activities.

Research & development	2006	2005
R&D expenditure, EUR million	1.7	1.6
of Group net sales, %	5.4	5.7

Biohit's liquid handling product development has focused on ergonomics and safety-enhancing features from the outset. They play a major role in preventing work-related repetitive strain injuries and diseases. Biohit currently offers the safest and the most ergonomic and user-friendly liquid handling equipment on the market.

Product development co-operation with customers has created a basis for growth in Biohit's OEM business, which has also been supported by Biohit's ability to react rapidly. This has enabled Biohit to act as a partner to large, global companies.

An aggressive innovation and patenting strategy has brought Biohit extensive patent protection in both Finland and abroad. Above all, patent protection means a solid and safe foundation for international co-operation and business growth.

A supplier of parts for automated systems

Biohit is also growing into a supplier of parts for automated systems. Biohit intends to develop pipettors that are suitable for use as components in robotic systems, thereby opening new doors and business opportunities in industry in particular.

Biohit's product development takes into account the integration of pipettors into analysis systems. Increased automation means greater accuracy, a reduction in errors and more efficient working methods.

During 2006, a particular focus in instrument development was the GastroMate analyser, which is intended for use by healthcare professionals. TEKES (Finnish Funding Agency For Technology and Innovation) has provided funding to support the project.

The focal point in diagnostics development is product commercialisation. Market launches of the GastroView examination began during 2006. XyliCyst chewing gum, which reduces the detrimental effects of smoking, was one of the focal areas in consumer products. Proactive co-operation is being sought with large, international companies that manufacture and market diagnostic analysis systems in which GastroPanel would be a suitable addition. Co-operation with other companies also aims at improved opportunities for marketing consumer products.

Consulting scientific advisors

Biohit's scientific advisors ensure that the best knowledge and experience in the industry are placed at the disposal of liquid handling and diagnostics product developers. Scientific advisors are at the top of their own fields and their extensive experience provides a solid foundation for Biohit's operations.

Scientific advisors in 2006:

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.

Francesco Di Mario, MD, PhD. Professor in Gastroenterology of University of Parma, Italy. Advisor for GastroPanel and GastroView.

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, GastroPanel, GastroView and the lactose intolerance quick test in particular, and laboratory instrumentation.

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.

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.

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, GastroPanel, GastroView and the lactose intolerance quick test in particular.

Agu Tamm, MD, PhD. Professor of Laboratory Medicine, University of Tartu, Estonia. At Biohit, advisor for diagnosis of dyspepsia and hypolactasia, and GastroPanel.

Biohit's scientific advisors, Professor, MD, PhD, Pentti Sipponen (left) and MD, PhD, Matti Härkönen (right) with Nobel Prize winner Barry Marshall.

Quality

Biohit's products have been designed to meet the quality standards demanded by its customers. All products comply with the strict ISO 13485 quality standards for medical devices. A combination of top-level staff expertise, innovative product development and excellent management of the production chain results in Biohit's high quality.

Quality standards must satisfy the demands of both customers and authorities. In March 2006, Det Norske Veritas granted Biohit Oyj's liquid handling business the ISO 13485 certificate, which determines quality standards for medical equipment manufacture. Certification covers design, product development, production, installation, sales, marketing and maintenance. The standards include product traceability based on both serial and batch numbers.

Biohit's diagnostics business received the ISO 13485 certificate back in 2003.

The development and manufacture of Biohit's products comply with the international ISO 9001, ISO 13485 and ISO 14001 quality and environmental standards. All of Biohit's products are CE/IVD (*In Vitro* Diagnostics) registered and approved.

Of all the factors behind the success of Biohit's production, the most important is the extensive and multidisciplinary technological expertise of the company's personnel. In addition to product expertise, the whole production chain is also well-managed and documented right up to delivery. Research, material expertise, product development and traceability in particular are vital aspects that companies focusing on cheap manufacturing lack.

This is evident in, for example, pipettor tips, which are generally bought in large batches and whose production volumes are in the hundreds of millions. The quality of tips is measured at Biohit's plants using the company's own methods, including automated optical inspection. The cleanliness of each batch of tip products is tested and certified by an independent laboratory.

Part of quality control and responsible operations is to ensure that training is given on equipment use and that maintenance is carried out properly. Adequate training must be continually provided to both distributors and end users' after-sales service personnel. If customers do not have their own maintenance personnel, Biohit or a Biohit trained distributor can handle the technical servcice.

Calibration monitored

Equipment performance and measurement traceability have become a challenge for many laboratories with the increased accuracy required in liquid handling and the rising quality assurance regulations. This in turn places extra demands on, for example, pipettor accuracy, which is ensured with extensive calibration.

Biohit has FINAS (Finnish Accreditation Service) accredited pipettor calibration laboratories in Helsinki and Kajaani. Subsidiaries' calibration laboratories in France and the UK are accredited respectively by COFRAC (Comité Francais d'Accreditation) and UKAS (United Kingdom Accreditation Service). The technical competence requirements for calibration are based on the international ISO 17025 quality standard. There are currently only a few accredited calibration laboratories for liquid handling products in the world.

DET NORSKE VERITAS

MANAGEMENT SYSTEM CERTIFICATE

Certificate No. 97-HEL-AQ-401

This is to certify that

BIOHIT OYJ

Helsinki and Kajaani, Finland

has been found to conform to the Quality Management System Standard

ISO 9001:2000 + ISO 13485:2003

This Certificate is valid for the following product/service ranges:

DESIGN, DEVELOPMENT, MANUFACTURE, MARKETING AND SALES OF LIQUID HANDLING PRODUCTS, THEIR DISPOSABLES, DIAGNOSTICS KITS AND PRODUCTS FOR RESEARCH, HEALTH-CARE AND INDUSTRIAL LABORATORIES.

Place and date
Espoo, 2006-04-06

This certificate is valid until
2009-02-28

for the Accredited Unit
DNV Certification OY/AB

Original certificate valid from
1997-06-05

Kimmo Haarala
Management Representative

FINAS

Lack of fulfillment of conditions as set out in the Certification Agreement may render this certificate invalid

Environment

At Biohit, particular attention is paid to the environmental impact of the company's operations. Not only are the products developed and manufactured by Biohit reliable and safe to use, they cause as little environmental loading as possible throughout their entire life cycles.

Biohit introduced an ISO 14001 certified environmental system in 2003. This standard requires companies to develop their major processes using the best technology available, so as to ensure that environmental loading from product manufacture remains as low as possible.

According to the WEEE Directive, which came into effect in 2006, manufacturers are responsible for both the products they bring to market and any electrical and electronic waste they generate. The directive covers the reuse and recycling of waste products, as well as the organisation of waste management. Biohit is a member of SELT Association (Electrical and Electronics Equipment Producers' Entity).

The guidelines of the RoHS Directive also affect Biohit's operations. The directive aims to reduce the amount of hazardous waste from electrical and electronic products by decreasing or removing hazardous substances and materials at the design stage.

Recyclable materials

Biohit chooses materials that will load the environment as little possible and can be later used in waste-to-energy facilities. For example, pipettor tips and their packaging are manufactured from one hundred per cent recyclable materials. The majority of the plastic used at the company's plants also goes for reuse.

In addition to recycling, Biohit also focuses on production technologies that produce less waste.

A particular characteristic of the diagnostics business is hazardous waste that poses a risk of infection. This waste requires proper handling, and so all hazardous substances are separately delivered to partners specialised in the processing of hazardous waste.

The environmental-friendliness of logistics is evaluated using the number of deliveries required. Biohit's products are to be transported in increasingly larger batches. All delivery pallets are reusable.

Board of Directors

Reijo Luostarinen, born in 1939
DSc (Econ.), Professor

Chairman and independent member of the Board of Biohit Oyj 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.

Peter B. Coggins, born in 1948
PhD (Univ. of London)

Independent member of the Board of Biohit Oyj since 2006
International co-operation and marketing
Senior advisor to PerkinElmer Inc.
Other relevant experience:
Former President of PerkinElmer Inc. Member of HRSA (advisory committee to the US Secretary of Health on newborn screening). Chairman of the Analytical & Life Science Systems Association. Worked previously for Labsystems Oy in Finland and the UK, and for Amersham in the US.

Mårten Wikström, born in 1945
MD, PhD, Professor

Independent member of the Board of Biohit Oyj since 1997
Development of co-operation with the scientific and research communities
Professor of Physical Biochemistry at the University of Helsinki; Academy Professor 1996-2006
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.

Osmo Suovaniemi, born in 1943
MD, PhD, Professor

Founder, President and CEO, and non-independent member of the Board of Biohit Oyj
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.

Peter Tchernych, born in 1957
MSc (Econ.), LLM

Independent member of the Board of Biohit Oyj since 2003
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.

Tero J. Kauppinen, born in 1949
MSocSc

Independent member of the Board of Biohit Oyj since 2006
Strategic planning
Other relevant experience:
Developed the Vision In Action management model. Founder of Leadership Academy and a sought-after lecturer. Over 30 years experience of management consultancy, specialised in management strategies and change management, as well as customer relationship management.

Information on shareholdings in this Annual Report on page 24 and on Internet www.biohit.com

Management Teams

Liquid handling and diagnostics:

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.

Jukka Yli-Hankala, born in 1971
MSc (Econ.)
Accounting and Finance

With Biohit since August 2006
Prior to Biohit: In financial management, business controller and analyst duties at Deere & Company, S-Group and Tax Authorities

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.

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.

Liquid handling:

Sari Mannonen (née Ylätupa), born in 1966
PhD (Biochemistry), completed the Business Unit Management Program at JOKO Executive Education Oy
International Sales and Marketing
(with Biohit until 6 March 2007)

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 diagnosis at Labsystems Oy.

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.

Kalle Härkönen, born in 1968
Msc (Agr. & For.)
Production

With Biohit since 2001
Prior to Biohit: Factory Manager at Delipap Oy and several positions at the packaging factory Tetra Pak Oy.

Diagnostics:

Kees Heije, born in 1956
International Sales and Marketing

With Biohit since March 2006
Prior to Biohit: Responsible for sales and marketing at Luminex Europe and sales and product management at Beckman Coulter. Over 20 years' experience in laboratories, research and hospitals.

Lea Paloheimo, born in 1951
PhD (clinical biochemistry), Hospital Chemist, "Quality and Leadership" program at the Danish Technical Institute
Business development

With Biohit since 2001
Prior to Biohit: Chemist at Huslab; Area Sales Manager at Dasico a/s, PhD and post-doctoral work at University of Copenhagen; Research Scientist at Orion Diagnostica (Orion Yhtymä Oy), clinical chemist at United Laboratories Ltd. in Helsinki (Yhtyneet Laboratoriot Oy).

Erik Forsblom, born in 1948
MSc (Biochemistry)
R&D and Production

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.

Panu Hendolin, born in 1971
MSc (biotechnology), PhD (molecular medicine)
Research and Development

With Biohit since January 2007
Prior to Biohit: Technical Product Manager at Jurilab Ltd: R&D, performance testing, customer training and marketing support. Researcher at Universities of Kuopio and Helsinki.

Information on shareholdings in this Annual Report on page 24 and on Internet www.biohit.com

Management of Subsidiaries

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

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

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

France: Biohit SAS
Régis Carnis, Managing Director since 1991

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

Russia: Biohit OOO
Victor Peppi, Managing Director since 2001

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

Shareholdings on 31 December 2006

Person	Position	Series A shares	Series B shares
Reijo Luostarinen	Chairman of the Board	-	66,900
Osmo Suovaniemi	Member of the Board, President & CEO	2,285,340	965,207
Seppo Riikonen	Management Team Member	-	11,520
Erkki Vesanen	Management Team Member	-	4,260
Kalle Härkönen	Management Team Member	-	4,333
Sari Mannonen	Management Team Member	-	3,000
Erik Forsblom	Management Team Member	-	3,000

Only those members of the company's management who own Biohit Oyj shares are listed. The list contains privately owned shares.

Salaries and fees paid in 2006

EUR 1,000	Salaries and benefits	Fees	Consulting and other services
President and CEO	186	74	
Members of the Board of Directors of parent company (total)		82	70
Managing Directors of subsidiaries (total)	635		
Total for all personnel (performance-based)	10,561		
Auditors		152	13

History of Biohit

1988
- Professor Osmo Suovaniemi establishes Biohit Oy

1990
- Launch of Biohit's first electronic pipettor
- Assembly of pipettors and injection moulding operations start in Kajaani, Finland.

1991
- Establishment of the first subsidiary, in France.

1992
- Launch of Biohit's own product range of mechanical pipettors

1993
- Start of OEM business through co-operation with Eppendorf and bioMérieux

1997
- Biohit receives ISO 9001 quality certification

1999
- Listing on the Helsinki Exchanges NM list

2000
- Biohit's pipettor calibration laboratory is accredited (ISO 17025) by FINAS (Finnish Accreditation Service).

