REVIEW OF OPERATIONS AND FINANCIAL STATEMENTS 2017

FIT BIOTECH

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CEO Erkki Pekkarinen

"FIT Biotech is a biotechnology company focusing on research and commercialization aiming to revolutionize health care by developing safer as well as more cost-efficient and functional cures.

Innovative gene delivery technologies and DNA vaccines can be applied, inter alia, towards cancer immunotherapy, enzyme replacement in certain orphan diseases as well as the prevention and treatment of different infectious diseases such as HIV. All of our R&D targeted products would represent medical breakthroughs if they succeed.

FIT Biotech's technology offers the technological advantage of scalability as it serves as a platform for developing gene-based therapies at a faster rate. Our product development is focusing on DNA based technology free of virus unlike most operators in this sector. In addition to medical benefits, DNA based drugs also offer significant cost savings.

In November, we were granted a patent that gives us exclusive intellectual property rights in the United States to commercialize our GTU®-based DNA vaccines, including FIT-06, for the treatment of HIV patients. This is of great economic consequence since it gives us possibility to exclusive rights to commercialize our vaccine candidate at a premium price. The patent is a prerequisite for licensing the marketing rights to a major pharmaceutical company. The next step will be launching Phase 2 clinical trial with European HIV and Vaccine Alliance (EHVA). The objective of the clinical trial is to provide a safer and cost-effective functional cure for HIV patients.

FIT Biotech offers investors an unique opportunity to participate in the commercialization of drug candidates based on own patents. While drug development is a long-term process and high-risk venture, there should be multiple milestones met along the way although early stage licensing agreements are increasingly common.

Our business model is based on licensing our drug candidates to corporate partners who develop them further and introduce drugs on the market. We have multiple drug development projects as well as collaborative projects with international biotech companies, pharmaceutical companies and academic research institutions.

I started as the CEO of FIT Biotech in January 2018 after serving 16 years as a member of the Board. I am particularly proud of our dedicated top-team with long experience and expertise in the international biotechnical business. With this team and our unique, proprietary technology platform we pursue a role as a leading and recognized European biotechnical company in the field of biotechnology."

KEY FINANCIAL FIGURES

1,000 EUR	1-12/2017	1-12/2016	7-12/2017	7-12/2016
Net sales		10		
Grants	599	191	248	191
Personnel expenses	1,204	992	511	485
Depreciations, amortisations and impairments	292	159	211	52
Other operating expenses	1,514	1,704	855	1,004
Operating profit/loss	-2,838	-3,030	-1,517	-1,572
Profit/loss for the period	**-3,301**	**-3,651**	**-1,921**	**-2,193**
Cash flow from operations	-2,505	-2,487	-1,105	-1,187
Cash in hand and in bank	429	486	429	486
Equity	-13,321	-12,404	-13,321	-12,404
Equity including additions according to Companies Act	239	-630	239	-630
Balance sheet total	**1,071**	**1,428**	**1,071**	**1,428**
Equity ratio, %	22.3	negat.	22.3	negat.
Return on investment (ROI), %	negat.	negat.	negat.	negat.
Earnings per share	-0.05	-0.06	-0.03	-0.04
Number of shares in the end of the period (pcs)	224,956,112	43,022,718	224,956,112	43,022,718
Number of treasury shares (pcs)	131,045,831	10,000,000	131,045,831	10,000,000
Number of voting rights (pcs)	93,910,281	33,022,718	93,910,281	33,022,718
Average number of shares during the period (pcs) *)	**61,416,522**	**28,107,614**	**78,774,808**	**28,540,193**

Formulas for key financial ratios

Equity ratio, %

$$= \frac{\text{(Total equity + capital loans) x 100}}{\text{(Total assets - advances received)}}$$

Return on investment (ROI), %

$$= \frac{\text{(Profit (loss) + financial expenses) x 100}}{\text{(Total equity + capital loans + interest bearing liabilities)}}$$

Earnings per share, euro

$$= \frac{\text{Profit (loss) for the period}}{\text{Average number of shares*)}}$$

*) Excluding the shares owned by the company. The average number of shares used in calculating the earnings per share was the average number as of 31 December 2017.

REVIEW BY THE BOARD OF DIRECTORS JANUARY 1st - DECEMBER 31st, 2017

Business environment and strategic focus

The lifeblood of biotechnical companies is intensive research and development (R&D) that aims to bring therapies to those in need, while supporting growth of the company in the long term. R&D projects typically require heavy investment in early stage of the project. They create revenue when successfully brought to market, on average 8-12 years later. FIT Biotech's technology offers the technological advantage of scalability as it serves as a platform for developing gene-based therapies at a faster rate. Furthermore, the technology allows FIT Biotech to use the patient's own cells to produce the therapy, thereby offering the competitive advantage of faster development time lines, lower cost of production, and ultimately better and safer therapies to the patient.

Large biopharmaceutical companies are in-licensing and outsourcing R&D activities at an accelerating pace. FIT Biotech's strategy is to seek partners for clinical development of drug candidates, as well as to license its platform to other companies. This two-prong approach serves to increase the usability of the technology as well as gives the possibility to generate working capital. FIT Biotech continues to pursue and implement this strategy.

FIT Biotech continues its research collaboration with an international research consortium EHVA, where a HIV vaccine candidate based on FIT Biotech's GTU® technology is entering a Phase 2 clinical trial. This project is funded by a European Commission grant of **22** million euros. Out of this total amount, FIT Biotech's share is **0.9** million euros. During 2017, FIT Biotech received 0.6 million euros and **0.2** million euros in 2016 for its costs related to this project during 2016-2018. The final payment of **0.1** million euros is conditional until the end of the project. The EHVA project is expected to run until 2021.

In November, FIT Biotech was granted a patent by the United States Patent and Trademark Office (USPTO) with title "Methods of treating HIV diseases using novel expression vectors". The patent grants FIT Biotech exclusive rights to exploit its GTU®-based DNA vaccines, including FIT-06, for the treatment of HIV patients.

During the first half of the year, FIT Biotech achieved positive preclinical results regarding the suitability of its gtGTU® technology to gene-based treatments. In these studies, FIT Biotech demonstrated the usability of the gtGTU vector for producing a therapeutic anticancer antibody in the cells. Importantly, producing this antibody through gtGTU slowed tumor growth and increased survival. These results have encouraged the Company to pursue the further development of gene-based therapies using the gtGTU vector.

In October, FIT Biotech initiated a research collaboration with Avacta Group Plc, Cambridge UK to assess the suitability of developing gene therapies combining the Company's gtGTU® platform and Avacta's Affimer® technology. FIT Biotech's gtGTU® vector was developed for gene therapy applications to ensure stable and prolonged expression of DNA-based therapeutics in a safe manner. The vector thus removes the requirement for frequent administration of biological therapeutics, which have limited half-life in the body. Antibodies have been the largest commercial success story of the past decade, generating multibillion-dollar revenues for the biotechnical sector.

Research and development

The Company collaborates with Estonian partners for the development of gene-based treatments. This enables FIT Biotech to efficiently and cost-effectively pursue the development of its therapeutic candidates and its technology. The Company also collaborates with known research institutions in Europe to further develop immune therapeutics based on our proprietary technology.

Production

FIT Biotech's capability to operate its own GMP (Good Manufacturing Practice) certified production facility is one of its key strategic assets. Certification includes all the equipment, utilities, personnel and operational procedures. The facility allows the company to produce DNA-based vaccines for pre-clinical research and for clinical trials.

FIT Biotech has initiated the production of its therapeutic HIV-vaccine for the EU Horizon 2020 EHVA project where its therapeutic effect will be tested as part of a novel treatment concept. The first vaccines are planned to be shipped to the study sites during 2018.

