

ANNUAL REPORT 2021



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The market and forward-looking statements and estimates presented in this Annual Report are based on the current views of the company's management. By their very nature, they contain uncertainty and are susceptible to changes in the general economic or sectoral situation.

YEAR 2021 IN BRIEF

In 2021, the company has continued to prepare the CE marking application for its first product, Artebone® Paste, and to bring production and quality system up to the level required by the authorities.

The company has invested significantly in production and quality assurance equipment and facilities and has hired additional personnel for production and quality in accordance with the requirements of the CE marking process.

The new MDR regulatory requirements have been reacted to by producing a significant amount of new documentation during the year.

The requirements for the manufacture of BBS's patent application "A METHOD FOR PREPARING A BONE PROTEIN PREPARATION AND A BONE PROTEIN PREPARATION" were approved in the USA.

The final report of the animal test required by the authorities was received in September 2021. The results of the experiment confirm the functionality of Artebone® Paste, which contains reindeer bone protein extract, and they enable the company to respond positively to the demands made by the authorities.

BBS had no turnover in the financial year 2021

Cash flow from operating activities was EUR -2.52 (-2.42) million

BBS's cash and cash equivalents at 31 December 2021 were EUR 1.24 (3.44) million.

In order to secure working capital, BBS agreed at the end of September with RiverFort Global Opportunities PCC Ltd on a capital arrangement of up to EUR 2.0 million and an increase in the prepayment of EUR 750 thousand.

At the same time, the company executed a share issue free of charge, in which 410,000 shares were granted to the company for the payment of the remuneration of the loan facility, the conversion of possible loan capital and other possible measures authorised by the Annual General Meeting on 28 April 2021

CEO'S REVIEW

In 2021, the company made the necessary corrections to its quality system documentation, produced new documentation to the CE marking application in accordance with the additional requirements resulting from the entry into force of the MDR Code, invested in new production and quality assurance equipment, and recruited and trained new production workers. All the measures were aimed at enabling the CE marking application to be submitted.

The results of the animal study published in autumn 2021 confirmed the functionality of Artebone® Paste, which contains reindeer bone protein extract, and based on them, the company is able to respond positively to the demands made by the authorities. According to the final report, Artebone® Paste makes the bone heal faster than the controls (ceramic and extract alone).

The animal test was carried out at the request of the authorities to supplement the documentation of the CE marking application. The aim of the experiment was to demonstrate that Artebone® Paste can be classified as a medical device and that its efficacy is at an acceptable level.

During the year, the company strengthened its working capital resources in September by entering into an investment agreement with RiverFort Global Opportunities PCC Ltd for a capital facility of up to EUR 2 000 0000. In the same context the first advance of the facility worth EUR 750 00 was withdrawn.

In the same context the company decided to issue 410,000 shares without consideration to the Company itself for the payment of the implementation fee, for potential loan conversions as well as for other possible purposes, in accordance with authorisation from the Annual General Shareholders Meeting in 28 April, 2021.

By the end of 2021, the company got very close to its main goal of sending the CE marking application to the authorities.

OULU, March 29, 2022

ILKKA KANGASNIEMI

ARTEBONE^(R) - NEW GENERATION BONE SUBSTITUTE

- » ARTEBONE[®] combines the reindeer bone protein extract with an optimized carrier material to form an excellent bone substitute.
- » A new generation product containing two components typical of bone, bone proteins and TCP (tricalcium phosphate) - a mineral-based support structure on which bone-forming cells can grow. Most of the competing products are based on only one component.
- » The raw material is natural and the product is ecological.
- » No risk of transmission of pathogens as in human bone products.
- » Competitive price.
- » Consistent quality compared to human bone-based Demineralized Bone Matrix (DBM) products
- » Easy to use and ready for use immediately, does not require time-consuming preparations in the operating room.
- » Only one surgical procedure is required, which reduces expensive operating room time and recovery time from surgeries compared to the use of a patient's own bone.