2001
- Marketing of the GastroPanel for research use starts.
- Completion of new production premises for diagnostics products in Helsinki
- Establishment of service laboratory operations

2002
- Launch of the new, state-of-the-art pipettor ranges, the mechanical mLINE and electronic eLINE

2003
- Diagnostics business receives ISO 13485 quality certification
- Biohit receives ISO 14001 environmental quality certification

2004
- Launch of quick tests for diagnosis of *Helicobacter pylori* infection and lactose intolerance
- US Food and Drug Administration (FDA) approval for the GastroPanel test kit's serum-based *H. pylori* test. Registration of Gastrin-17 test in the US.

2005
- The Gastrin-17, Pepsinogen-I and Pepsinogen-II tests, which form part of GastroPanel, are granted market authorisations by the SFDA (China's State Food and Drug Administration).
- OEM business boosted with new agreements

2006
- Liquid Handling business receives ISO 13485 quality certification.
- Production starts in China.
- Chinese scientists recommend GastroPanel for use in Chinese health care.
- Biohit announces its new, functional food products for consumers.
- Launch of the *Helicobacter pylori* IgA/IgG ELISA test

Read more about Biohit and its history at
www.biohit.com/history

Dandiag ApS, a respected Danish laboratory equipment supplier, is one of Biohit's longest-term foreign distributors. The company has focused on a high level of service and user training, which has helped the company to become the market leader in electronic pipettors and also to gain a significant position in mechanical pipettors. Dandiag's top-class pipettor maintenance business has also served as an example for Biohit and other Biohit distributors.

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, and the provisions of the Articles of Association of Biohit Oyj. In addition, Biohit Oyj complies with the corporate governance recommendations for publicly listed companies published by Helsinki Exchanges, those of the Central Chamber of Commerce of Finland, and the recommendations on Corporate Governance issued by the Confederation of Finnish Industry and Employers in 2003.

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.

Management Teams

The duty of the Management Teams (MTs) 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 MTs comprise the President and CEO and the directors of the different functional areas of the Group. The following business functions are represented in the MTs: Sales and Marketing, Production, Finance, Research and Development, Administration, and Quality Systems.

The President and CEO appoints the members of the Management Teams 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 MTs need to be based on written agreements, the terms of which have been clearly stated. The terms of remuneration of the MTs and those of the managing directors of subsidiaries should be fair and motivating. It is recommended that the MTs convene once a month and, if possible, before Board meetings.

The MTs assist 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 MTs.

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.

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.

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 main objective of Biohit's risk management policy is to identify major risks associated with the Group's business operations and business environment. The cost-effective management and monitoring of these risks will then ensure that the company's strategic and operational targets can be reached as intended.

The Board of Directors carries the main responsibility for the company's risk management policy and monitoring its implementation. The President and CEO's task is to work with the parent company's operative management and subsidiaries' managements to ensure that the Group's risk management is properly organised. The parent company's operative management is responsible for identifying and managing the risks involved within business areas, while subsidiaries' managements are responsible for those in their own market areas.

Read more about business risks in the Report of the Board of Directors on pages 33–34 of this annual report.

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 of the parent company, the President and CEO, the principal auditor and his/her substitute, and the members of the MT.

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

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. More details on insiders is published on the corporate Web site at www.biohit.com.

Salaries of the management and fees paid to the members of the Board of Directors

The remuneration paid to the Group's President and CEO, including benefits and Board fees, totalled EUR 260 thousand in 2006 (EUR 142 thousand in 2005 and EUR 140 thousand in 2004).

The salaries of the Managing Directors of the subsidiaries totalled EUR 635 thousand (EUR 515 thousand in 2005 and EUR 492 thousand in 2004). Remuneration paid to the members of the Board of the parent company totalled EUR 82 thousand in 2006 (EUR 74 thousand in 2005 and EUR 69 thousand in 2004).

Board meetings

The Board of Directors assembled 11 times in 2006. The average turnout was 85%.

Auditors and their fees

On 20 April 2006, 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 2006 financial year, the invoiced auditor's fees totalled EUR 152 thousand (EUR 156 thousand in 2005). In addition, public accountancy company PricewaterhouseCoopers Oy has been paid EUR 13 thousand (EUR 14 thousand) for other services.

Dismissal of the President and CEO

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

Pension plans

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

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 2,315,272 B-shares on 31 December 2006. This in total represents 35.6% of all shares and 55.5% of votes in the company. (The numbers of shares include the insiders' own holdings plus those of their controlled corporations.) Detailed information about the ownership of the management is included in the Annual Report, page 24 and on the company website.

Consolidated financial statements 2006

Report of the Board of Directors

Biohit develops and manufactures laboratory devices and equipment and diagnostic analysis systems for use in research institutions, health care and industrial laboratories. Biohit operates in two business areas: the liquid handling business and the diagnostics business. The company is developing both its business areas as separate units with a view to growing into a profitable and leading global marketer and manufacturer in its chosen product areas.

Biohit employs over 300 people in 8 countries. Biohit has production facilities in Finland (in Kajaani and Helsinki) and in China (in Suzhou). The subsidiaries in Germany, France, the UK, Russia, China, Japan and the US focus on the sales and marketing of products and services. Additionally, Biohit's products are also sold by approximately 450 distributors in 70 countries.

Biohit's share (BIOBV) is quoted on Helsinki Exchanges (OMX Helsinki) in the Small cap/Health care group.

Net sales

The Biohit Group's net sales increased by 10 % compared with 2005 and totalled EUR 31.4 million (EUR 28.7 million in 2005 and EUR 26.7 million in 2004).

Sales and maintenance of liquid handling products still accounted for 94% of net sales. The net sales of the liquid handling business amounted to EUR 29.5 million (EUR 27.1 million in 2005 and EUR 25.6 million in 2004) and the net sales of the diagnostics business to EUR 1.9 million (EUR 1.5 million in 2005 and EUR 1.1 million in 2004).

Net sales growth still fell short of the targets set for 2006. Sales of liquid handling products in Asian market areas and global sales of diagnostics products did not develop as expected during the financial year.

Result

The operating loss was EUR 0.1 million, i.e. -0.5 % of net sales (operating loss EUR 0.0 million in 2005, i.e. -0.1 % of net sales, and operating profit EUR 0.3 million in 2004, i.e. 0.9 % of net sales). The loss for the financial year was EUR 0.8 million, i.e. -2.7 % of net sales (loss EUR 0.2 million, i.e. -0.8 % of net sales in 2005, and loss EUR 0.2 million, i.e. -0.6 % of net sales in 2004).

The operating profit of the liquid handling business was EUR 2.2 million (operating profit EUR 2.3 million in 2005 and operating profit EUR 2.1 million in 2004), the operating loss of the diagnostics business being EUR 2.4 million (operating loss EUR 2.3 million in 2005, and operating loss EUR 1.9 million in 2004).

Return on equity of the Biohit Group was -6.1 % (-1.6 % in 2005 and -1.1 % in 2004).

In spite of a rise in net sales, earnings for the financial year were down on 2005. Earnings for 2006 were burdened by increased fixed costs, of which a substantial share was associated with starting up the production facility in China and restructuring the organisation in Japan. Financing costs also increased on the previous year due to the issue of a EUR 4.05 million convertible bond in November 2005. The increased profitability of certain Biohit Group subsidiaries also raised income tax by EUR 0.2 million compared to the previous year.

Balance sheet

The balance sheet total was EUR 27.3 million (EUR 27.9 million) and the equity ratio was 49.4 % on 31 December 2006. (51.5 % on 31 Dec 2005 and 62.3 % on 31 Dec 2004) In accordance with a decision made at the Annual General Meeting on 20 April 2006, the share premium fund has been used to cover the parent company's EUR 0.6 million losses for 2005. Additionally, EUR 12.2 million have been transferred from the share premium fund to a fund for investments of non-restricted equity.

Liquidity

Cash flow from operating activities for the financial year amounted to EUR 0.2 million (EUR 0.7 million in 2005 and EUR 2.2 million in 2004). The Group's liquid assets at year's end totalled EUR 0.9 million (EUR 1.7 million in 2005 and EUR 1.3 million in 2004). The downswing in cash flow was due to increased operational costs and a rise in working capital. Interest-bearing liabilities totalled EUR 7.7 million (EUR 8.2 million in 2005 and EUR 4.1 million in 2004).

Research and development

Research and development expenditures amounted to EUR 1.7 million in 2006 (EUR 1.6 million in 2005 and EUR 1.3 million in 2004), representing 5 % of net sales (6 % in 2005 and 5 % in 2004). EUR 306 thousand in development expenditure was capitalised during the financial year (EUR 112 thousand in 2005 and EUR 187 thousand in 2004).

Investments

Gross investments in the reporting period totalled EUR 1.9 million (EUR 2.0 million in 2005 and EUR 2.3 million in 2004). Investments were mainly earmarked for the Chinese production facility, equipment to increase the automation level of liquid handling manufacture in the Kajaani and Helsinki production facilities, and capitalised R&D expenditure.

Personnel

The average number of personnel in the reporting period was 310 (295 in 2005 and 291 in 2004), with 162 (162 in 2005 and 164 in 2004) persons being employed by the parent company and 148 (133 in 2005 and 127 in 2004) by the subsidiaries. The Biohit Group's salaries and bonuses for the financial year totalled EUR 10.6 million (EUR 9.4 million in 2005 and EUR 8.8 million in 2004).

Administration

The Annual General Meerting (AGM) decided that the number of the members of the Board of Directors is six. The AGM appointed Professor Reijo Luostarinen, Professor Osmo Suovaniemi, MSc (Econ.) and LLM Peter Tchernych, Professor Mårten Wikström, MSocSc Tero J. Kauppinen and PhD Peter B. Coggins as members of the Board. The Board re-elected Reijo Luostarinen as Chairman.

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

During 2006, Biohit honed its strategic management by, for example, appointing separate management teams for the liquid handling and diagnostics businesses. The division will enable each business to be developed more effectively. New members were invited to join the diagnostics management team as part of the reorganisation.

The AGM appointed authorized public accountant PricewaterhouseCoopers Oy as the auditor.

Major events in the financial year

Liquid Handling

Biohit's liquid handling business includes mechanical and electronic liquid dispensers as well as disposable tips. In addition, the company offers services related to the maintenance and calibration of liquid handling products as well as training services on these products.

The sales of the liquid handling business rose by 9% on the previous year and accounted for 94% of the Group's total net sales. During 2006, Biohit succeeded in gaining market share from its competitors and outpacing market growth in sales of both pipettors and pipettor tips in spite of heightened competition. During the financial year, the company was particularly successful as a supplier of mechanical and electronic pipettors to global pharmaceutical and biotechnology companies.

Thanks to its long-term product development, Biohit has also bolstered its position as an Original Equipment Manufacture (OEM) supplier. The company has engaged in even closer co-operation with major manufacturers of diagnostic equipment that use Biohit's liquid handling products in their analysis systems. However, notable sales growth in the OEM business only occurs 1–2 years after co-operation projects are launched.

Biohit continued the launch of its service concept at subsidiaries and throughout its distribution network during 2006. The new concept has had a favourable effect on the company's net sales and earnings.

As production volumes increased in 2006, Biohit invested in the automation of liquid handling product manufacture and logistics. The company also focused on enhancing efficiency and dividing the workload between the facilities in Helsinki and Kajaani and the new factory in China. In September 2006, Biohit opened a production facility in Suzhou, China to primarily serve the growing Asian markets.

Diagnostics

The diagnostics product range include the GastroPanel and GastroView examinations performed on a blood sample for the diagnosis of upper abdominal complaints (dyspepsia), *H. pylori* infection, atrophic gastritis and the associated risks. The company also provides biopsy specimen quick tests for the diagnosis of lactose intolerance and *H. pylori* infection. In addition, Biohit runs a service laboratory in Finland.

The net sales of the diagnostics business rose by 22% on the previous year and accounted for 6% of the Group's total net sales. During 2006, Biohit set out to build up a strong network of specialised diagnostics distributors. The company made numerous agreements on the sale and marketing of GastroPanel and other diagnostics products in countries such as Spain, Greece and Iceland.

Report of the Board of Directors

Extensive scientific collaboration has also borne fruit. In the fourth quarter of 2006, a Chinese medical journal published a consensus report from Chinese scientists recommending the use of GastroPanel tests in Chinese healthcare for diagnosing upper abdominal complaints, *H. pylori* infection and functional disorders of the stomach. This recommendation is expected to increase demand for the test panel in China.