FINANCIAL REVIEW JANUARY 1st - DECEMBER 31st 2017

Revenue, profitability and financial performance

The Company net sales was **0** (10 thousand euros in 2016). FIT Biotech has focused on product development, where the net sales is expected first after several years of scientific research and development as well as clinical trials.

Other operating income was **599** (191) thousand euros and in 2017 comprised of accrued EHVA grant.

Personnel expenses increased by **212** thousand euros to **1,204** (992) thousand euros. Year 2017 personnel expenses include exceptional social costs related to foreign employees and termination costs related to earlier laid-off personnel amounting to **157** thousand euros.

Depreciation increased to **292** (159) thousand euros mainly due to additional depreciation of patents not currently in use.

Other operating expenses were **1,514** (1,704) thousand euros.

Financial expenses **463** (621) thousand euros, include the commitment fee of the new Alpha Blue Ocean financing of **400** thousand euros. In 2016, Bracknor financing commitment fee was **500** thousand euros. The commitment fees had no effect on cash flow.

The Company's result for the period amounted to **-3,301** (-3,651) thousand euros. Earnings per share were **-0.05** (-0.06) euros.

Balance sheet, financing and capital expenditure

The balance sheet amounted to **1,071** (1,428) thousand euros at the end of the reporting period. The Company's total equity was **-13,321** (-12,404) thousand euros. Equity including the additions according to Companies Act was **239** (-630) thousand euros. In 2016, the convertible loans were converted to capital loans as from March 10, 2017 to comply with the Companies Act.

Patents are recognised in the balance sheet at acquisition price less depreciation. Yearly patent costs are recognized in profit and loss account as costs. Research and development expenses are not capitalized to balance sheet.

Capital expenditure for the period was **53** (162) thousand euros and comprised mainly of patents.

Cash and cash equivalents at the end of the reporting period amounted to **429** (486) thousand euros.

Interest-bearing liabilities

At the end of the reporting period, the Company's interest-bearing debt totalled **13,560** (13,044) thousand euros.

1,000 EUR	31 Dec 2017	31 Dec 2016
Tekes loans*)	11,774	11,774
Convertible capital bonds, Bracknor**)	786	870
Convertible capital bonds, Sitra**)	300	400
Convertible capital bonds, Alpha Blue Ocean	700	0
Total	**13,560**	**13,044**

*) Accrued interest is not included to the loan amount
**) December 31, 2016 loans converted to capital loans as of March 10, 2017

FIT Biotech Oy (the "Company") has entered into a new financing agreement with Alpha Blue Ocean Investment Group ("ABO") on December 22, 2017. The Programme consists of minimum EUR **three** (3) million and up to a maximum of EUR **ten** (10) million in convertible notes with warrants. Pursuant to the Programme, convertible notes may be drawn down in 20 sequential tranches of **500** thousand euros (each, a "Tranche") during a period of 30 months. The Company may terminate the Programme without cause after the 6th Closing Date i.e. when the 6th Tranche has been drawn. The convertible notes issued under in each Tranche drawn down carry the right to convert such Tranche into the Company's Class K shares with the valuation method and technical process stipulated in detail in the Agreement. The conversion price of the K-shares is 85% of the lowest closing volume weighted average price over a 15 trading days period preceding a conversion.

Further pursuant to the Programme, each drawdown of a Tranche will provide ABO with share warrants that will entitle it, but will not oblige, it to subscribe for a number of Class K shares at a subscription price depending on the market value of the Company's K shares at the time the share warrants are issued. The final total number of the Company's K shares to be subscribed under the warrants will remain unknown and will depend on ABO's willingness to subscribe for and invest in the Company's shares as well as on the values of the shares in public trading from time to time as stipulated in the Agreement. In case ABO uses the warrants to subscribe for Company's K shares such subscription would have a positive effect on the Company's equity and cash flow.

The financing under the Programme constitutes a capital loan as referred to in Chapter 12 in the Finnish Companies Act.

The Programme contains also a Share Lending Agreement under which the Company (as the lender) will provide to ABO a total of **41,666,667** K shares as a share loan. The share loan enabled FIT Biotech to draw down the first tranche of **500** thousand euros before the extraordinary general meeting approval and served as a collateral to the loan. These lent shares will be redelivered to the Company upon the termination of the loan at the Company's will.

For the Programme, the Board may use either newly issued shares and/or treasury shares and/or redeem in cash convertible notes issued to the investor.

Under the Agreement ABO is entitled to a commitment fee of **400** thousand euros which will be paid with K shares and convertible notes with no warrants attached delivered at the execution of the agreement (the "Commitment Fee"). The Commitment Fee will consist of **16,666,667** K shares and **200** notes convertible into shares. The total number of shares to be received by ABO as payment of the Commitment Fee depends on the market value of the Company's Class K share.

The aggregate number of new Class K shares to be issued pursuant to the Programme and its convertible loan notes will depend on the market value of the Company's Class K share during the Programme period. When calculated with the share prices in public trading preceding the acceptance of the Programme the number of shares to be issued in the first 6 Tranches would be **220,588,230** shares and **112,500,000** warrants that entitle to subscribe to the same number of shares. The Programme has a dilutive effect to the current share owners.

The final number of Class K shares required for the implementation of the Programme as a whole is unknown and will be determined, inter alia, based on the number of Tranches and number of convertible loan notes to be drawn down, the fluctuation and development of the Company's Class K share in trading, the number of share warrants exercised by ABO, and possible future adjustments as agreed during the validity of the Programme.

This new financing was approved in the Extraordinary General Meeting on February 6, 2018.

As part of this financing, the current Bracknor financing has been discontinued. This means that the December 31, 2017 Bracknor convertible capital loans of **786** thousand euros have been converted to equity and K shares subscribed according to the financing agreement in early 2018 and no new loans will be drawn down.

The Alpha Blue Ocean financing is not anticipated to have any material impact on the current Sitra or Tekes financing. The programme does not forbid any other types of financing to be used in the Company.

During the financial period Bracknor converted **2,084** thousand euros and Sitra **100** thousand euros of the convertible loans into equity. Along with the conversion of the convertible loans the Company issued **3,528,456** K-shares to Bracknor and **1,610,208** K-shares to Sitra. Bracknor has **59,122,968** and Sitra has **1,532,479** outstanding warrants related to the convertible loans.

First tranche of Alpha Blue Ocean financing of **500** thousand euros was drawn down on December 28, 2017. The total commitment fee of **400** thousand euros was shown under financial expenses in 2017.

The shares and warrants related to the commitment fee and share loan were transferred in January 2018 to Alpha Blue Ocean. The Company (as the lender) has provided to Alpha Blue Ocean a total of **41,666,667** K shares as a share loan, **37,500,000** warrants and the first **200** thousand euros of the Commitment fee was paid by handing over **16,666,667** K shares.

Convertible capital bonds - changes during the financial year The noteholder	Convertible loans 1 Jan 2017 (1,000 EUR)	Convertible loans increase (1,000 EUR)	Loans converted (1,000 EUR)	Convertible loans 31 Dec 2017 (1,000 EUR)	K shares given on the basis of conversion Jan 1 2017 (pcs)	K shares given on the basis of conversion 31 Dec 2017 (pcs)
Bracknor	870	2,000	-2,084	786	3,528,456	65,106,636
Sitra	400	0	-100	300	1,610,208	3,020,441
Alpha Blue Ocean**)	0	700	0	700	0	0
TOTAL	**1,270**	**2,700**	**-2,184**	**1,786**	**5,138,664**	**68,127,077**

Warranties - changes during the financial year The noteholder	Issued warranties 1 Jan 2017 (pcs)	Increase in warranties during the period (pcs)	Used warranties during the period (pcs)	Issued warranties 31 Dec 2017 (pcs)	% of the Company's shares*) %	% of the Company's votes %
Bracknor	2,745,151	56,377,817	0	59,122,968	63.0	63.0
Sitra	1,532,479	0	0	1,532,479	1.6	1.6
Alpha Blue Ocean**)	0	0	0	0	0	0
TOTAL	**4,277,630**	**56,377,817**	**0**	**60,655,447**	**64.6**	**64.6**

Short-term risks, going concern and sufficiency of funding

The major short-term risk is the sufficiency of funds. The near future cash flow is mainly based on the Alpha Blue Ocean ("ABO") financing Programme. According to the ABO financing agreement the Company may raise **10,000** thousand euros, of which **500** thousand euros has been drawn down in 2017. According to the funding Programme the Company may draw down **500** thousand euros after each 30 working days and thus about **4,000** thousand euros in 2018.