EVENTS OF 2021

During 2021, the company has used a significant amount of resources to bring the company's operations up to the level of regulatory requirements. The work has been carried out in practically all areas where the control of the authorities is carried out. The company's quality system, the documentation required for the CE marking of the product, the production process equipment and facilities, and the capabilities of the production personnel have been brought to the required level. Based on this, the company was finally ready to submit the CE marking application, albeit only in 2022.

The most visible result came in September, when the results of the animal test required by the authorities were published. The test demonstrated again the functionality of Artebone® and confirmed that the results meet the regulatory requirements to achieve the product classification as desired by the company.

In November, the U.S. Patent Office approved the company's shared patent application for the protein extract's manufacturing requirements. With this decision, the company has now obtained approval for the patent in all the countries where the patent has been applied for. The approval of the patent provides significant protection for the company's first and subsequent products, covering approximately 80% of the current world market.

In order to secure working capital, BBS agreed at the end of September with RiverFort Global Opportunities PCC Ltd on a capital arrangement of up to EUR 2.0 million including a prepayment of EUR 750 thousand.

At the same time, the company executed a share issue free of charge, in which 410,000 shares were granted to the company for the payment of the remuneration of the loan facility, the conversion of possible loan capital and other possible measures authorised by the Annual General Meeting on 28 April 2021.

The company's goals have been delayed by a number of significant issues along the way. The equipment malfunction encountered in the processes, the additional documentation requirements from the MDR Code and the supply problems caused by the COVID pandemic led to the fact that the otherwise satisfactorily advanced product development project suffered mandatory delays on several occasions.



LONG-TERM RESEARCH AND DEVELOPMENT WORK

2021: The final results of the animal test required by the authorities confirmed the functionality of the product and the equivalence of the results required for product classification approval.

2021: The second part of the U.S. shared patent application was approved.

2021: Additional investments in product development, production, quality system, towards commercial production were made.

2021: the company recruited and trained 4 new production personnel.

2020: The Covid epidemic caused delays in development work and certification.

2020: The positive results of the clinical trial were published.

2020: Additional requirements brought about by the entry into force of the MDR Regulation caused delays.

2020: The supplementary animal test required by the CE marking application started in 2019. Final results were expected in June 2020. Due to inconsistent interpretations made by the Institute, a change in the plan had to be made for the study and the data re-analysed. Final results were still expected at the turn of the year.

2020: The first part of the U.S. patent application was approved.

2020: Investments in product development, production, quality system, towards commercial production were made after the funding round.

2020: the company recruits a new quality manager and 2 production personnel and 2 people from the quality control laboratory.

2019: Preparations for FDA permit application launched

2019: ISO 13485 quality system updated, awaiting certification.

2019: Ilkka Kangasniemi joined as CEO

2018: Launch of the CE marking search process in the UK (BSI-UK). The cooperation ended during the required additional tests as a result of Brexit.

2016: Launching the FDA pre-application process in the U.S.

2015: Production and licensing: Reindeer bone protein extract production line, pharmaceutical factory permit obtained

Clinical trial 2013 - 2017: All patients operated and followed

Production line for clinical trials 2009-2012: Patented production line for clinical trials






Preclinical development 2007-2014: Preclinical tests for ARTEBONE®, Preclinical tests for bone protein extract

Establishment of the company in 2003: Establishment of BBS-Bioactive Bone Substitutes Oyj





Product development and prototype phase 1997 - 2007: Development of the ARTEBONE® implant, construction of a small-scale production line for preclinical experiments, R&D project at the University of Oulu (Bone Transplantation Research Group)

Academic research and innovation 1980-1990 - chapter: Scientific research at the Universities of Tampere and Oulu