All of GastroPanel's tests (Pepsinogen I and II, Gastrin 17 and *Helicobacter pylori* antibodies) have currently been granted marketing authorisations for clinical diagnostics throughout the EU and also in countries such as India, Canada, China, Ukraine and Russia. In the USA, the FDA (Food and Drug Administration) is still handling Biohit's approval application for GastroPanel's Pepsinogen I and II tests, and the requisite additional studies on American patient populations are underway.

Biohit also devoted considerable efforts to product development in 2006. Alongside GastroPanel, Biohit has been developing the user-friendly and cost-effective GastroView examination, which is currently still at the launch phase. Development of the GastroMate analyser is progressing according to plan and a prototype of XyliCyst chewing gum – one of the products in the new cysteine product family – was completed. Biohit is currently seeking distributors for this product. Other functional food products containing cysteine are also under development – BioCyst nutritional supplements and the BioFood process. Biohit is offering licences to the food industry for the BioFood process.

Shares and shareholders

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

In the event of the dissolution of the company through a merger or other reason, Series A and B shareholders have an equal right to an equally-sized portion of the compensation paid for the dissolution. If a Series A share is transferred to a Series B shareholder or a new external shareholder, the shareholder receiving the share must notify the Board of Directors without delay and the Series A shareholder has the right to buy back shares in accordance with the provisions of the Articles of Association.

Distribution of the company's share capital by share type:

	2006		2005	
	No.	EUR	No.	EUR
Series A shares (20 votes/share)	3,875,500	658,835	3,875,500	658,835
Series B shares (1 vote/share)	9,062,127	1,540,562	9,062,127	1,540,562
Total	12,937,627	2,199,397	12,937,627	2,199,397

A change in Biohit Oyj's shareholding

On 21 June 2006, Pentti Sipponen gave notification that he had acquired 900,000 Biohit Oyj Series A shares from Erja-Yhtymä Oy.

After the flagging notification, the holding in Biohit Oyj's share capital and voting rights of the shareholder (Pentti Sipponen), and the holder of shares falling under his shareholding (Patolab Oy), was as follows:

	No of shares	Votes %	Share capital %
Series A shares	900,000	20.79	6.95
Series B shares	26,600	0.03	0.21

Distribution of holdings:

Pentti Sipponen: 900,000 Series A shares and 14,300 Series B shares.

Patolab Oy: 12,300 Series B shares.

The date of change in holdings was 21 June 2006.

Equity Turnover and Price Development

During the reporting period, the total turnover of Biohit's series B shares on the Helsinki Exchanges amounted to EUR 3,465,874 and the number of shares traded was 1,530,490. The highest share price was EUR 2.61 and the lowest EUR 1.99, the average price being EUR 2.26. The closing price at the end of the reporting period was EUR 2.03. On 31 December 2006, the market capitalisation value for the series B shares totalled EUR 18,396,118.

Dissolution of the share premium fund

The Annual General Meeting (AGM) of Biohit held on 20 April 2006 decided upon a decrease of the share premium fund with a total of EUR 12,842,314.81. EUR 612,688.29 will be used for the direct covering of a loss shown on an adopted balance sheet (for FY 2005), and EUR 12,229,626.52 will be transferred to

a fund included in the company's non-restricted equity. The National Board of Patents and Registration of Finland granted permission for the dissolution of the share premium fund on 20 September 2006.

Convertible bonds

On 27 October 2005, Biohit Oyj floated an issue of convertible bonds targeted at professional investors in Finland. The subscription value of the convertible bond on the date of issue was EUR 4,050,000. Annual fixed interest of 6.5% is paid on the capital of the convertible bond, which has a five-year maturity. Each EUR 4,500 note unit can be converted into 1,000 Series B shares with a nominal value of EUR 0.17. The conversion rate is EUR 4.50. The bond can be converted into a maximum of 900,000 Biohit Oyj Series B shares. The company's share capital may be increased by a maximum of EUR 153,000 and the number of Series B shares by a maximum of 900,000 new shares as a result of conversions. The proportion of shares that can be converted on the basis of the convertible bond is a maximum of 6.5% of the company's shares, and 1.0% of the votes conferred by the shares after a possible increase in share capital. The company is entitled to repay the entire capital of the bond before the maturity date, providing that the mean rate weighted with the Biohit Series B share turnover on the Helsinki Stock Exchange has been at least EUR 10 immediately before the decision date regarding the repayment on 20 exchange days of 30 consecutive exchange days. The convertible bonds mature 5 years after issue unless the bond holders do not exercise their right to convert the bonds to shares in the parent company. Conversion can be carried out from 28 October 2005 - 28 October 2010. No bonds were converted into shares during the financial year.

Capital loans

Biohit's principal shareholders and the State Treasury have granted the company a capital loan of EUR 1.2 million for product and other business-related development. The accumulated interest on the capital loan at 31 December 2006 totals EUR 0.7 million. The loan meets the provisions laid down in Chapter 12 of the Finnish Companies Act. The main terms are:

- In the event of the dissolution and bankruptcy of the company, the payment of the capital, interest and other compensation is subordinated to all other creditors.
- In other cases, the capital may be repaid only if a full margin remains on restricted equity and other non-distributable items in the balance sheet adopted for the company for the financial period last ended.
- Interest and other compensation can be paid only if the amount to be paid can be used for the distribution of profit in accordance with the balance sheet adopted for the company for the financial period last ended.
- Loan interest rates vary between 3% and 6% per annum.

Capital of EUR 0.4 million and interest of EUR 0.1 million on the capital loan is due for payment during 2007. These items are presented in the balance sheet under current liabilities. Other capital loans and their outstanding interest are presented under non-current liabilities.

Major business risks

The key goal of Biohit's risk management strategy is to identify and analyse major risks, and to cost-effectively minimise the financial losses resulting from any risks that are realised.

The Board of Directors carries the main responsibility for the company's risk management policy and monitoring its implementation. The president and CEO's task is to work with the parent company's operative management and subsidiaries' managements to ensure that the Group's risk management is properly organised. The parent company's operative management is responsible for identifying and managing the risks involved within business areas, while subsidiaries' managements are responsible for those in their own market areas.

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

- The liquid handling business involves strategic risks arising from the fact that market growth in liquid handling products in western countries has levelled out and price competition has become more severe, especially in emerging markets. Falling prices place cost pressures on production and logistics. Biohit has taken various precautions to meet these challenges. They include developing Group-wide production processes that are as cost-effective as possible and establishing a production facility in China to primarily serve China and its surrounding markets.
- Strategic risks in the diagnostics business mainly

Report of the Board of Directors

stem from the fact that there have never been any comparable products in the market and entry into markets is therefore slow. Application processes for gaining relevant approvals from authorities are lengthy and the local research required by opinion leaders delays the company's opportunities for growth in certain market areas. Taking full advantage of market potential requires sales and marketing resources, proactive scientific publication and training for healthcare personnel.

- Growing cost pressures in the liquid handling business and the outlays required in the diagnostics business give rise to financial risks whose management requires the optimisation of operational cost structure and proper allocation of resources. International operations also involve exchange rate risks that the company manages primarily by maintaining a spread of currencies in outsourcing. During the financial year, the company did not make any derivative agreements to hedge against exchange rate movements. Business units are responsible for any credit loss risks associated with their trade receivables. Biohit's customer base consists mainly of financially sound companies, and consequently Biohit does not consider credit loss risks significant. The Group has not taken out any credit insurance.

- Changes in interest rates have only a slight effect on Biohit's earnings, for which reason the Group has not implemented separate hedging measures during the financial period. The overall potential interest rate risk of deposits and short-term money market investments is not significant. The Group's income and cash flows from operating activities are largely independent of changes in market interest rates. Interest rate risks associated with the Group's credit granting are managed with fixed-rate lending. On the closing date, over half of the Group's credit was fixed interest. Biohit's non-current liabilities contain EUR 0.8 million in financing with the special condition that the loan will mature immediately if:
  - the equity ratio in the consolidated financial statements adopted by Biohit Oyj Group falls below 40% or
  - the debtor or subsidiary has, without prior written consent of the creditor, placed or will place the collateral position of the creditor on a weaker footing than other creditors.

- Liquidity risk management aims to safeguard the Group's finances in all situations. The Group's liquid assets at the closing date totalled EUR 0.9 million.

- Steering international business operations involves data system risks. Biohit's business is founded on well functioning, reliable data systems that are under constant development. The prevention and control of risks have been improved by, for example, providing data security instructions and implementing information security-enhancing solutions.

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

- The healthcare industry and other industries that produce products and services for it form a significant proportion of the company's customer base. A high level of quality is demanded from Biohit's products. In order to minimise quality risks, the company focuses on improving product quality and total quality management for operations.

- Biohit's professional, expert staff is one of the key factors behind the company's success. Business growth brings a need for recruitment, and with that also come personnel risks. The company minimises personnel risks by concentrating on employees' well-being and education.

Outlook for 2007

The company expects the favourable trends in net sales of liquid handling products to continue in 2007. The diagnostics business is forecast to develop well in new market areas such as China, where a consensus report by scientists is expected to increase GastroPanel sales. An FDA approval is also awaited in the USA. The company therefore estimates that the Group's net sales will exceed those of the previous year.

Increased costs from business growth – due to outlays on marketing – will continue to burden earnings in 2007. The operating result is highly dependent on growth in the diagnostics business.

Events after the close of the financial year

Plans to separate the diagnostics business

After the close of the financial year, the company announced its plans to hive off the diagnostics business into a separate limited company with its own equity. At a meeting held on 26 January 2007, the Board of Directors decided to investigate the possibility of incorporation. The move would boost international marketing and distribution and rapidly and effectively leverage the significant potential of existing and forthcoming products.

The decision forms part of the company's new strategy, which aims to clarify the differences and synergies between its business areas and derive the full benefit from their strengths, as well as to boost the Group's business as a whole and improve earnings.

The board of directors' proposal for the disposal of earnings and distribution of other non-restricted equity

The parent company's distributable funds amount to EUR 10.6 million, which comprises non-restricted equity of EUR 12.2 million and an accumulated loss of EUR 1.6 million.

The Board of Directors proposes to the Annual General Meeting that no dividend be paid and that the EUR 973,878.40 loss for the financial year be transferred to retained earnings.

Consolidated income statement

EUR 1,000	Note number	01.01. - 31.12.2006	01.01. - 31.12.2005
Net sales	2.3	31,408	28,660
Other operating income	2.4	35	67
Change in inventories of finished goods and work in progress		945	600
Materials and services	2.5	-7,370	-6,283
Employee benefit expenses	2.6	-12,738	-11,584
Depreciation	2.7	-1,775	-1,671
Other operating expenses	2.8	-10,647	-9,823
Operating result		-143	-33
Financial income	2.10	147	135
Financial expenses	2.10	-611	-358
Result before taxes		-607	-256
Income taxes	2.11	-232	30
Result for the period		-839	-226
Earnings per share calculated from earnings attributable to equity holders of the parent company			
Earnings per share, undiluted*, EUR	2.12	-0.06	-0.02

*) The convertible bond is not dilutive in respect of earnings per share in the financial years 2005 and 2006

All the figures in the financial statements have been rounded up or down, due to which the sums of figures may deviate from the sum total presented.