The ABO financing agreement has several conditions that may affect the availability of the financing if realized. The financing agreement does not limit FIT Biotech's possibilities to obtain other kinds of equity or debt financing. FIT Biotech is actively seeking and negotiating these other financing possibilities.

The Management estimates yearly, monthly and weekly cash flows to follow and control FIT Biotech's liquidity. The Board monitors the situation at least monthly.

The Company may influence the amount of capital needed by adjusting the expense structure according to the funding possibilities.

The Board and the Management of the Company believe that the financing of the Company is secured for the next twelve months.

As the Company has currently no net sales, there is a risk that the shareholders' equity is negative despite the capital loans. Equity is estimated and followed monthly to comply with the Companies Act.

Strategic risks relate to technical success of research and development programs and new competing products availability in the market. Any unfavourable change in R&D projects may endanger the property values of patents and thus represent a remarkable risk for the company. This kind of unfavourable occasions may occur on short notice and are unpredictable.

Personnel related risks are material for a small organization. These risks are mitigated by written substitution plans, outsourced services and transparent processes.

Personnel

The number of personnel (full time equivalents, FTE) at the end of the review period was **11** (10). The number does not include personnel from outsourced functions such as administrative services or research and development.

A big part of the Company's functions are outsourced to ensure effective R&D and preclinical development of the new novel products. Also, part of the QC testing is outsourced including identity testing of the primary packing material and critical raw materials, sterility test of raw materials, and part of sequencing analysis of plasmid product.

Changes in company management during the reporting period

Santeri Kiviluoto, PhD, was appointed as the Company's new Chief Scientific Officer and a member of the management team as of May 1st, 2017. Dr. **Andres Männik**, the Company's previous Chief Scientific Officer, will continue heading the Company's preclinical research.

On April 27th, 2017, the Company announced it had outsourced financial management and appointed **Kaisa Kokkonen** as CFO. Ms. Kokkonen, MSc (Economics), HT auditor, is a Principal at Akeba Oy, a financial consulting firm. At the same time, **Matti Lähde** was appointed as Manager of Tampere Operation. Both appointments are for fixed term during the Company's current Senior Vice President, Country Manager and CFO Ms. **Liisa Laitinen**'s prolonged leave of absence.

Members of the Management team at the end of the reporting period were: **James Kuo**, Chief Executive Officer, **Santeri Kiviluoto**, Vice President, Chief Scientific Officer, **Kaisa Kokkonen**, Senior Vice President and Chief Financial Officer, **Matti Lähde**, Vice President, Production, **Kalevi Reijonen**, Chief Medical Officer and **Jussi Seitsonen**, Vice President, Quality Assurance and Quality Control.

Chairman of the Board, **Juha Vapaavuori**, retired from the Board effective April 7th, 2017. **Rabbe Slätis** was elected on April 7th, 2017 as the new Chairman of the Board. **Eero Rautalahti** was elected to the Board as of January 26th, 2017 and **Anne-Maria Salonius** as of April 7th, 2017. The Board elected Board member Mr. **Erkki Pekkarinen** to the Vice Chairman of the Board on August 23, 2017.

Resolutions of Extraordinary General Meeting held on January 26th, 2017

FIT Biotech Oy's Extraordinary General Meeting decided the number of board members to be six. The Extraordinary General Meeting elected LL.M. Solicitor **Eero Rautalahti** as a new board member as proposed by the Board of Directors.

Resolutions of the Annual General Meeting 2017

The Annual General Meeting of FIT Biotech was held in Helsinki on April 7th, 2017.

1. Annual Accounts, Board of Directors and Auditors
The Annual General Meeting approved the annual accounts of the Company and discharged the members and the vice members of the Board of Directors and the CEO from liability for the financial period of 2016.

The Annual General Meeting decided that the number of the members of the Board of Directors is five (5).
Erkki Pekkarinen, **Rabbe Slätis**, **Eero Rautalahti**, **Chitra Bharucha** and **Anne-Maria Salonius** were elected as members of the Board.

The Annual General Meeting resolved that the members of the Board be paid the following remuneration for the term ending at the end of the 2018 Annual General Meeting:

- Chairperson of the Board EUR **3,000** per month.

- Other members of the Board will be paid a meeting compensation of EUR **800** for each physical meeting in which the Board member is personally in attendance throughout the duration of the Board meeting.

- The members of the Board who reside abroad will be paid a meeting compensation of EUR **500** also for meetings that they attend by telephone, provided that the member is in attendance via telephone throughout the duration of the Board meeting and that the Board meeting would otherwise be considered a physical meeting.

- In addition, the chairperson of the Board and other Board members will be paid for their reasonable travelling expenses to Board meetings.

The Annual General Meeting resolved that audit firm PricewaterhouseCoopers Oy is to be re-elected as the auditor, **Janne Rajalahti**, APA as the responsible auditor.

2. Use of the profit shown on the balance sheet
The Annual General Meeting resolved that no dividends be distributed for the 2016 financial period and that the financial result of EUR **-3,651,186.26** for the financial period be transferred to the profit/loss account.

3. Board's Assembly meeting
In its assembly meeting, right after the Annual General Meeting, the Board of Directors elected **Rabbe Slätis** as the Chairperson.

Resolutions of the Extraordinary General Meeting 2017 held on December 14th, 2017

The Extraordinary General Meeting made the following resolutions:

1. EGM resolved to amend section 5 of the Articles of Association "Conversion" in accordance with the Board's proposal as follows:

Conversion
Every shareholder of D shares is entitled at any time to ask for a conversion of his/her D shares into A shares. When converting shares, one D share is equivalent to one A share. This request shall be addressed to the Board of Directors in writing.

The request shall specify how many D shares are to be converted into A shares and, if shares have been incorporated in the book-entry system, the respective book-entry account. In addition, the request shall specify which shares are to be

converted, if only a part of the shares of this shareholder should be converted before incorporation in the book-entry system. After having received the written request, the Board of Directors shall, without delay, take the necessary steps to convert D shares into A shares and register the changes in the number of shares resulting from this conversion in the Trade Register.

Every shareholder of D and/or A shares is entitled at anytime to ask for a conversion of his/her D and/or A shares into K shares. When converting shares, one D and/or A share is equivalent to one K share. This request shall be addressed to the Board of Directors in writing. The request shall specify how many D and/or A shares are to be converted into K shares and, if shares have been incorporated in the book-entry system, the respective book-entry account. In addition, the request shall specify which shares are to be converted, if only a part of the shares of this shareholder should be converted before incorporation in the book-entry system. After having received the written request, the Board of Directors shall, without delay, take the necessary steps to convert D and/or A shares into K shares and register the changes in the number of shares resulting from this conversion in the Trade Register.

The company may ask a note to be added in the book-entry account of the shareholder concerning restrictions in terms of transferability of shares during the conversion procedure.

If necessary, the Board of Directors may agree upon more specific procedures in relation the conversion of shares. After having incorporated the shares in the book-entry system, a conversion request can be addressed to the Board of Directors at any time. However, this is not possible once the Board has made a decision on holding a General Meeting.
A conversion request that is made after this decision but before the next General Meeting is considered to have arrived and will be discussed after the General Meeting and a possible record date thereafter.

EGM resolved further to delete section 13 of the Articles of Association entirely.

2. Amendment to the Financing Arrangement between the Company and Sitra and related Board authorizations

Resolved, in accordance with the Board's proposal, to (i) approve the described exceeding of the original authorization to grant special rights to Sitra and to confirm the directed issuance of an additional total of **1,020,441** K shares to SITRA; and to (ii) authorize the Board further, without regard to the pre-emptive rights of the shareholders, to grant special rights to SITRA under the convertible notes program of the Subscription Agreement of September 26th, 2016 entitling to a total maximum number of **20,000,000** new or old K shares. The Board is entitled to decide on all other terms and conditions for granting special rights and to amend such terms and conditions.

This authorization replaces the authorizations registered into the Trade Register in 2016 concerning SITRA and is in force until further notice.

3. Amendment to the Financing Arrangement between the Company and Bracknor and related Board authorizations

Resolved to approve the amendment to the Subscription Agreement and in accordance therewith authorize the Board, without regard to the pre-emptive rights of the shareholders, to direct and issue special rights prescribed in Chapter 10 section 1 in the Companies Act to Bracknor Investment Group based on convertible notes entitling to maximum of **550,000,000** new or old Class K shares as well as special rights based on share warrants entitling to a maximum of **440,000,000** new or old Class K shares. The Board is authorized to decide upon granting and issuance of these special rights in one or several rounds to implement the Bracknor funding program initially approved on September 15th, 2106. The overall authorization to the Board under the Subscription Agreement to grant special rights that entitle to shares would hereby increase to a grand total of **990,000,000** new or old Class K shares from the current maximum number of **110,000,000** shares. This corresponds to approximately 683% of all shares and votes in the Company currently.

This authorization is valid until further notice and the Board is entitled to decide on all other terms and conditions for granting special rights and to amend such terms and conditions. This authorization replaces the authorizations granted on September 15th, 2016 concerning granting of special rights.

4. Authorizing the Board to issue new Class K Shares or grant Special Rights

Resolved to authorize the Board to issue a maximum of **550,000,000** new Class K shares or distribute treasure shares in its possession in one or several rounds either free of charge to the Company itself or by way of a directed share issue disregarding the pre-emptive rights of the shareholders or under special rights as prescribed in Chapter 10 section 1 of the Companies Act. The Board is authorized to resolve upon any other detail of the share issue or distribution and/or options or other special rights. The Board would be authorized to amend also the terms and conditions of any and all special rights so issued.

The authorization is valid until further notice. This authorization will replace the authorization granted in the EGM of September 15, 2016 in which the Board was authorized to issue a maximum of **110,000,000** new Class K shares.

Shares and share capital

As at December 31, 2017 the fully paid share capital of FIT Biotech Oy amounted to EUR **10,332,472.29**. The total number of shares was **224,956,112** shares.

The shares are divided in three series as follows: A: **5,229** shares, D: **65,235** shares and K: **224,885,648** shares. The K series shares are traded in the Helsinki Stock Exchange, First North Finland.

The Company had treasury shares as at December 31, 2017 K-shares totaling to **131,045,831** shares and representing 58,27% of the Company's shares. The number of voting rights was **93,910,281** and the number of listed K shares was **93,839,817** K shares.

The main differences between different share series relate to proportional distribution upon placing the Company in liquidation or upon dissolving the company and to the conversion of shares between the share series. The articles of association of the Company contain a more detailed description of the different rights pertaining to different share series and on the conversion of shares.

Trading in the Helsinki Stock Exchange, market capitalization and shareholders

Shares in the Helsinki Stock Exchange, First North Finland

January - December 2017	No. of shares traded	Total value, EUR	Highest, EUR	Lowest, EUR	Average, EUR	Last paid EUR
FITBIO	129,361,200	5,148,157	0.15	0.02	0.04	0.02

	December 31, 2017	December 31, 2016
Market capitalization, EUR	2,463,056	3,479,133
No. of shareholders	2,453	913

Largest shareholders

Percentage of voting rights excluding treasury shares owned by FIT Biotech on December 31, 2017.

Shareholder	Amount (pcs)	%
Suomen itsenäisyyden juhlarahasto	13,192,257	14.06
Keskinäinen Työeläkevakuutusyhtiö Varma	3,943,753	4.20
Svenska Handelsbanken AB	3,624,016	3.86
Pohjola Arto	2,171,350	2.31
AC Invest Oy	2,000,000	2.13
Christiansen Mikael	1,788,516	1.91
Huttunen Pekka	1,310,000	1.40
Sararda Oy	1,285,700	1.37
Danske Bank Oyj	1,256,111	1.34
Rom-Line Oy	1,200,000	1.28
Piiroinen Kerttu	1,145,433	1.22
Biothom Oy	1,119,756	1.19
Rämänen Esa-Pekka	1,010,000	1.08
Keskinäinen Eläkevakuutusyhtiö Ilmarinen	960,000	1.02
Niemi-Säätiö SR	842,006	0.90
Keskinäinen Eläkevakuutusyhtiö Etera	775,143	0.83
Keskinäinen Työeläkevakuutusyhtiö ELO	760,878	0.81
Prusti Minna	651,398	0.69
YP-Yrityspalvelu Oy	610,000	0.65
Suolaniemi Antti	608,267	0.65
Total number of K shares	224,885,648	
Treasury shares	-131,045,831	
Total number of K shares with voting rights	**93,839,817**	

Option and incentive programs

Option program 2016

The Annual General Meeting of April 8, 2016 authorized the Board of Directors to decide upon granting option and other special rights. Upon authorization, total maximum of **5 300 000** new shares or Company's own K-shares could have been granted. The authorization was valid until June 30, 2017. During the review period, the Board of Directors did not execute the authorization.

Option program 2015

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

The share subscription price with option right 2015A is **1.25** euros, i.e. twenty per cent (20%) less than the subscription price in the initial public offering, with option right 2015B **1.56** euros, i.e. the same as the subscription price in the initial public offering, with option right 2015C **1.56** euros, i.e. the same as the subscription price in the initial public offering, and with option right 2015D **1.56** euros, i.e. the same as the subscription price in the initial public offering. The subscription price of a share subscribed for with an option right may be set lower in special cases. Notwithstanding this, the subscription price of the share is always a minimum of **0.01** euros per share.

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

The Company's result for the financial period 2017 amounted to **-3,301** thousand euros. As at December 31, 2017, the Company did not have any distributable funds. The Company's Board of Directors proposes to the Annual General meeting that no dividend be paid for the financial period of January 1–December 31, 2017.

Main risks and uncertainties

The Company's business is at a development stage and is based on research and product development projects, and there is no guarantee that the business will develop favourably. The Company's future profitability and prospects and even the continuity of its operations will materially depend on the Company's ability to enter into potential license and collaboration agreements relating to the GTU® technology developed by the company and, in particular, on the Company's success of demonstrating the proof-of-concept of its gtGTU technology.

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

The Company's development projects may progress slower than planned. Collaboration projects and plans are not always realized in the expected manner, and they include substantial uncertainties. Development projects always involve a technology risk, which is typical for the field. However, the risk decreases as the studies proceed to the clinical phase.

The Company is financing its research and development activities by grants and loans. These grants, which local, national and EU – level institutions offer to improve development in the area have been remarkable for the Company. The availability of the grants on mid or long term are not secured and thus may be a risk for the Company in the future. FIT Biotech may acquire additional financing by issuing shares, using own shares as methods of payment and by negotiating with new financers. If the Company is unable to acquire financing, its business is endangered.