Consolidated balance sheet

EUR 1,000	Note number	31.12.2006	31.12.2005
ASSETS			
NON-CURRENT ASSETS			
Goodwill	2.13	2,638	2,638
Intangible assets	2.13	1,576	1,419
Tangible assets	2.14	6,855	6,860
Available-for-sale investments	2.15	8	11
Receivables		3	4
Deferred tax assets	2.16	2,099	2,067
Total non-current assets		13,179	12,999
CURRENT ASSETS			
Inventories	2.17	5,772	4,584
Trade and other receivables	2.18	6,663	6,122
Financial assets recognised at fair value through profit or loss	2.19	856	2,400
Cash and cash equivalents	2.20	850	1,745
Total current assets		14,141	14,852
TOTAL ASSETS		27,320	27,851
LIABILITIES			
Equity attributable to the equity holders of the parent company			
Share capital	2.21	2,199	2,199
Share premium fund		174	13,016
Translation differences		125	121
Fund for investments of non-restricted equity		12,230	-
Retained earnings		-1,312	-1,086
Total equity		13,415	14,250
NON-CURRENT LIABILITIES			
Deferred tax liabilities	2.16	95	93
Pension obligations	2.6	45	88
Interest-bearing liabilities			
Capital loans	2.22	880	1,243
Other interest-bearing liabilities	2.22	5,437	6,017
Total interest-bearing liabilities	2.22	6,317	7,260
Other liabilities		969	1,091
Total non-current liabilities	2.22	7,427	8,532
CURRENT LIABILITIES			
Trade payables		1,798	1,676
Provisions	2.23	56	-
Current interest-bearing liabilities			
Capital loans	2.22	363	-
Other interest-bearing liabilities	2.22	1,019	901
Total interest-bearing liabilities	2.22	1,383	901
Other liabilities	2.22	3,242	2,491
Total current liabilities	2.22	6,479	5,068
Total liabilities		13,905	13,600
TOTAL EQUITY AND LIABILITIES		27,320	27,851

Consolidated statement of changes in equity

	Equity attributable to the equity holders of the parent company					
EUR 1,000	Share capital	Share premium fund	Translation differences	Fund for investments of non-restricted equity	Retained earnings	Total equity
Equity, 1 Jan 2005	2,199	13,109	-42	-	-1,127	14,139
Translation differences	-	-	163	-	-	163
Losses covered with the share premium fund	-	-267	-	-	267	-
Equity component of the convertible bond	-	174	-	-	-	174
Result for the period	-	-	-	-	-226	-226
Equity, 31 Dec. 2005	2,199	13,016	121	-	-1,086	14,250
Translation differences	-	-	4	-	-	4
Dissolution of the share premium fund	-	-12,842	-	12,230	613	-
Result for the period	-	-	-	-	-839	-839
Equity, 31 Dec 2006	2,199	174	125	12,230	-1,312	13,415

Consolidated cash flow statement

EUR 1,000	2006	2005
CASH FLOW FROM OPERATING ACTIVITIES		
Result before taxes	-607	-256
Adjustments for:		
Depreciation according to plan	1,775	1,671
Other adjustments	464	397
CHANGE IN WORKING CAPITAL		
Increase (-) or decrease (+) in trade and other receivables	-542	-762
Increase (-) or decrease (+) in inventories	-1,188	-1,019
Increase (+) or decrease (-) in current non-interest-bearing liabilities	748	978
Change in provisions	56	-
Interest and other financial items paid	-432	-333
Interest received from operating activities	112	138
Income taxes paid	-174	-98
Net cash flow from operating activities	212	716
CASH FLOW FROM INVESTING ACTIVITIES		
Investments in tangible and intangible assets	-1,796	-1,680
Proceeds from sales of tangible and intangible assets	3	12
Investments in fixed-term deposits and other investments	-	-3,400
Capital gains from investments in funds and deposits	2,571	-
Shares acquired in subsidiaries	-	-32
Dividends received from investments	1	1
Dividends received from investments	778	-5,099
CASH FLOW FROM FINANCING ACTIVITIES		
Convertible bond issued	-	3,939
Increase in long-term borrowings	127	762
Finance leasing debts paid	-194	-111
Repayments of long-term borrowings	-827	-922
Net cash flow from financing activities	-894	3,668
Increase (+) or decrease (-) in cash and cash equivalents	105	-551
Cash and cash equivalents at the beginning of the period	745	1,296
Effect of exchange rates on cash and cash equivalents	9	164
Cash and cash equivalents at the end of the period	850	745

2 Notes to the consolidated financial statements

2.1 Company profile

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

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

At its meeting on 30 March 2007, Biohit Oyj's Board of Directors approved the financial statements for publication.

2.2 Accounting policy applied in the financial statements

Accounting policy

These financial statements are made in accordance with International Financial Reporting Standards (IFRS). They have been drawn up in compliance with the IAS and IFRS standards in force as at 31 December 2006 and SIC and IFRIC interpretations. The term "IFRS standards" in the Finnish Accounting Act and the provisions laid down pursuant to the Act refers to the standards approved by the EU in accordance with the procedures laid down in IAS Regulation (EC) 1606/2002 of the European Parliament, and the interpretations of these standards. The notes to the consolidated financial statements also conform to Finnish accounting and corporate legislation.

In 2005, the Group adopted IFRS, applying IFRS 1 (First-time Adoption of International Financial Reporting Standards). The transition date is 1 January 2004. The differences arising from the adoption of IFRS have been presented in the financial statements of 2005.

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

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

Accounting policy applied in the consolidated financial statements

Subsidiaries

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

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

Translation of items denominated in foreign currency

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

Foreign currency transactions are recorded in the functional currency using the exchange rates on the date of the transaction in question. Monetary receivables and liabilities are converted using the rates on

the closing date. Exchange rate differences on translation have been entered in the income statement. The income statements of foreign subsidiaries have been translated to euros using the average exchange rates for the financial period, and the balance sheets have been translated using the rates on the closing date. The exchange rate difference resulting from the use of the average exchange rate in the translation of income statement items and the closing date rate in the balance sheets has been entered as a separate item under translation differences in consolidated shareholders' equity. In accordance with the exception permitted by IFRS 1, cumulative translation differences prior to the IFRS transition date are recorded under retained earnings at the time of the transition to IFRS, and will also not be entered into the income statement later on the divestment of a subsidiary.

Business segments

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

Income recognition

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

Property, plant and equipment

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

Assets are amortised on a straight-line basis over their estimated useful life. The estimated useful lives are:

	years
Buildings	20 – 30
Machinery and equipment	3 – 10

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

Costs of debt

Costs of debt are expensed in the financial period in which they were incurred. Transaction costs arising directly from the raising of loans – and which are clearly connected with a certain loan – are included in the original periodised acquisition cost of the loan and are periodised as interest expenses using the effective interest rate method.

Public grants

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

Intangible assets

Goodwill

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

No regular depreciation is recorded on goodwill, but instead it is subjected to an annual impairment test. To

this end, goodwill is allocated to cash generating units. Goodwill is measured at the original acquisition cost less impairment.

Research and development expenditure

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

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

The depreciation periods are as follows:

Patents	10 years
Development expenditure	5 years
Software	3 years
Other	5-7 years

Impairment

At each closing date, the Group evaluates whether there are indications of impairment in any asset item. If impairment is indicated, the recoverable amount of said asset is estimated. In addition, the recoverable amount is assessed annually for each of the following asset items regardless of whether impairment is indicated: goodwill and incomplete intangible assets. Impairment is examined at the level of cash generating units – that is, at the lowest unit level that is primarily independent of other units and whose cash flows can be separated out from other cash flows.

The recoverable amount is the fair value of the asset item less the costs of disposal or the value in use, whichever is higher. Value in use is the estimated future cash flow, discounted to its present value, from the asset item or cash generating unit in question. An impairment loss is recognised if the carrying amount of the asset item is higher than its recoverable amount. The impairment loss is entered immediately in the income statement. If the impairment loss is allocated to a cash generating unit, it is first allocated as a reduction to the goodwill of the cash generating unit and subsequently as a reduction to the other asset items of the unit on a pro rata basis. An impairment loss is reversed when the situation changes and the recoverable amount of the asset item has changed since the date when the impairment loss was recorded. However, impairment losses are not reversed beyond the carrying amount of the asset exclusive of impairment losses. Impairment losses on goodwill are never reversed under any circumstances.

In 2006, goodwill was tested for impairment in accordance with IAS 36.

Inventories

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

Lease agreements

The Group as lessee

Lease agreements concerning property, plant and equipment in which the Group holds a material share of the risks and rewards of ownership are classified as finance lease agreements. Assets acquired under finance lease agreements are recognised in the balance sheet at the lower of the fair value of the asset when the lease period begins or the present value of the minimum rents. Assets acquired under finance lease agreements are amortised over their useful life or the lease period, whichever is shorter. Lease payments are split between the finance cost and a reduction in the liability over the lease period such that the interest rate on the liability outstanding for each financial period remains the same. The lease commitments are included in interest-bearing liabilities.

Lease agreements in which the risks and rewards in-

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

The Group does not act as a lessor.

Pensions

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

Provisions

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

Income taxes

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

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

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

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

Financial assets and liabilities

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

Financial assets at fair value through profit or loss comprise held-for-trading assets. Both held-for-trading assets and financial assets maturing within 12 months are interest fund investments and are included in current assets. The items in this group are measured at fair value. The fair value of all investments in this group is measured on the basis of released price quotations on well-functioning markets, that is, buy quotations on the closing date. Both realised and unrealised gains and losses due to changes in fair value are recorded in the income statement in the period in which they were incurred.

Loans and receivables are assets that exclude derivative assets and whose related payments are fixed or definable. They are not quoted on well-functioning markets and are not held for trading. They are measured at the periodised acquisition cost and are included under trade and other receivables in the balance sheet as current and non-current financial assets: in the latter, if they mature later than in 12 months.

Available-for-sale non-current assets are classified as being available for sale and measured at the lower of the carrying amount or the fair value less selling costs, if their amount corresponding to the carrying amount will be mainly accrued from the sale of the asset item instead of continuous use.

Trade receivables are originally recognised at the fair value and later valued at the periodised acquisition cost using the effective interest rate method mi-

nus a credit loss provision. A credit loss is recognised when there is reliable proof that the company is not able to recover its receivables under the original terms and conditions.

Financial assets include cash at bank and in hand and other liquid investments with a maturity of less than 3 months.

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

Definition of operating profit

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

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

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

Impairment test

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

Deferred tax assets

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

Application of new or amended IFRS standards and IFRIC interpretations

The Group's adoption in 2006 of the following standards and interpretations made public by the IASB has not had any effect on the consolidated financial statements for 2006:

- IAS 21 (Amendment) The Effects of Changes in Foreign Exchange Rates – Net Investment in a Foreign Operation (effective from 1 January 2006)
- IFRIC 6, Liabilities Arising from Participating in a Specific Market – Waste Electrical and Electronic Equipment (effective from 1 December 2005)
- IAS 39 (Amendment), Financial Instruments: Recognition and Measurement, and IFRS 4 (Amendment), Insurance Contracts – Financial Guarantee Contracts (effective from 1 January 2006)
- IAS 39 (Amendment) Fair Value Option (effective from 1 January 2006)
- IAS 39 (Amendment), Financial Instruments: Recognition and Measurement (Cash Flow Hedges of Forecast Intragroup Transactions) (effective from 1 January 2006)
- IAS 19 (Amendment), Employee Benefits: Actuarial Gains and Losses, Group Plans and Disclosures (effective from 1 January 2006)
- IFRIC 4, Determining Whether an Arrangement Contains a Lease (effective from 1 January 2006)
- IFRIC 5, Rights to Interests Arising from Decommissioning, Restoration and Environmental Funds (effective from 1 January 2006)

In its financial statements for 2006, Biohit did not adopt the following new standards and interpretations published by 31 December 2006:

- IFRS 8, Operating Segments (effective from 1 January 2009)
- IFRIC 9, Reassessment of Embedded Derivatives (shall apply to each financial year of a company starting on or after 1 July 2006)
- IFRIC 8 Scope of IFRS 2 (shall apply to each financial year of a company starting on or after 1 May 2006)
- IFRIC 7, Applying the Restatement Approach under IAS 29 Financial Reporting in Hyperinflationary Economies (shall apply to each financial year of a company starting on or after 1 March 2006)
- IFRIC 12, Service Concession Arrangements (effective from 1 January 2008)
- IFRIC 11, IFRS 2 – Group and Treasure Share Transactions (effective from 1 March 2007)
- IFRIC 10, Interim Financial Reporting and Impairment (effective from 1 November 2006)
- IFRS 7 Financial Instruments: Disclosures (effective from 1 January 2007)
- IAS 1 (Amendment), Presentation of Financial Statements – Disclosures About Capital (effective from 1 January 2007)

It is the understanding of Biohit's management that the adoption of the previously mentioned standards and interpretations will not have a substantial effect on the consolidated financial statements for 2007, although evaluation of IFRS 8 is still ongoing.

2.3 SEGMENT INFORMATION

Biohit has organised its business into two primary business areas: Liquid Handling and Diagnostics. Biohit reports on these business areas as its primary segments in accordance with IAS 14 (Segment Reporting). Biohit reports on geographical areas as its secondary segments: Europe, America, Asia and other countries.

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

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

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

Business segments 2006	Liquid handling	Diagnostics	Unallocated	Total
Net sales	29,547	1,860	-	31,408
Operating profit/loss	2,221	-2,363	-	-143
Assets	21,479	2,760	3,081	27,320
Liabilities	2,019	148	11,682	13,849
Investments	1,865	63	-	1,928
Depreciation	-1,643	-132	-	-1,775

Business segments 2005	Liquid handling	Diagnostics	Unallocated	Total
Net sales	27,138	1,522	-	28,660
Operating profit/loss	2,258	-2,291	-	-33
Assets	18,613	2,414	6,823	27,851
Liabilities	1,455	94	12,051	13,600
Investments	1,909	79	-	1,988
Depreciation	-1,573	-97	-	-1,671

Geographical segments 2006	Europe	America	Asia	Other countries	Total
Net sales	17,703	6,095	3,167	4,443	31,408
Segment assets	23,215	1,844	1,547	714	27,320
Investments	1,750	-	155	23	1,928

Geographical segments 2005	Europe	America	Asia	Other countries	Total
Net sales	15,933	5,990	3,252	3,486	28,660
Segment assets	24,359	2,102	784	605	27,851
Investments	1,934	35	-	19	1,988

2.4 OTHER OPERATING INCOME

	2006	2005
Capital gains on the sale of property, plant and equipment	4	7
Other	31	60
Total	35	67

2.5 MATERIALS AND SERVICES

	2006	2005
Raw materials, consumables and goods	5,981	5,283
External manufacturing services	1,389	1,000
Total materials and services	7,370	6,283

2.6 EMPLOYEE BENEFIT EXPENSES

		2006	2005
Wages and salaries		10,561	9,386
Pensions	Defined benefit plans	-43	11
Pensions	Defined contribution plans	1,151	1,118
Other personnel expenses		1,488	1,382
Wages and salaries capitalised in R&D expenditure		-419	-313
Total		12,738	11,584

Pension obligations

The Group uses both defined benefit and defined contribution pension plans.

Defined pension plans in the balance sheet	**2006**	2005
Pension liability at beginning of period	88	77
Increase for the period	18	11
Decrease for the period	-61	-
Pension liability at end of period	45	88

Information on the employee benefits of management is presented in note 2.24, Related party transactions.

Number of personnel	**2006**	2005
Average number of salaried personnel	221	209
Average number of non-salaried personnel	88	86
Average number of personnel	310	295
Number of personnel at the end of the financial period	321	290

2.7 DEPRECIATION	**2006**	2005
Intangible assets	324	311
Buildings	274	248
Machinery and equipment	1,177	1,112
Total	1,775	1,671

2.8 OTHER OPERATING EXPENSES	**2006**	2005
Travel and other personnel related expenses	2,136	2,109
Rent and maintenance expenses	2,807	2,535
Marketing and sales expenses	2,208	2,164
Other external services	2,263	1,955
Other operating expenses	1,233	1,058
Total	10,647	9,823

2.9 RESEARCH AND DEVELOPMENT EXPENDITURE

The Group's research and development expenditure totalled EUR 1,689 thousand (EUR 1,630 thousand), representing 5.4% (5.7%) of net sales, of which EUR 306 thousand (EUR 112 thousand) has been capitalised as development expenditure.

2.10 FINANCIAL INCOME AND EXPENSES	2006	2005
Dividend income	1	1
Exchange rate gains	79	111
Other financial income	67	23
Total financial income	147	135
Interest expenses	-451	-254
Exchange rate losses	-106	-60
Bank charges and other financial expenses	-54	-45
Total financial expenses	-611	-358
Total financial income and expenses	-464	-223

The items above operating profit include exchange rate losses totalling EUR 329 thousand (net) (gains EUR 162 thousand in 2005).

2.11 INCOME TAXES	2006	2005
Direct taxes		
Taxes on taxable income for the period	-262	-99
Deferred taxes	30	129
Total direct taxes	-232	30
Reconciliation of the tax rate		
Profit before taxes	-607	-256
Taxes at the rate of the parent company, 26%	158	67
Effect of different tax rates of foreign subsidiaries	-18	-34
Effect of non-deductible expenses	-52	-8
Unrecognised tax assets from tax losses/use of previously unrecognised tax losses	-287	-139
Effect of consolidation	-33	144
Taxes in the income statement	-232	30

2.12 EARNINGS PER SHARE

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

	2006	2005
Earnings for the period attributable to equity holders of the parent company, EUR thousand	-839	-226
Interest on the convertible bond	263	46
Result for the period for the calculation of the earnings per share adjusted with the dilution effect	-576	-180
Average number of shares, undiluted	12,937,627	12,937,627
Conversion of the convertible bond into shares	900,000	900,000
Average number of shares, diluted	13,837,627	13,095,435
Earnings per share (EPS), EUR, undiluted	-0.06	-0.02

In the calculation of the earnings per share adjusted with the dilution effect, the weighted average number of shares accounts for the dilution effect of the conversion of convertible bonds into shares. The convertible bonds did not have a dilutive effect in the 2005 and 2006 financial years.

2.13 INTANGIBLE ASSETS

2006	Development expenditure	Intangible rights	Goodwill	Other intangible assets	Total
Acquisition cost at beginning of period	300	1,444	6,547	1,091	9,382
Increases	267	74	-	140	481
Decreases	-	-	-	-	-
Acquisition cost at end of period	567	1,518	6,547	1,231	9,863
Accumulated depreciation and impairment at beginning of period	-29	-860	-3,909	-527	-5,325
Accumulated depreciation of decreases and transfers	-	-	-	-	-
Depreciation for the period	-29	-119	-	-176	-324
Accumulated depreciation at end of period	-58	-979	-3,909	-703	-5,649
Carrying amount at end of period	509	540	2,638	528	4,214
Carrying amount at beginning of period	271	585	2,638	564	4,057

INTANGIBLE ASSETS

2005	Development expenditure	Intangible rights	Goodwill	Other intangible assets	Total
Acquisition cost at beginning of period	188	1,333	6,547	854	8,921
Increases	112	111	-	347	570
Decreases	-	-	-	-110	-110
Acquisition cost at end of period	300	1,444	6,547	1,091	9,382
Accumulated depreciation and impairment at beginning of period	-1	-733	-3,909	-481	-5,124
Accumulated depreciation of decreases and transfers	-	-	-	110	110
Depreciation for the period	-28	-126	-	-157	-311
Accumulated depreciation at end of period	-29	-860	-3,909	-527	-5,325
Carrying amount at end of period	271	585	2,638	564	4,057
Carrying amount at beginning of period	187	600	2,638	373	3,797

Assets acquired under finance lease agreements have been capitalised in other intangible assets. The acquisition cost at end of year was EUR 497 thousand (EUR 437 thousand), accumulated depreciation EUR 242 thousand (EUR 105 thousand) and the carrying amount EUR 255 thousand (EUR 332 thousand).

Goodwill impairment test

In impairment testing, goodwill on consolidation allocated to the Diagnostics segment has been determined on the basis of the value in use. The forecast cash flows for 2007 are based on the budget approved by the Board. Estimated cash flows for the years 2008-2011 are based on very moderate growth in line with conservative accounting practices. A growth rate of 3% has been used in calculations for the years after 2011. As this is a fledgling business area, growth estimates cannot be based on historical information. Therefore, more conservative assumptions about growth have been used in impairment tests compared to management's current view of the forthcoming trends in the business.

Impairment testing also accounts for the sensitivity of forecast cash flows to key variables based on the estimated likelihood of occurance. A discount interest rate of 15.3% before taxes has been used in the calculations. In the view of the company's management, moderate changes in the key assumptions used in the calculations would not lead to the carrying amount of asset items exceeding their recoverable amount. On the basis of impairment testing, there is no need to recognise any impairment losses on goodwill.

2.14 TANGIBLE ASSETS

2006	Land	Buildings	Machinery and equipment	Total
Acquisition cost at beginning of period	72	3,675	11,283	15,030
Increases	-	121	1,326	1,446
Decreases	-	-	-76	-76
Acquisition cost at end of period	72	3,796	12,533	16,401
Accumulated depreciation and impairment at beginning of period	-	-1,151	-7,019	-8,170
Accumulated depreciation of decreases and transfers	-	-	52	52
Depreciation for the period	-	-274	-1,177	-1,451
Foreign exchange differences	-	11	12	23
Accumulated depreciation at end of period	-	-1,414	-8,131	-9,546
Carrying amount at end of period	72	2,381	4,401	6,855
Carrying amount at beginning of period	72	2,524	4,264	6,860

TANGIBLE ASSETS 2005	Land	Buildings	Machinery and equipment	Total
Acquisition cost at beginning of period	72	3,458	10,154	13,685
Increases	-	217	1,201	1,418
Decreases	-	-	-72	-72
Acquisition cost at end of period	72	3,675	11,283	15,030
Accumulated depreciation and impairment at beginning of period	-	-903	-5,979	-6,882
Accumulated depreciation of decreases and transfers	-	-	72	72
Depreciation for the period	-	-248	-1,112	-1,360
Accumulated depreciation at end of period	-	-1,151	-7,019	-8,170
Carrying amount at end of period	72	2,524	4,264	6,860
Carrying amount at beginning of period	72	2,555	4,175	6,802

As at 31 Dec. 2006, commitments on agreements relating to the acquisition of property, plant and equipment amounted to EUR 459 thousand (EUR 88 thousand in 2005).

Assets acquired under finance lease agreements have been capitalised in machinery and equipment. The acquisition cost at end of year was EUR 282 thousand (EUR 180 thousand in 2005), accumulated depreciation EUR 93 thousand (EUR 30 thousand) and the carrying amount EUR 188 thousand (EUR 150 thousand).

2.15 AVAILABLE-FOR-SALE INVESTMENTS	2006	2005
Carrying amount at beginning and end of period	8	11

Available-for-sale investments include unquoted investments, which have been presented at cost because their fair value is not reliably available.

2.16 DEFERRED TAXES	2006	2005
Deferred tax assets		
Intangible assets	323	501
Internal margin on inventories	281	246
Pension obligations	15	29
Unused tax losses	1,479	1,120
Interest on capital loans	-	171
Deferred tax assets, total	2,099	2,067
Deferred tax liabilities		
Accumulated depreciation difference	84	93
Assessment of financial assets	7	-
Finance leasing	4	-
Deferred tax liabilities, total	95	93
Net deferred tax assets	2,042	1,974

Changes in deferred taxes have been entered into the income statement. Deferred tax assets on confirmed losses have been recognised to the extent that management believes it is probable that taxable income will materialise in the future against which the asset can be utilised. The Group's result has posted a loss in the past few years. The company's management has evaluated the potential for utilising confirmed losses for each Group company in the coming years. Deferred tax assets have been entered on those confirmed losses that management considers can be utilised in line with conservative accounting practices.
As at 31 Dec. 2006, the Group companies had EUR 441 thousand (EUR 220 thousand in 2005) in confirmed losses for which no deferred tax assets has been recorded. Based on management evaluation there is uncertainty if these losses can be utilized prior to their maturity. Said losses lapse in 2007-2012.

2.17 INVENTORIES

	2006	2005
Raw materials and consumables	2,381	1,786
Work in progress	567	408
Completed products and goods	2,823	2,390
Total inventories	5,772	4,584

EUR 188 thousand was expensed during the financial year (EUR 60 thousand in 2005) to reduce the carrying amount of inventories.

2.18 TRADE AND OTHER RECEIVABLES	2006	2005
Current receivables		
Trade receivables	6,035	5,539
Other receivables	311	316
Prepayments and accrued income	318	267
Total current receivables	6,663	6,122

A credit loss of EUR 75 thousand was recorded on trade receivables in 2006 (EUR 111 thousand in 2005).

2.19 FINANCIAL ASSETS RECOGNISED AT FAIR VALUE THROUGH PROFIT OR LOSS	2006	2005
Investments in bond funds	856	2,400

2.20 CASH AND CASH EQUIVALENTS	2006	2005
Cash at bank and in hand	850	745
Fixed-period deposits	-	1,000
Total cash and cash equivalents	850	1,745

The interest on the fixed-term deposit was 2.1% per annum, and it matured on 2 May 2006.

2.21 NOTES ON SHAREHOLDERS' EQUITY

Biohit Oyj's share capital is EUR 2,199,397 and the number of shares 12,937,627, of which 3,875,500 are Series A shares and 9,062,127 Series B shares. Both series have a nominal value of EUR 0.17. Series A shares confer twenty (20) votes at General Meetings and Series B shares confer one (1) vote. In payment of dividends, however, a dividend of two (2) per cent higher than the nominal value is paid for Series B shares than is paid for Series A shares.

According to the Articles of Association, the company's minimum share capital is EUR 1,063,101.29 and the maximum share capital EUR 4,252,405.16. Within these limits the share capital can be increased or decreased without amending the Articles of Association. The share capital did not change in 2005 and 2006. The share capital is fully paid-in.

2.22 LIABILITIES

Non-current liabilities	2006	2005
Interest-bearing non-current liabilities		
Loans from financial institutions	1,365	1,930
Convertible bonds	3,818	3,758
Capital loans	880	1,243
Finance lease liabilities	254	328
Total interest-bearing non-current liabilities	6,317	7,260
Non-interest-bearing non-current liabilities		
Deferred tax liabilities	95	93
Pension obligations	45	88
Interest on capital loans	633	657
Other non-current liabilities	336	434
Total non-interest-bearing non-current liabilities	1,110	1,272
Total non-current liabilities	7,427	8,532

Convertible bond

The main terms of the convertible bond are presented in the report of the Board of Directors. The convertible bonds mature if the bond holders do not exercise their right to convert the bonds to shares in the parent company. Conversion can be carried out until the due date, 28 October 2010. In the balance sheet, the convertible bond is divided into equity and liabilities.The liability component has been initially recognised at fair value, which was defined using the market interest on an equivalent liability at the moment when the bond was issued. The equity component has been calculated as the difference between the cash received from the bond issue and the fair value of the liability. The equity component of the convertible bond, EUR 179 thousand, is presented in the share premium fund.