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

The value of ongoing or future development plans may be affected by competitors, who may find novel efficient treatments for diseases that are also targeted by FIT Biotech.

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

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

More information on financial risks can be found in this report under section "Short-term risks, going concern and sufficiency of funding".

Events after the review period

Mr. **Erkki Pekkarinen** was nominated as the Chief Executive Officer on January 18, 2018. He resigned from the Board of Directors simultaneously.

Resolutions of the Extraordinary General meeting held on February 6, 2018

Approval of the funding programme between FIT Biotech Oy and European High Growth Opportunities Securitization Fund (Alpha Blue Ocean, "ABO") and authorising the Board of Directors to resolve upon the issuance of K shares as well as on the granting of options and other special rights entitling to K shares.

The EGM resolved in accordance with the proposal of the Board that it (i) approves the Programme and authorises the Board to take all measures required for the implementation of the Programme, including the approval of the terms and conditions of the **10,000** loan notes (each with a nominal value of EUR **1,000** and an aggregate principal amount of EUR **10,000,000** in total) convertible into new and/or existing Company's K shares (or partially redeemable in cash) and the terms and conditions of the share subscription warrants entitling the holder thereof to subscribe for new and/or existing Company's K, each without regard to the pre-emptive rights of the shareholders.

The EGM further resolved in accordance with the proposal of the Board that it (ii) authorises the Board to resolve upon the issuance and granting of options and special rights entitling to shares, as prescribed in Chapter 10 section 1 of the Companies Act, for the purpose of implementing the Programme without regard to the pre-emptive rights of the shareholders; as well as (iii) authorises and approves the issuance of **200** notes each with a nominal value of **1,000** EUR, with no share warrants attached, as payment of the 50% instalment of the Commitment Fee to ABO and convertible into the Company's K shares; and (iv) authorises and approves the issuance of **500** notes each with a nominal value of **1,000** EUR, with share warrants attached, to ABO against the drawdown of the first Tranche of EUR **500,000** and convertible into the Company's K shares.

Finally, the EGM resolved in accordance with the proposal of the Board that it (v) authorises and approves the directed issuance of **41,666,667** of K shares held in treasury to ABO as the Lent Shares under the Share Lending Agreement.

In connection to item (ii) above the EGM resolved in accordance with the proposal of the Board that it authorises the Board to resolve upon granting special rights entitling to shares, as referred to in Chapter 10, section 1 of the Companies Act, in one or more tranches for the purpose of implementing the Programme entitling to a maximum of (a) **250,000,000** new or old Class K shares under the convertible notes and (b) **250,000,000** new or old Class K shares under the share warrants.

The Board is entitled to decide on all other terms and conditions of these special rights entitling to shares, and the granting of such rights can be carried out as a directed issue in deviation from the shareholders' pre-emptive right. The Board is also authorised to amend the terms of the special rights at any time. The authorisations are valid until further notice. These authorisations, similarly as the funding, will replace the authorisations relating to the funding received from Bracknor Investment Group, and the Board will eventually proceed to remove all Bracknor related authorisations the from the Trade Register as futile.

The aggregate number a new K shares to be issued pursuant to the Programme and its convertible loan notes during the Programme (i.e. 20 Tranches) is expected to amount to a maximum of **1,471,000,000** shares based on the current average price of the Company's K shares in public trading, which number correspond to approximately **654** per cent of the Company's current shares and votes. The aggregate number of warrants to be issued pursuant to the Programme based on the current average price of the Company's K shares is calculated to amount **937,500,000** warrants for the same number of shares.

The final number of Class K shares required for the implementation of the Programme as a whole is unknown and will be determined, inter alia, based on the number of Tranches and number of convertible loan notes to be drawn down, the fluctuation and development of the Company's Class K share in trading, number of share subscription warrants exercised by ABO, and possible future adjustments as agreed during the validity of the Programme.

Recorded that if necessary, the Board will seek additional authorisations from the general meeting in order to implement the Programme.

FIT Biotech drew down the second tranche of Alpha Blue Ocean financing Programme amounting to **500** thousand euros in February.

FIT Biotech equity including additions according to Companies Act was 67 thousand euros negative in the end of January. With the drawdown of the second tranche of Alpha Blue Ocean financing the equity including additions according to Companies Act was positive as of February 14, 2018.

The last part of the discontinued Bracknor financing programme convertible notes were converted to shares in February.

FINANCIAL STATEMENT 1.1.-31.12.207

INCOME STATEMENT (FAS)

1,000 EUR	NOTE	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
NET TURNOVER			**10**
Other operating income	2.1	599	191
Materials and supplies			
Raw materials and consumables			
Purchases during the financial year		-134	-133
External services	8	-294	-243
Total materials and supplies		**-428**	**-376**
Staff expenses			
Wages and salaries	2.2	-945	-872
Social security expenses			
Pension expenses	2.3	-71	-82
Other social security expenses	2.2	-189	-38
Total personnel expenses		**-1,204**	**-992**
Depreciation, amortisation and impairment	2.3	-292	-159
Other operating expenses	2.4, 8	-1,514	-1,704
OPERATING PROFIT (LOSS)		**-2,838**	**-3,030**
Financial income and expenses			
Other interest and financial income	2.6		
Interest expense and other financial expenses	2.6	-463	-621
Total financial income and expenses		**-463**	**-621**
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES		**-3,301**	**-3,651**
PROFIT (LOSS) FOR THE FINANCIAL YEAR		**-3,301**	**-3,651**

BALANCE SHEET (FAS)

1,000 EUR	NOTE	31 Dec 2017	31 Dec 2016
ASSETS			
NON-CURRENT ASSETS			
Intangible assets			
Intangible rights	3.1	383	620
Tangible assets			
Machinery and equipment	3.2	47	42
Other tangible assets	3.2	62	69
Total tangible assets		109	110
TOTAL NON-CURRENT ASSETS		**492**	**730**
CURRENT ASSETS			
Long-term receivables			
Other receivables	6.4	87	88
Short-term receivables			
Other receivables		44	90
Prepayments and accrued income		20	34
Total current receivables		64	123
Cash at bank and in hand		429	487
TOTAL CURRENT ASSETS		**579**	**698**
TOTAL ASSETS		**1,071**	**1,428**

1,000 EUR		31 Dec 2017	31 Dec 2016
CAPITAL, RESERVES AND LIABILITIES			
CAPITAL AND RESERVES			
Share capital			
Share capital	4.1	10,332	8,282
Share premium account	4.1	6,906	6,906
Other reserves			
Reserve for invested unrestricted equity	4.1	9,347	9,013
Retained earnings (loss)		-36,606	-32,955
Profit (loss) for the financial year		- 3,301	-3,651
TOTAL CAPITAL AND RESERVES	**4.2**	**-13,321**	**-12,404**
LIABILITIES			
Non-current liabilities			
Convertible capital loans	5.1	1,786	
Convertible loans*)	5.1		1,270
Capital loans	5.1, 5.2	11,774	11,774
Accruals and deferred income			49
Total non-current liabilities		13,560	13,093
Current liabilities			
Advances received	2.1	97	48
Trade creditors		433	404
Other liabilities		34	79
Accruals and deferred income		269	208
Total current liabilities		832	739
TOTAL LIABILITIES		**14,392**	**13,833**
TOTAL CAPITAL, RESERVES AND LIABILITIES		**1,071**	**1,428**

*) Convertibe loans as of December 31 2016 has been converted to convertible capital loans as of March 10, 2017

CASH FLOW STATEMENT (FAS)

1,000 EUR	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Cash flows from operating activities:		
Profit(loss) before appropriations and taxes (+/–)	-3,301	-3,651
Adjustments for:		
Depreciation, amortisation and impairment	292	159
Financial income and expenses	463	621
Cash flow before working capital changes	**-2,546**	**-2,871**
Working capital changes:		
Increase (-) or decrease (+) in trade an other short-term interest-free receivables	60	-89
Increase (-) or decrease (+) in short-term interest-free liabilities	44	495
Cash generated from operations	**-2,442**	**-2,465**
Interest and other financial expenses paid relating to operating activities (-)	-63	-22
Net cash from operating activities (A)	**-2,505**	**-2,487**
Cash flows from investing activities:		
Purchase of tangible and intangible items (-)	-53	-162
Net cash used in investing activities (B)	**-53**	**-162**
Cash flows from financing activities:		
Proceeds from issuance of share capital	2,500	521
Proceeds from change in reserves for invested unrestricted equity	344	
Change in non-current liabilities	116	770
Net cash from financing activities (C)	**2,500**	**1,291**
Net increase (+) or decrease (-) in cash and cash equivalents	**-58**	**-1,358**
Cash and cash equivalents at beginning of period	**487**	**1,845**
Cash and cash equivalents at end of period	**429**	**487**

NOTES TO THE FINANCIAL STATEMENTS

1. The notes on the preparation of the financial statements

1.1. Accounting principles
The financial statements of Fit Biotech Oy have been prepared in accordance with the laws of Finland and the generally accepted accounting legislation.

Financial statements are prepared based on the going concern principle. Going concern and liquidity assumptions include risks which are further described under note 7.

1.2. Comparability of the figures to the previous financial year
Year 2017 depreciation includes **128** thousand euro additional depreciation related to patents not currently in use.

Year 2017 personnel expenses include exceptional social costs related to foreign employees and termination costs related to earlier laid-off personnel amounting to **157** thousand euro.

1.3. Tangible and intangible assets
Tangible and intangible assets are recognised in the balance sheet at cost less depreciation according to plan.

Cost includes variable expenditure related to the acquisition and production of the assets. Grants received are deducted from the cost. Depreciation according to plan is calculated using the straight-line method based on the useful life of the assets. Depreciation is started at the month when the asset is taken into use.

The principles used for depreciation and amortisation:

Assets group	EXPECTED USEFUL LIFETIME	DEPRECIATION %	DEPRECIATION METHOD
Patents	10		Straight-line depreciation
Machinery and equipment		25%	Reducing tax-balance deprecition
Other tangible assets	10		Straight-line depreciation

The cost of tangible and intangible assets whose probable useful life time is less than 3 years is recognised to profit and loss account as an expense.

1.4. Research and development
Research and development costs are recorded as yearly expenses to the income statement.

1.5. Leasing
Lease payments are treated as rental expenses. The company holds no significant finance lease contracts.

1.6. Pension expenses
The Company has arranged the pension of its personnel through external pension insurance companies. Pension expenses are included in the personnel expenses.

2. Notes to the profit and loss account

2.1. Other operating income

1,000 EUR	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Grants total	**599**	**191**

Grants received in cash and where the corresponding expenses are estimated to have occurred, are recognized to other operating income.

Other operating income include EHVA (European HIV and Vaccine Alliance) grants amounting to **599** thousand euro in 2017.

2.2. Notes relating to personnel

Average number of personnel at the end of the year

1,000 EUR	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Administration	4	3
Research and development	7	7
Total	**11**	**10**

Wages, salaries and pension expenses

1,000 EUR	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Wages and salaries	945	872
Pension expenses	71	82
Social security expenses	189	38
Personnel expenses total	**1,204**	**992**
Tax value of fringe benefits	6	2

Year 2017 personnel expenses include exceptional social costs related to foreign employees and termination costs related to earlier laid-off personnel amounting to **157** thousand euro.

Wages, salaries and other remuneration of directors and management

1,000 EUR	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
CEO and Board of Directors total	**243**	**178**

Pension commitments

The Company doesn't have any material pension commitments for the management.

Option and incentive programs

Option program 2016

The Annual General Meeting of April 8, 2016 authorized the Board of Directors to decide upon granting option and other special rights. Upon authorization, total maximum of **5,300,000** new shares or Company's own K-shares could have been granted. The authorization was valid until June 30, 2017. During the review period, the Board of Directors did not execute the authorization.

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2.3. Depreciation according to plan

1,000 EUR	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
AIntangible rights	271	150
Machinery and equipment	14	8
Other tangible assets	7	1
Total	**292**	**159**

Year 2017 depreciation includes **128** thousand euro additional depreciation related to patents not currently in use.

2.4. Other operating expenses

1,000 EUR	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Voluntary social security expenses	32	96
Office and equipment expenses	356	234
Travel, sales and marketing expenses	124	119
Fixed research and development expenses*)	90	186
Administrative expenses	912	1,068
Total	**1,514**	**1,704**

*) Most of the research and development costs of the financial year are included in external services.

2.5. Auditor's fees

1,000 EUR	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Audit of financial statements	31	35
Consulting services	54	2
Total	**85**	**37**

2.6. Financial income and expenses

1,000 EUR	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Interest and other financial expenses, to others	463	621
Total	**463**	**621**

Other financial expenses include convertible capital loan arrangement fees amounting to **400** (500) thousand euros. The fees had no cash effect in 2016 or in 2017.

3. Notes to assets

3.1. Intangible assets
Patents

1,000 EUR	31 Dec 2017	31 Dec 2016
At the beginning of the financial year	620	716
Increases during the financial year	34	54
At the end of the financial year	**654**	**770**
Depreciation according to plan		
Depreciation	-271	-150
At the end of the financial year	**-271**	**-150**
Book value at the end of the financial year	**383**	**620**

Year 2017 depreciation includes **128** thousand euro additional depreciation related to patents not currently in use.

3.2. Tangible assets
Machinery and equipment

1,000 EUR	31 Dec 2017	31 Dec 2016
At the beginning of the financial year	42	12
Increases during the financial year	19	38
At the end of the financial year	**61**	**50**
Depreciation according to plan		
Depreciation	-14	-8
At the end of the financial year	**-14**	**-8**
Book value at the end of the financial year	**47**	**42**

Other tangible assets

1,000 EUR	31 Dec 2017	31 Dec 2016
At the beginning of the financial year	69	
Increases during the financial year		70
At the end of the financial year	**69**	**70**
Depreciation according to plan		
Depreciation	-7	-1
At the end of the financial year	**-7**	**-1**
Book value at the end of the financial year	**62**	**69**

4. Notes to capital and reserves

4.1. Changes in equity items

1,000 EUR	31 Dec 2017	31 Dec 2016
Share capital at 1.1.	8,282	7,761
Share capital increase	2,050	521
Share capital registered in the Trade Register at 31.12.	10,332	8,282
Share capital at 31.12.	**10,332**	**8,282**
Share premium account at 1.1.	6,906	6,906
Share premium account at 31.12.	**6,906**	**6,906**
Reserve for invested unrestricted equity at 1.1.	9,013	9,013
Reserve for invested unrestricted equity increase	334	
Reserve for invested unrestricted equity at 31.12.	**9,347**	**9,013**
Retained earnings (loss) at 1.1.	-32,955	-35,571
Profit (loss) from the previous financial year	-3,651	2,616
Retained earnings (loss) at 31.12.	**-36,606**	**-32,955**
Profit (loss) for the financial year	**-3,301**	**-3,651**
Total equity at 31.12.	**-13,321**	**-12,404**

Share capital increased during 2017 due to convertible capital loans by **2,050** thousand euro. **51,933,394** new K shares were issued. Additional information under the Annual report of the Board of Directors under Shares and share capital.

Reserve for invested unrestricted equity increased during 2017 due to conversions of convertible capital loans by **334** thousand euro.