Covenants related to non-current loans

Loans from financial institutions include EUR 754 thousand (EUR 1,200 thousand) in long-term loans with the special condition that the loan will mature immediately when the creditor so demands. The basis for this demand are detailed in the Report of the Board of Directors.

Capital loans

The main terms for the capital loans are presented in the Report of the Board of Directors. Loan capital and the accumulated interest on capital loans are included in non-current liabilities, except for current equity and interest portions that are due for payment during 2007 and are presented under current liabilities.

Debt maturities 2006	Loans from financial institutions	Convertible bonds	Capital loans	Finance lease liabilities	Other non-current liabilities
2007	719	-	363	206	95
2008	477	-	-	176	95
2009	240	-	-	77	95
2010	186	3,818	-	-	95
2011	183	-	-	-	47
2012 -	278	-	880	-	-
Total	2,083	3,818	1,243	459	426

Debt maturities 2005	Loans from financial institutions	Convertible bonds	Finance lease liabilities	Other non-current liabilities
2006	747	-	154	95
2007	710	-	154	95
2008	453	-	154	95
2009	185	-	21	95
2010	143	3,758	-	95
2011 -	473	-	-	47
Total	2,711	3,758	482	520

Except for the convertible bond and capital loans, the interest on debt is mainly variable. The average interest rate weighted by the loan amount was 5.2% per annum on 31 December 2006 (5.0% in 2005).

Current liabilities

Interest-bearing current liabilities	2006	2005
Loans from financial institutions, current portion	814	747
Capital loans, current portion	363	-
Finance leasing liabilities, current portion	206	154
Total interest-bearing current liabilities	1,383	901

Non-interest-bearing current liabilities	2006	2005
Trade payables	1,798	1,676
Provisions	56	-
Advances received	187	173
Tax liabilities	192	-
Interest on capital loans	82	-
Accrued liabilities and prepaid income	2,138	1,478
Other current liabilities	643	841
Total non-interest-bearing current liabilities	5,096	4,167
Total current liabilities	6,479	5,068

Accrued liabilities and prepaid income consist mainly of holiday pay periodisation and related social expenses.

2.23 PROVISIONS

Provisions for warranty	2006	2005
1 Jan.	-	-
Provision additions	56	-
Released during the period	-	-
Reversals of unused provisions	-	-
31 Dec.	56	-
Total provisions	56	-

2.24 RELATED PARTY TRANSACTIONS

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

Salaries and other current employee benefits	2006	2005
Parent company		
Management Teams	799	648
President and CEO	186	130
Subsidiaries		
Managing Directors	635	515
Fees of Board Members, parent company		
Osmo Suovaniemi	14	12
Reijo Luostarinen	18	16
Mårten Wikström	14	13
Arto Alanko	3	12
Hannu Seristö	3	9
Peter Tchernych	14	12
Tero Kauppinen	10	-
Peter Coggins	5	-
Parent company, total	82	74
Subsidiaries		
Members of the Boards	71	-

During the financial year, separate management teams were appointed for the liquid handling and diagnostics businesses to support the segment division announced by the parent company in 2006. In comparison with the previous year, this is evident in the rise in current employee benefits for management and the increase in management members and the number of meetings.

Other operating expenses	**2006**	2005
Consulting fees		
Companies controlled by Board Members	70	-
Key members of the parent company's management	45	-
Total consulting fees	115	-

Capital loans from related parties	**2006**	2005
Amount of loans	880	880
Interest for the period	48	48
Total in interest payment liabilities	630	582
Average loan interest, per annum	5.4 %	5.4 %

The main terms for the capital loans are presented in the Report of the Board of Directors.

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

Oy Finio Ab and Vantaan Hienomekano Oy did not conduct any business operations in 2006.

2.25 PLEDGES, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

Liabilities for which corporate mortgages and shares have been lodged as collateral	**2006**	2005
Loans from financial institutions	1,678	2,315
Corporate mortgages	1,603	1,603
Mortgages on real estate	1,381	1,381
Other liabilities	426	520
Mortgages on real estate	757	757
Lease agreements	2,770	-
Corporate mortgages	235	-

Operational lease agreements and lease agreements	**2006**	2005
Due for payment in the next year	1,201	1,582
Due for payment in the next 2–5 years	2,446	2,218
Due for payment in more than 5 years	821	-
Total	4,468	3,800

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

Parent company income statement

EUR 1,000	Note number	01.01. - 31.12.2006	01.01. - 31.12.2005
NET SALES	3.1	19,528	18,073
Change in inventories of finished goods and work in progress		542	244
Other operating income	3.2	176	132
Materials and services	3.3	-5,566	-4,266
Personnel expenses	3.4	-6,973	-6,396
Depreciation and impairment	3.5	-1,760	-1,730
Other operating expenses	3.6	-6,565	-6,400
OPERATING LOSS		-619	-344
Financial income and expenses	3.7	-389	-269
LOSS BEFORE TAXES		-1,008	-613
Appropriations	3.8	34	-
Income taxes		-	-
LOSS FOR THE PERIOD		-974	-613

Parent company balance sheet

EUR 1,000	Note number	31.12.2006	31.12.2005
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	3.9	2,733	2,966
Tangible assets	3.10	5,706	5,757
Investments	3.10		
Shareholdings in Group companies	3.11	3,805	3,399
Other investments	3.11	7	10
Total non-current assets		12,251	12,132
CURRENT ASSETS			
Inventories	3.12	3,773	2,837
Non-current receivables	3.13	169	177
Current receivables	3.13	7,569	6,807
Marketable securities	3.14	856	2,400
Cash at bank and in hand	3.15	95	1,354
Total current assets		12,462	13,574
TOTAL ASSETS		24,713	25,705
LIABILITIES			
Shareholder's equity			
Share capital	3.16	2,199	2,199
Share premium fund	3.16	-	12,842
Fund for investments of non-restricted equity	3.16	12,230	-
Accumulated profit/loss from previous years	3.16	-657	-598
Loss for the period	3.16	-974	-671
Total shareholder's equity		12,799	13,772
ACCUMULATED APPROPRIATIONS	3.17	324	359
OBLIGATORY PROVISIONS	3.18	56	-
Liabilities			
Non-current liabilities	3.19	5,979	6,846
Capital loans	3.20	880	1,243
Current liabilities	3.21	4,311	3,485
Capital loans	3.20	363	-
Total liabilities		11,534	11,574
TOTAL LIABILITIES		24,713	25,705

Parent company cash flow statement

EUR 1,000	2006	2005
Cash flow from operating activities:		
Loss before extraordinary items	-1,008	-613
Adjustments for:		
Depreciation according to plan	1,760	1,730
Financial income and expenses	389	269
Other adjustments	56	91
Change in working capital:		
Increase (-) or decrease (+) in current non-interest-bearing trade receivables	-792	-3,587
Increase (-) or decrease (+) in inventories	-936	-722
Increase (+) or decrease (-) in current non-interest-bearing liabilities	615	692
Interest and other financial items paid	-412	-130
Interest received from operating activities	85	24
Cash flow from operating activities	**-243**	**-2,246**
Cash flow from investing activities:		
Investments in tangible and intangible assets	-1,506	-1,507
Capital gains from other investments	1,544	-
Proceeds from sales of tangible and intangible assets	-	12
Shares acquired in subsidiaries	-403	-33
Repayments of loan receivables	34	110
Cash flow from investing activities	-	1
Cash flow from investing activities	**-331**	**-1,417**
Cash flow from financing activities:		
Increase in long-term borrowings	127	4,812
Repayments of long-term borrowings	-811	-762
Cash flow from financing activities	**-684**	**4,050**
Increase (+) or decrease (-) in cash and cash equivalents	-1,258	387
Cash and cash equivalents at the beginning of the financial period	1,354	967
Cash and cash equivalents at the end of the financial period	95	1,354

Notes to the parent company's financial statements

3.0 ACCOUNTING POLICY

When preparing financial statements in accordance with Generally Accepted Accounting Principles, the company's management must make estimates and assumptions. Actual results may differ from these estimates.

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

The financial statements are presented in euros and are based on initial transaction values.

Measurement of property, plant and equipment

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

Depreciation periods according to plan are:

Intangible rights	3 -10 years
Goodwill	10 years
Development expenditure	5 years
Other capitalised expenditure	5 - 10 years
Buildings	20 years
Machinery and equipment	3 -10 years

Measurement of inventories

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

Research and development expenditure

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

Revenue recognition

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

Maintenance and repairs

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

Pensions

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

Foreign currency translation

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

Accounting policy changes and adjustments to information on the previous financial year

Interest on capital loans that was not booked in previous financial years has been recognised in the income statement and balance sheet in the 2006 financial year due to the amendment of the Companies Act. Accumulated interest from prior financial years were recognised by adjusting shareholders' equity as set forth in KILA statement 21 June 2005/1750. Accrual-based interest for 2006 has been recorded through profit and loss. The income statement for the comparison year has not been adjusted to correspond to the new policy.

In addition, capital loans have been transferred from shareholders' equity to liabilities in accordance with the Companies Act. Equity and liabilities for the comparison year have been adjusted accordingly.

3.1 NET SALES BY GEOGRAPHICAL AREA

	2006	2005
Finland	1,752	1,654
Other Europe	8,433	7,541
North and South America	3,726	4,168
Asia	2,685	2,274
Other countries	2,932	2,437
Total	19,528	18,073

3.2 OTHER OPERATING INCOME

	2006	2005
Capital gains on the sale of property, plant and equipment	5	7
From Group companies	171	115
Other	-	10
Total	176	132

3.3 MATERIALS AND SERVICES

	2006	2005
Purchases during the year	4,936	4,085
Change in inventories	-394	-419
Total raw materials and consumables	4,542	3,666
External services	1,024	600
Total materials and services	5,566	4,266

3.4 PERSONNEL EXPENSES AND NUMBER OF PERSONNEL

	2006	2005
Salaries and wages	5,986	5,375
Pension expenses	935	892
Other personnel expenses	470	442
Salaries and wages capitalised in tangible assets	-419	-313
Total personnel expenses	6,973	6,396

EUR 306 thousand (EUR 112 thousand) in development expenditure (wages and salaries) and EUR 113 thousand "(EUR 201 thousand) related to mould production was capitalised during the financial year."

Average number of people employed by the parent company during the year	2006	2005
Salaried employees	78	76
Non-salaried employees	83	86
Average number of personnel	162	162
Personnel at end of period	162	157

3.5 DEPRECIATION

	2006	2005
Intangible assets	654	674
Buildings	130	119
Machinery and equipment	976	937
Total	1,760	1,730

3.6 OTHER OPERATING EXPENSES

	2006	2005
Travel and other personnel related expenses	1,019	991
Rent and maintenance expenses	2,099	1,812
Marketing and sales expenses	1,345	1,353
Other external services	1,201	1,146
Other operating expenses	901	1,098
Total	6,565	6,400

3.7 FINANCIAL INCOME AND EXPENSES

	2006	2005
Interest income from long-term investments		
From Group companies	8	15
From others	8	6
Total income from long-term investments	16	21
Other interest and financial income	66	13
Total interest income from long-term investments and other interest and financial income	82	34
Interest expenses and other financial expenses		
To Group companies	-8	-9
To others	-463	-294
Total financial income and expenses	-389	-269
Foreign exchange gains/losses included under 'Financial income and expenses' (net)	-18	19

The items presented above operating profit include EUR 324 thousand in net exchange rate losses (profit of EUR 160 thousand in 2005).