4.2. Calculation of capital adequacy

1,000 EUR	31 Dec 2017	31 Dec 2016
Equity	-13,321	-12,404
+ Capital loans	13,560	11,774
Equity including additions under the Finnish Limited Liability Companies Act	**239**	**-630**

The 2016 negative equity was corrected on March 10, 2017 by converting the convertible bonds amounting to **1,270** thousand euros to capital convertibel bonds.

4.3 Shares

The shares are divided in three series as follows: A: **5,229** shares, D: **65,235** shares and K: **224,885,648** shares. The K series shares are traded in the Helsinki Stock Exchange, First North Finland.The total number of shares was **224,956,112** shares as of December 31, 2017.

The Company has as of December 31, 2017 treasury shares amounting to **131,045,831** K shares which represent 58.3% of the Company's shares.

The Company directed November 22, 2017 to itself a share issue without payment of **50,000,000** new K shares and December 28, 2017 **80,000,000** new K shares in order mainly to ensure that the Company has K shares to be transferred upon the conversion of the Convertible Notes and the exercise of the Warrants under the existing financing programmes.

The number of total voting rights as of December 31, 2017 was **93,910,281**. The number of listed K shares was **93,839,817** K shares.

5. Notes to liabilities

5.1. Non-current liabilities

1,000 EUR	31 Dec 2017	31 Dec 2016
Convertible capital loans	1,786	
Convertible loans		1,270
Capital loans	11,774	11,774
Accruals and deferred income		49
Total	**13,560**	**13,093**

1,000 EUR	31 Dec 2017	31 Dec 2016
Liabilities maturing after more than five years		
Capital loans from TEKES	**1,982**	**3,039**

1,000 EUR	31 Dec 2017	31 Dec 2016
Unrecognized interests on capital loans total	**4,056**	**3,706**

The principal and interest of capital loan are subordinated compared to other debtors in the event of liquidation or bankruptcy of the company. The principal can be returned and interest can be paid only to the extent when the amount of unrestricted equity and the amount of all capital loans at the time of payment exceeds the loss amount to be confirmed for the latest financial period or the loss included in the balance sheet in a more recent financial statements. No security has been given for the payment of the loan principal or interests. If interest cannot be paid, it will be paid on the basis of the first financial statements when the payment is possible.

5.2. Capital loans from Tekes

LOAN NUMBER	Drawn down (1,000 EUR)	Converted to grant in the previous periods (1,000 EUR)	Capital loans Dec 31 2016 (1,000 EUR)	Movements during the financial year 1 Jan - 31 Dec 2017	Portion of capital loan Dec 31 2017 (1,000 EUR)
3037-177	74	54	20	0	20
3037-1203	203	0	203	0	203
3037-1204	73	48	25	0	25
3037-1341	662	0	662	0	662
3037-1600	412	28	384	0	384
3037-1601	1,013	0	1,013	0	1,013
3037-1724	3,919	1,960	1,960	0	1,960
3037-1900	770	350	420	0	420
3037-2024	2,359	1,180	1,180	0	1,180
3037-2023	2,285	1,142	1,142	0	1,142
3039-13602	724	541	183	0	183
3039-13759	769	381	388	0	388
3039-13758	571	283	288	0	288
3039-14039	2,018	998	1,020	0	1,020
3035-15060	1,249	0	1,249	0	1,249
3035-14350	3,274	1,637	1,637	0	1,637
TOTAL	**20,377**	**8,602**	**11,774**	**0**	**11,774**

1,000 EUR	31 Dec 2017	31 Dec 2016
Accrued interest total	**4,056**	**3,706**

The interest expenses for the subordinated loans are not included to profit and loss account and balance sheet a ccording to the conditions of the subordinated loans.

The interest rate is one (1) percentage point lower than the base rate in force from time to time, in any case at least 3%.

5.3. Convertible bonds

Convertible capital bonds - changes during the financial year	Convertible loans 1 Jan 2017 (1,000 EUR)	Convertible loans increase (1,000 EUR)	Loans converted (1,000 EUR)	Convertible loans 31 Dec 2017 (1,000 EUR)	K shares given on the basis of conversion 1 Jan 2017 (pcs)	K shares given on the basis of conversion 31 Dec 2017 (pcs)
Bracknor	870	2,000	- 2,084	786	3,528,456	65,106,636
SITRA	400	0	-100	300	1,610,208	3,020,441
Alpha Blue Ocean*)	0	700	0	700	0	0
TOTAL	**1,270**	**2,700**	**-2,184**	**1,786**	**5,138,664**	**68,127,077**

Warranties - changes during the financial year	Issued warranties 1 Jan 2017 (pcs)	Warranties increase (pcs)	Warranties used (pcs)	Warranties 31 Dec 2017 (pcs)	% of the Company's shares %	% of the Company's votes %
Bracknor	2,745,151	56,377,817	0	59,122,968	63.0	63.0
SITRA	1,532,479	0	0	1,532,479	1.6	1.6
Alpha Blue Ocean*)	0	0	0	0	0	0
TOTAL	**4,277,630**	**56,377,817**	**0**	**60,655,447**	**64.6**	**64.6**

*) The first tranche of **500** thousand euros was drawn down on December 28, 2017. The total commitment fee of **400** thousand euros is recorded as financial expenses in 2017. The first tranche of **500** thousand euros as well as 50% of the commitment fee is shown as convertible loans. The 50% of the commitment fee was paid by **16,666,667** K shares. This is shown under reserve for invested unrestricted equity. The K-shares related to the first tranche and commitment fee totalled to **58,333,334** K shares and warrants totalled to **37,500,000**. All shares and warrants were transferred in early 2018.

5.3.1. Main terms of the SITRA financing agreement

Convertible notes consist of two drawdowns of EUR **250,000.** In addition, Fit Biotech was obliged to pay Sitra the 4% commitment fee which is based on the total amount of the Sitra Programme. Sitra has used the received funds to subscribe the convertible bond loan equivalent to the Sitra Programme and this amount was added to the total amount of the Sitra Programme. The warrants entitle their holder to subscribe up to **2,000,000** new or Company owned K-shares according to the terms of convertible notes. Apart from technical modifications the final terms of convertible notes correspond to the preliminary terms agreed with Bracknor that were published on the 25th of August 2016.

Sitra will be granted with up to **2,000,000** warrants free of charge according to the warrant terms. Warrants entitle their holder to subscribe up to **2,000,000** K-shares that are newly issued or held by the Company according to the warrant terms. Apart from technical modifications the final terms of convertible bond loans correspond to the preliminary terms agreed with Bracknor that were published on the 25th of August 2016.

5.3.2. Main terms of the Alpha Blue Ocean ("ABO") financing agreement

The Programme consists of minimum EUR **three** (3) million and up to a maximum of EUR **ten** (10) million in convertible notes with warrants. Pursuant to the Programme, convertible notes may be drawn down in 20 sequential tranches of **500** thousand euros (each, a "Tranche") during a period of 30 months. The Company may terminate the Programme without cause after the 6th Closing Date i.e. when the 6th Tranche has been drawn. The convertible notes issued under in each Tranche drawn down carry the right to convert such Tranche into the Company's Class K shares with the valuation method and technical process stipulated in detail in the Agreement. The conversion price of the K-shares is 85% of the lowest closing volume weighted average price over a 15 trading days period preceding a conversion.

Further pursuant to the Programme, each drawdown of a Tranche will provide ABO with share warrants that will entitle it, but will not oblige, it to subscribe for a number of Class K shares at a subscription price depending on the market value of the Company's K shares at the time the share warrants are issued. The final total number of the Company's K shares to be subscribed

under the warrants will remain unknown and will depend on ABO's willingness to subscribe for and invest in the Company's shares as well as on the values of the shares in public trading from time to time as stipulated in the Agreement. In case ABO uses the warrants to subscribe for Company's K shares such subscription would have a positive effect on the Company's equity and cash flow.

The financing under the Programme constitutes a capital loan as referred to in Chapter 12 in the Finnish Companies Act.

The Programme contains also a Share Lending Agreement under which the Company (as the lender) will provide to ABO a total of **41,666,667** K shares as a share loan. The share loan enabled FIT Biotech to draw down the first tranche of **500** thousand euros before the extraordinary general meeting approval and served as a collateral to the loan. These lent shares will be redelivered to the Company upon the termination of the loan at the Company's will.

For the Programme, the Board may use either newly issued shares and/or treasury shares and/or redeem in cash convertible notes issued to the investor.

Under the Agreement ABO is entitled to a commitment fee of **400** thousand euros which will be paid with K shares and convertible notes with no warrants attached delivered at the execution of the agreement (the "Commitment Fee"). The Commitment Fee will consist of **16,666,667** K shares and **200** notes convertible into shares. The total number of shares to be received by ABO as payment of the Commitment Fee depends on the market value of the Company's Class K share.

The aggregate number of new Class K shares to be issued pursuant to the Programme and its convertible loan notes will depend on the market value of the Company's Class K share during the Programme period. When calculated with the share prices in public trading preceding the acceptance of the Programme the number of shares to be issued in the first 6 Tranches would be **220,588,230** shares and **112,500,000** warrants that entitle to subscribe to the same number of shares. The Programme has a dilutive effect to the current share owners.

The final number of Class K shares required for the implementation of the Programme as a whole is unknown and will be determined, inter alia, based on the number of Tranches and number of convertible loan notes to be drawn down, the fluctuation and development of the Company's Class K share in trading, the number of share warrants exercised by ABO, and possible future adjustments as agreed during the validity of the Programme.

This new financing was approved in the Extraordinary General Meeting on February 6, 2018.

5.3.3. Main terms of the Bracknor financing agreement

As part of this financing, the current Bracknor financing has been discontinued. This means that the 31.12.2017 Bracknor convertible capital loans of **786** thousand euros have been converted to equity and K shares subscribed according to the financing agreement in early 2018 and no new loans will be drawn down.

6. Guarantees and contingent liabilities

6.1. Corporate mortgages

Collateral notes applied for company´s property, plant and equipment numbers 1-5 á EUR **100,000**, numbers 1-3 á EUR **300,000 €** and number 4 á EUR **200,000 €**, totalling EUR **1,600,000 €**, are held by the company.

6.2. Rental commitments

1,000 EUR	31 Dec 2017	31 Dec 2016
Payable during the following financial year	250	216
Payments between one and five years	0	216
TOTAL	**250**	**432**

The rental agreemeents are for the production and office premises mainly in Tampere.

6.3. Leasing commitments

1,000 EUR	31 Dec 2017	31 Dec 2016
Payable during the following financial year	4	3
Payments between one and five years	3	3
TOTAL	**7**	**6**

6.4. Security deposits

1,000 EUR	31 Dec 2017	31 Dec 2016
Rental deposits total	**87**	**88**

Rental deposits are recorded in other receivables in the balance sheet.

6.5. Other off-balance-sheet financial commitments

The Company has a lifetime pension obligation to a former manager amounting yearly to about 12 thousand euros.

7. Short-term risks, going concern and sufficiency of funding

The major short-term risk is the sufficiency of funds. The near future cash flow is mainly based on the Alpha Blue Ocean ("ABO") financing Programme. According to the ABO financing agreement the Company may raise 10,000 thousand euros, of which 500 thousand euros has been drawn down in 2017. According to the funding Programme the Company may draw down 500 thousand euros after each 30 working days and thus about 4,000 thousand euros in 2018.

The ABO financing agreement has several conditions that may affect the availability of the financing if realized. The financing agreement does not limit FIT Biotech's possibilities to obtain other kinds of equity or debt financing. FIT Biotech is actively seeking and negotiating these other financing possibilities.

The Management estimates yearly, monthly and weekly cash flows to follow and control FIT Biotech's liquidity. The Board monitors the situation at least monthly.

The Company may influence the amount of capital needed by adjusting the expense structure according to the funding possibilities.

The Board and the Management of the Company believe that the financing of the Company is secured for the next twelve months.

As the Company has currently no net sales, there is a risk that the shareholders' equity is negative despite the capital loans. Equity is estimated and followed monthly to comply with the Companies Act.

Strategic risks relate to technical success of research and development programs and new competing products availability in the market. Any unfavourable change in R&D projects may endanger the property values of patents and thus represent a remarkable risk for the company. This kind of unfavourable occasions may occur on short notice and are unpredictable.

Personnel related risks are material for a small organization. These risks are mitigated by written substitution plans, outsourced services and transparent processes.

8. Related party transactions

During the financial year, the following related party transactions took place

1,000 EUR	1 Jan - 31 Dec 2017	1 Jan - 31 Dec 2016
Rental payments	8	10
Acquired consulting services	21	40
Acquired other services*)	98	115
Total	**127**	**165**

*) Acquired other services are r&d services acquired from Estonian Icosagen AS. Two FIT Biotech management team members are part of the Supervisory Board of the Company.

The transactions with the related parties have been executed with market level conditions.

There are no loans given to related parties neither guarantees given on behalf of related parties.

SIGNATURES OF REVIEW OF OPERATIONS AND FINANCIAL STATEMENTS 2017

Helsinki 1st of March 2018

Rabbe Slätis
Chairman of the Board

Chitra Bharucha
Board member

Eero Rautalahti
Board member

Anne-Maria Salonius
Board member

Erkki Pekkarinen
CEO

ACCOUNTING ENTRY
A report has been issued today on the performed audit

Tampere 15th of March 2018
PricewaterhouseCoopers Oy
Authorized Public Accountants auditing firm

Janne Rajalahti
APA

Auditor's Report

To the Annual General Meeting of FIT Biotech Oy

Report on the Audit of the Financial Statements

Opinion

In our opinion, the financial statements give a true and fair view of the company's financial performance and financial position in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements.

What we have audited

We have audited the financial statements of FIT Biotech Oy (business identity code 0984183-4) for the year ended 31 December 2017. The financial statements comprise the balance sheet, income statement, cash flow statement and notes.

Basis for Opinion

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the Auditor's Responsibilities for the Audit of Financial Statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We are independent of the company in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements

Responsibilities of the Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director are responsible for the preparation of financial statements that give a true and fair view in accordance with the laws and regulations governing the preparation of financial statements in Finland and comply with statutory requirements. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Board of Directors and the Managing Director are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting. The financial statements are prepared using the going concern basis of accounting unless there is an intention to liquidate the company or to cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

• Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to

provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

• Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

• Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

• Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

• Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Other Reporting Requirements

Other Information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations. If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Remark

Extraordinary General Meeting held on 15 September 2016 authorized the Board of Directors to issue options and other special rights entitling to a maximum of **2,000,000** Class K shares. This authorization was granted in order to implement the convertible note and warrant funding program with the Finnish innovation fund SITRA.

We point out that the Board of Directors has exceeded the maximum authorization covering up to **2,000,000** Class K shares by **1,020,441** shares.

In order to correct the said excess the Board of Directors invited an extraordinary general meeting which was held on 14 December 2017. The extraordinary general meeting resolved to approve the above described excess and to confirm the directed issuance of an additional **1,020,441** K shares to SITRA.

Tampere 15th of March 2018
PricewaterhouseCoopers Oy
Authorised Public Accountants

Janne Rajalahti
Authorised Public Accountant (APA)

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Biokatu 12
33520 Tampere

FIT BIOTECH