3.8 APPROPRIATIONS

	2006	2005
The accumulated difference between the depreciation according to plan and depreciation in taxation	34	0

3.9 INTANGIBLE ASSETS

2006	Development expenditure	Intangible rights	Goodwill	Other capitalised expenditure	Total 2006
Acquisition cost at beginning of year	300	1,444	6,558	1,286	9,588
Increases	266	75	-	80	421
Decreases	-	-	-	-	-
Acquisition cost at end of year	566	1,519	6,558	1,366	10,009
Accumulated depreciation and impairment at beginning of year	-29	-860	-4,797	-937	-6,623
Accumulated depreciation of decreases	-	-	-	-	-
Depreciation and impairment during the year	-29	-119	-352	-153	-653
Accumulated depreciation at end of year	-58	-979	-5,149	-1,090	-7,276
Carrying amount at end of year	508	540	1,409	276	2,733

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

2005	Development expenditure	Intangible rights	Goodwill	Other capitalised expenditure	Total 2005
Acquisition cost at beginning of year	188	1,333	6,558	1,172	9,251
Increases	112	111	-	127	350
Decreases	-	-	-	-13	-13
Acquisition cost at end of year	300	1,444	6,558	1,286	9,588
Accumulated depreciation and impairment at beginning of year	-1	-733	-4,445	-782	-5,961
Accumulated depreciation of decreases	-	-	-	13	13
Depreciation and impairment during the year	-28	-126	-352	-168	-674
Accumulated depreciation at end of year	-29	-860	-4,797	-937	-6,623
Carrying amount at end of year	271	585	1,761	349	2,966

3.10 TANGIBLE ASSETS

2006	Buildings	Machinery and equipment	Total 2006
Acquisition cost at beginning of year	2,594	9,883	12,477
Increases	-	1,054	1,054
Decreases	-	-	-
Acquisition cost at end of year	2,594	10,937	13,531
Accumulated depreciation and impairment at beginning of year	-610	-6,109	-6,719
Accumulated depreciation of decreases	-	-	-
Depreciation during the year	-130	-976	-1,106
Accumulated depreciation at end of year	-740	-7,085	-7,825
Carrying amount at end of year	1,854	3,852	5,706

The unamortised acquisition cost of production machinery and equipment is EUR 3,453 thousand (EUR 3,386 thousand).

2005	Buildings	Machinery and equipment	Total 2005
Acquisition cost at beginning of year	2,377	9,012	11,389
Increases	217	943	1,160
Decreases	-	-72	-72
Acquisition cost at end of year	2,594	9,883	12,477
Accumulated depreciation and impairment at beginning of year	-491	-5,245	-5,736
Accumulated depreciation of decreases	-	72	72
Depreciation during the year	-119	-937	-1,056
Accumulated depreciation at end of year	-610	-6,109	-6,719
Carrying amount at end of year	1,983	3,774	5,757

3.11 SHARES AND HOLDINGS

2006	Shares, Group companies	Other shares	Total 2006
Shares			
Carrying amount at beginning of year	3,399	10	3,409
Increases	406	-	406
Decreases	-	-3	-3
Carrying amount at end of year	3,805	7	3,812

The share capital of Biohit Biotech (Suzhou) Co. Ltd was increased by EUR 406 thousand during the financial year.

2005	Shares, Group companies	Other shares	Total 2005
Shares			
Carrying amount at beginning of year	3,493	10	3,503
Increases	33	-	33
Decreases	-127	-	-127
Carrying amount at end of year	3,399	10	3,409

Other shares are unquoted investments, which have been presented at cost because their fair value is not reliably available.

3.12 INVENTORIES

	2006	2005
Raw materials and consumables	2,233	1,839
Work in progress	712	355
Finished products/goods	828	643
Total inventories	3,773	2,837

3.13 RECEIVABLES

Non-current receivables	2006	2005
Receivables from Group companies		
Loan receivables	101	84
Receivables from others		
Prepayments and accrued income	68	93
Total non-current receivables	169	177
Current receivables		
Receivables from Group companies		
Trade receivables	5,234	4,552
Loan receivables	76	109
Other receivables	8	4
Total	5,318	4,665
Receivables from others		
Trade receivables	1,994	1,839
Loan receivables	172	213
Other receivables	85	89
Total	2,251	2,142
Total current receivables	7,569	6,807

EUR 93 thousand in convertible bond issue costs are capitalised in other receivables as at 31 December 2006. Capitalised expenditure is expensed over a resting four-year maturity.

3.14 MARKETABLE SECURITIES

	2006	2005
Carrying amount	856	2,400

Marketable securities consist of investments in bond funds and these investments have been measured at their acquisition cost.

3.15 CASH AND CASH EQUIVALENTS

	2006	2005
Cash at bank and in hand	95	354
Fixed-term deposits	-	1,000
Total cash and cash equivalents	95	1,354

3.16 SHAREHOLDER'S EQUITY

	2006	2005
Share capital, 1 Jan. and 31 Dec.	2,199	2,199
Share premium fund, 1 Jan.	12,842	13,109
Covered loss from previous years	-613	-267
Transfer to fund for investments of non-restricted equity	-12,230	-
Share premium fund, 31 Dec.	-	12,842
Fund for investments of non-restricted equity, 1 Jan.	-	-
Transfer from share premium fund	12,230	-
Fund for investments of non-restricted equity, 31 Dec.	12,230	-
Accumulated profit/loss from prior years, 1 Jan.	-1,270	-267
Transfer from share premium fund	613	267
Accumulated interest on capital loans at 31 Dec. 2004	-	-598
Interest on capital loans since 2005	-	-59
Accumulated profit/loss from prior years, 31 Dec.	-657	-598
Reported loss for the year	-974	-613
Capital loans, 1 Jan.	-	1,243
Transfer to liabilities	-	-1,243
Capital loans, 31 Dec.	-	-
Total shareholders' equity	12,799	13,772

In accordance with the decision made at the Annual General Meeting on 20 April 2006, the share premium fund has been used to cover the EUR 613 thousand loss for the 2005 financial year. The share premium fund has been dissolved and the remaining EUR 12,230 thousand was placed in a fund for investments of non-restricted equity.

Accumulated interest on capital loans totalling EUR 657 thousand for the years 1996–2005 (EUR 598 thousand for 1996–2004) has been recognised as a decrease in shareholders' equity. Interest on capital loans totalling EUR 59 thousand for 2006 (EUR 59 thousand in 2005) has been entered under profit and loss for the period.

Shares and voting rights

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

Structure of the parent company's shareholders' equity

	2006		2006		2005	
	no.	EUR	% of shares	% of votes	no.	EUR
Series A shares (20 votes per share)	3,875,500	658,835	30.0	89.5	3,875,500	658,835
Series 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 these limits the share capital can be increased or decreased without amending the Articles of Association.

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

3.17 ACCUMULATED APPROPRIATIONS

Accumulated appropriations comprise accelerated depreciation.

3.18 OBLIGATORY PROVISIONS

	2006	2005
Provisions for warranty		
1 Jan.	-	-
Provision additions	56	-
Released during the period	-	-
Reversals of unused provisions	-	-
31 Dec.	56	-
Total obligatory provisions	56	-

3.19 NON-CURRENT LIABILITIES

	2006	2005
Loans from Group companies	-	200
Loans from others		
Loans from financial institutions	965	1,514
Convertible bonds	4,050	4,050
Other non-current liabilities	331	426
Interest on capital loans	633	657
Total non-current liabilities	5,979	5,846

Liabilities falling due after five years	2006	2005
Loans from financial institutions	47	155
Capital loans	880	1,243
Other non-current liabilities	-	47
Total non-current liabilities	927	1,446

Non-current liabilities include convertible bonds totalling EUR 4,050 thousand.
The main terms of the bonds are presented in the Report of the Board of Directors.

3.20 CAPITAL LOANS

	2006	2005
From related parties	880	880
From others	363	363
Total	1,243	1,243

The company has capital loans totalling EUR 1,243 thousand. The main terms for these loans are detailed in the report of the Board of Directors. Accumulated interest on capital loans has been handled according to section 3.16.

3.21 CURRENT LIABILITIES

	2006	2005
Loans from financial institutions, current portion	674	715
Other non-current liabilities, current portion	95	95
Advances received	3	42
Trade payables	1,314	1,308
Accrued liabilities and prepaid income	1,730	1,112
Other liabilities	201	150
Liabilities to Group companies		
Trade payables	7	-
Other current liabilities	288	62
Total current liabilities	4,311	3,485

Accrued liabilities and prepaid income include holiday pay periodisation and related social expenses totalling EUR 996 thousand, interest cost periodisation of EUR 168 thousand, and the periodisation of other expenses.

3.22 PLEDGES, CONTINGENT LIABILITIES AND OTHER COMMITMENTS

	2006	2005
Liabilities for which corporate mortgages and shares have been lodged as collateral		
Loans from financial institutions	1,233	1,866
Corporate mortgages	1,603	1,603
Mortgages on real estate	900	900
Other liabilities	426	520
Mortgages on real estate	757	757
Lease agreements		
Corporate mortgages	235	-

The parent company has assumed EUR 0.4 million in contingent liabilities on behalf of Group companies.

Leasing commitments	2006	2005
Due for payment the following year	504	565
Due for payment at a later date	603	1,016
Total	1,106	1,581

Rent commitments	2006	2005
Due for payment at next period	396	568
Due for payment at a later date	2,374	1,137
Total	2,770	1,705

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

Financial Ratios

4 INFORMATION ON SHARES

4.1 FINANCIAL RATIOS

	FAS 2002	FAS 2003	IFRS 2004	IFRS 2005	IFRS **2006**
Net sales	25,354	26,259	26,702	28,660	31,408
Change in net sales, %	-0.7 %	3.6 %	1.7 %	7.3 %	9.6 %
Operating profit/loss,	-1,227	-213	251	-33	-143
% of net sales	-4.8 %	-0.8 %	0.9 %	-0.1%	-0.5 %
Profit/loss before extraordinary items and taxes	-1,545	-462	104	-256	-607
% of net sales	-6.1 %	-1.8 %	0.4 %	-0.9 %	-1.9 %
Profit/loss before taxes	-1,545	-462	104	-256	-607
% of net sales	-6.1 %	-1.8 %	0.4 %	-0.9 %	-1.9 %
Return on equity, %	-11.7 %	-4.9 %	-1.1 %	-1.6 %	-6.1 %
Return on investment, %	-5.5 %	-0.2 %	2.0 %	0.5 %	0.0 %
Equity ratio, %	66.9 %	64.7 %	62.3 %	51.5 %	49.4 %
Investments in fixed assets	1,578	1,190	2,260	1,988	1,928
% of net sales	6.2 %	4.5 %	8.5 %	6.9 %	6.1 %
R&D expenditure	1,809	1,447	1,304	1,630	1,689
% of net sales	7.1 %	5.5 %	4.9 %	5.7 %	5.4 %
Total assets	22,414	21,875	22,759	27,851	27,320
Personnel, average	303	298	291	295	310

4.2 RATIOS PER SHARE

	FAS 2002	FAS 2003	IFRS 2004	IFRS 2005	IFRS **2006**
Earnings per share, EUR *)	-0.14	-0.06	-0.01*	-0.02*	-0.06*
Shareholders' equity per share, EUR	1.15	1.08	1.09	1.10	1.04
Price/earnings ratio, (P/E)	-10	-45	-158	-123	-31
Dividends per share	-	-	-	-	-
Dividends/earnings, %	-	-	-	-	-
Effective dividend yield, %	-	-	-	-	-
Trend in the Series B share price, EUR					
- average price	2.56	1.85	2.39	2.20	2.26
- lowest price	1.40	1.22	1.75	1.75	1.99
- highest price	4.40	3.30	3.09	2.87	2.61
- price on 31 Dec.	1.41	2.50	2.06	2.15	2.03
Market capitalisation, EUR 1000 (assuming the market price of the Series A share is the same as that of the Series B share)	18,242	32,344	26,652	27,816	26,263
Turnover of Series B shares, 1,000	1,178	1,287	1,131	2,114	1,530
- % of total number of shares	13.2 %	14.2 %	12.5 %	23.3 %	16.9 %
Average number of shares, adjusted for share issues	12,827,781	12,937,627	12,937,627	12,937,627	12,937,627
- accounting for the dilutive effect of options and bonds	-	-	-	13,095,435	13,837,627
Total number of shares on the closing date, adjusted for share issues	12,937,627	12,937,627	12,937,627	12,937,627	12,937,627
- accounting for the dilutive effect of options and bonds	-	-	-	13,837,627	13,837,627

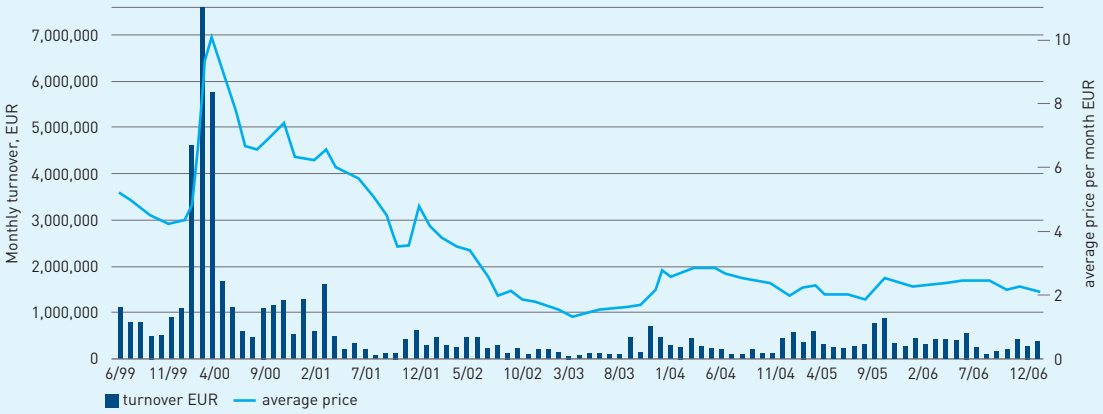
*) options and bonds have no dilutive effect

Financial statements have been drafted in accordance with IFRS as from 1 January 2004. The financial statements for 2002 - 2003 have been drafted in accordance with the Finnish Accounting Act.

5 SHARES AND SHAREHOLDERS

5.1 Share turnover and average price

Share turnover and average price 18 June 1999 - 31 Dec. 2006



5.2 Shares and shareholders

Holdings by shareholder group, 31 Dec. 2006

Series A shares	No of shareholders		No of shares	
	no.	%	no.	%
1. Companies	1	11.1	19,990	0.5
2. Households	8	88.9	3,855,510	99.5
Total Series A shares	9	100.0	3,875,500	100.0

Series B shares	No of shareholders		No of shares	
	no.	%	no.	%
1. Companies	165	4.5	2,183,109	24.1
2. Financial and insurance institutions	2	0.1	1,270	0.0
3. Public organisations	1	0.0	391,800	4.3
4. Non-profit organisations	10	0.3	39,821	0.4
5. Households	3,492	94.6	6,362,425	70.3
6. Foreign	22	0.6	60,960	0.7
Shares that are not entered in the book-entry system	-	-	5,592	0.1
Total	3,692	100.0	9,044,977	100.0
Nominee-registered shares	2	0.1	17,150	0.2
Total Series B shares	3,692	100.0	9,062,127	100.0
Total Series A and B shares	3,701		12,937,627	

Series A shares	No of shareholders		No of shares	
	no.	%	no.	%
1-1,000	1	11.1	10	0.0
1,001-5,000	-	-	-	-
5,001-10,000	-	-	-	-
10,001-50,000	1	11.1	19,990	0.5
Over 50,000	7	77.8	3,855,500	99.5
Total Series A shares	9	100.0	3,875,500	100.0

Shares And Shareholders

Series B shares	No of shareholders		No of shares	
	no.	%	no.	%
1-1,000	3,036	82.2	1,137,736	12.6
1,001-5,000	515	13.9	1,144,265	12.6
5,001-10,000	76	2.1	565,320	6.2
10,001-50,000	50	1.4	912,919	10.1
Over 50,000	15	0.4	5,296,295	58.4
Total	3,692	100.0	9,056,535	99.9
Shares that are not entered in the book-entry system			5,592	0.1
Total Series B shares			9,062,127	100.0
Total Series A and B shares			12,937,627	

Largest registered shareholders on 31 December 2006

The 10 largest shareholders by number of shares

	Series A shares	Series B shares	Total shares	%
Suovaniemi, Osmo	2,285,340	2,248,372	4,533,712	35.0
Sipponen, Pentti	900,000	14,300	914,300	7.1
Suovaniemi, Ville	208,280	371,300	579,580	4.5
Suovaniemi, Joel	208,280	333,000	541,280	4.2
Härkönen, Matti	57,200	430,300	487,500	3.8
Etra-Invest Oy Ab	-	427,000	427,000	3.3
Suovaniemi, Oili	121,600	288,935	410,535	3.2
Etera Keskinäinen Eläkevakuutusyhtiö	-	391,800	391,800	3.0
Suovaniemi, Vesa	74,800	246,217	321,017	2.5
Adlercreutz Herman	-	205,500	205,500	1.6

The 10 largest shareholders by number of votes

	Series A shares	Series B shares	Total votes	%
Suovaniemi, Osmo	45,706,800	2,248,372	47,955,172	55.4
Sipponen, Pentti	18,000,000	14,300	18,014,300	20.8
Suovaniemi, Ville	4,165,600	371,300	4,536,900	5.2
Suovaniemi, Joel	4,165,600	333,000	4,498,600	5.2
Suovaniemi, Oili	2,432,000	288,935	2,720,935	3.1
Suovaniemi, Vesa	1,496,000	246,217	1,742,217	2.0
Härkönen, Matti	1,144,000	430,300	1,574,300	1.8
Tech Know Oy Ltd	399,800	123,300	523,100	0.6
Etra-Invest Oy Ab	-	427,000	427,000	0.5
Etera Keskinäinen Eläkevakuutusyhtiö	-	391,800	391,800	0.5

Management's shareholding, 31 Dec. 2006

Members of the Board of Directors and the President owned a total of 2,285,340 Series A shares and 2,315,272 Series B shares on 31 December 2006. These represent 35.6% of the total number of shares outstanding and 55.5% of voting rights.

6 FORMULAS USED IN CALCULATING KEY RATIOS

Return on equity, %	$\frac{\text{Result for the period}}{\text{Shareholders' equity (average over the year)}} \times 100$
Return on investment, %	$\frac{\text{Profit before extraordinary items + interest and other financial expenses}}{\text{Total assets – non-interest-bearing liabilities (average over the year)}} \times 100$
Equity ratio, %	$\frac{\text{Shareholders' equity in balance sheet}}{\text{Total assets – advance payments received}} \times 100$
Earnings per share, EUR	$\frac{\text{Profit for the period}}{\text{Average number of shares, adjusted for share issues}}$
Equity per share, EUR	$\frac{\text{Shareholders' equity in balance sheet}}{\text{Number of shares on the closing date}}$
Dividends per share, EUR	$\frac{\text{Dividends for the period}}{\text{Number of shares on the closing date}}$
Dividends/earnings, %	$\frac{\text{Dividends/share}}{\text{Earnings per share}} \times 100$
Effective dividend yield, %	$\frac{\text{Dividends, adjusted for share issues / share}}{\text{Stock exchange price on 31 December}} \times 100$
Price/earnings ratio, (P/E)	$\frac{\text{Stock exchange price on 31 December}}{\text{Earnings per share}}$

7 The Board of Directors' proposal concerning the loss for the financial year

The Board of Directors proposes to the Annual General Meeting that no dividend be paid and that the EUR 973,878.40 loss for the financial year be transferred to retained earnings.

Helsinki, 30 March 2007

Reijo Luostarinen Chairman of the Board	Osmo Suovaniemi Member of the Board President & CEO	Peter Coggins Member of the Board
Tero Kauppinen Member of the Board	Peter Tchernych Member of the Board	Mårten Wikström Member of the Board

Financial statement entry

The financial statements and annual report have been prepared in accordance with generally accepted accounting practice in Finland. I have today submitted the report of my audit.

Helsinki, 30 March 2007

PricewaterhouseCoopers Oy
Authorised Public Accountants

Hannele Selesvuo
Authorised Public Accountant

Auditors' Report

To the shareholders of Biohit Oyj

We have audited the accounting records, the report of the Board of Directors, the financial statements and the administration of Biohit Oyj and Group for the period 1 January to 31 December 2006. The Board of Directors and the Managing Director have prepared the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, as well as the report of the Board of Directors and the parent company's financial statements, prepared in accordance with prevailing regulations in Finland, containing the parent company's balance sheet, income statement, cash flow statement and notes to the financial statements. Based on our audit, we express an opinion on the consolidated financial statements, as well as on the report of the Board of Directors, the parent company's financial statements and the administration.

We conducted our audit in accordance with Finnish Standards on Auditing. Those standards require that we perform the audit to obtain reasonable assurance about whether the report of the Board of Directors and the financial statements are free of material misstatement. The purpose of our audit of the administration is to examine whether the members of the Board of Directors and the Managing Director of the parent company have complied with the rules of the Companies' Act.

Consolidated financial statements
In our opinion the consolidated financial statements, prepared in accordance with International Financial Reporting Standards as adopted by the EU, give a true and fair view, as defined in those standards and in the Finnish Accounting Act, of the consolidated results of operations as well as of the financial position.

Parent company's financial statements, report of the Board of Directors and administration
In our opinion the parent company's financial statements have been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The parent company's financial statements give a true and fair view of the parent company's result of operations and of the financial position.

In our opinion the report of the Board of Directors has been prepared in accordance with the Finnish Accounting Act and other applicable Finnish rules and regulations. The report of the Board of Directors is consistent with the consolidated financial statements and the parent company's financial statements and gives a true and fair view, as defined in the Finnish Accounting Act, of the result of operations and of the financial position.

The consolidated financial statements and the parent company's financial statements can be adopted and the members of the Board of Directors and the Managing Director of the parent company can be discharged from liability for the period audited by us. The proposal by the Board of Directors regarding the disposal of the result is in compliance with the Companies' Act.

Helsinki, 30 March 2007

PricewaterhouseCoopers Oy
Authorized Public Accountants

Hannele Selesvuo
Authorized Public Accountant

Information for the shareholders

Annual General Meeting

The Annual General Meeting (AGM) of Biohit Group is to be held on
Monday 23 April 2007, at 5:00 p.m.
in Restaurant Pörssi at Fabianinkatu 14, 00100 Helsinki.

Registration by 19 April 2007 by 12 noon
by letter: Biohit Oyj, Laippatie 1, 00880 Helsinki
by telephone: +358 9 773 861 (Beata Hokkanen)
by FAX: +358 9 773 86 292
by e-mail: yhtiokokous@biohit.com

Payment of Dividends

The Board of Directors proposes to the AGM that no dividends be paid for the 2006 financial year.

Shares

Biohit Group's shares (BIOBV) are listed on Helsinki Exchanges (OMX Helsinki) in the Small cap / Health care group.

Shares in total:	12,937,627
- Series A shares (20 votes/share):	3,875,500
- Series B shares (1 vote/share):	9,062,127

Detailed information on Biohit Group's shares is presented in the Annual Report on pages 71-72 and on Internet www.biohit.com.

Financial Reports

Biohit Group's financial reports are published in Finnish and English. You can order them by writing to Biohit Group, Laippatie 1, 00880 Helsinki, by calling +358 9 773 861 or via the Biohit web site at www.biohit.com.

Biohit's web site offers important information for investors, in the 'Investors' section. Stock exchange releases, interim reports, financial statement bulletins, and annual reports are published in Finnish and English. Please visit www.biohit.com.

Dates of publication of financial reports in 2007

Interim report Q1/2007	4 May 2007 at 10:00 Finnish time
Interim report Q1-Q2/2007	3 August 2007 at 10:00 Finnish time
Interim report Q1-Q3/2007	2 November 2007 at 10:00 Finnish time

The financial statements report of 2006 was published on 16 February 2007.

Investor relations and communications

Osmo Suovaniemi, President and CEO
Tel.: +358 9 773 862 50
osmo.suovaniemi@biohit.com

The stock exchange releases of 2006

The stock exchange releases of 2006 can be read at Biohit's web site www.biohit.com:

22 Dec 2006	Biohit Oyj's financial information in 2007
3 Nov 2006	Interim report of Biohit Group 1 January to 30 September 2006
23 Oct 2006	The result of Biohit weaker than anticipated
4 Aug 2006	Interim report of Biohit Group 1 January to 30 June 2006
21 Jun 2006	Notification of a change in Biohit Oyj's shareholdings (Securities Act chapter 2, section 10)
22 May 2006	Biohit Oyj launches new methods and products for prevention of the risk of gastrointestinal cancers
5 May 2006	Interim report of Biohit Group 1 January to 31 March 2006
21 Apr 2006	Resolutions of the Annual General Meeting of Biohit Oyj
30 Mar 2006	Notice of Annual General Meeting of Biohit Oyj
17 Feb 2006	Financial statement report of Biohit Group 1 January to 31 December 2005
9 Feb 2006	Biohit strengthens its OEM cooperation with bioMérieux

BIOHIT

Innovating for Health

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

Factory Kajaani
Tietokatu 4
87400 Kajaani

www.biohit.com

Subsidiaries

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

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

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

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

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

Russia
Biohit OOO, Saint-Petersburg
Vasiljevskij ostrov, 6-ja linija, d. 57
199048 Saint-Petersburg, Russia
Tel: +7-812-327 5327
Fax: +7-812-327 5323
main@biohit.ru

Biohit OOO, Moscow
Petrovsko-Razumovsky av. 29,
building 2
103287 Moscow, Russia
Tel: +7-495-214 9550
Fax: +7-495-213 5577
taras.pravdoljubenko@biohit.ru

China
Biohit Biotech (Suzhou) Co Ltd.
Room 608, Office Block
Hotel Equatorial
65 Yan An Xi Lu
Shanghai, 200040
P. R. China
Tel: +86-21-6248 5589
Fax: +86-21-6248 7786
info.china@biohit.com