Management Team of BBS-Bioactive Bone Substitutes Oyj

	<p><u>Ilkka Kangasniemi, CEO</u></p> <ul style="list-style-type: none">• Member of the Board of Directors of BBS since 2019• As CEO of BBS as of 15 October 2019
	<p><u>Hanna Tölli, Chief Operating Officer</u></p> <ul style="list-style-type: none">• Employed by BBS since 2006• Chief Operating Officer since August 2020
	<p><u>Soile Hakala, Quality Director, Responsible Director</u></p> <ul style="list-style-type: none">• Employed by BBS from August 2020
	<p><u>Mikko Viitanen, Director, QC Laboratory</u></p> <ul style="list-style-type: none">• Employed by BBS since 2006
	<p><u>Liisa Hukka , CFO</u></p> <ul style="list-style-type: none">• CFO as of 1 February 2021• Started 1.10.2020•

Board of Directors of BBS-Bioactive Bone Substitutes Oyj

	<p>Jarmo Halonen, Chairman b. 1952, M.Sc. (Tech.), mechanical engineering and industrial economy</p> <p>Member of the Board since May 2016.</p> <p><i>Owns 25,519, or 0.39% of BBS-Bioactive Bone Substitutes Plc's shares</i></p>
	<p>Pekka Jalovaara b. 1941, M.Sc., PhD, Professor of Orthopaedics and Traumatology</p> <p>Member of the Board since 2003</p> <p>Founder of BBS</p> <p>CEO BBS-Bioactive Bone Substitutes Plc 2011-2019</p> <p><i>Owns 550,700 or 8.38% of BBS-Bioactive Bone Substitutes Plc's shares</i></p>
	<p>Seppo Nevalainen b. 1956, engineering, automation and electronics</p> <p>Member of the Board since August 2020</p>
	<p>Kirk Andriano, p. 1956 M.Sc. (Tech.), Doctor of Biotechnology Member of the Board of Directors since April 2021</p>

Key figures Group

EUR 1 000	1.1- 31.12.2021	1.1-31.12.2020
Other operating income	58	46
Personnel expenses	1 199	795
Depreciation and amortisation	231	214
Other operating expenses	1 144	1599
Profit for the financial year	-2 771	-2731
Cash flow from operating activities	- 2520	-2418
Change in cash and cash equivalents	-2 502	2 923
Equity ratio %	35%	48%
Earnings per share €	-0,42	-0,46
Earnings per share €, diluted	-0,41	-0,45
Number of shares at the end of the period (BBS)	6 847 520	6 571 525
Average number of shares in the period	6 606 215	5 897 533

EUR 1 000	31.12.2021	31.12.2020
Cash and cash equivalents and securities	1 236	3 438
Equity	3 634	6 087
Balance sheet total	10 506	12 692

*Equity ratio
$$= \frac{\text{Equity}}{\text{Balance sheet total} - \text{Advances received}}$$

*EPS= Net result Average number of shares in the period

BBS-Bioactive Bone Substitutes Plc

FINANCIAL STATEMENTS	1.1.2021 - 31.12.2021
English version (unaudited)	
FINANCIAL YEAR	2021

BBS-Bioactive Bone Substitutes Plc

Kiviharjunlenkki 6

90220 Oulu

Domicile Oulu

Business Identity Code

0866451-4

Financial statement for the financial year English version (unaudited)	1.1.2021 -	31.12.2021
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The financial statements must be kept for at least ten years after the end of the financial year (Finnish Accounting Act, chapter 2, section 10). Supporting documentation must be kept for a minimum of six years after the end of the year in which the financial year has ended.

FINANCIAL REVIEW

Business overview

BBS-Bioactive Bone Substitutes Plc ("BBS", "The Company") is a biomedical technology company that develops, manufactures and commercializes innovative, bioactive medical devices and implants for orthopaedic surgery. The company's administration and quality control laboratory are located in Oulu and a production facility in Reisjärvi. The company is listed on Nasdaq First North Growth Market, operated in Finland by Nasdaq Helsinki Ltd (BONEH) and in Sweden by Nasdaq Stockholm (BONES).

In 2021, the company has continued to prepare its first product, Artebone® Paste, CE marking application, and to level the production and quality system with regulatory requirements. The company has invested significantly in production and quality assurance equipment and facilities and has hired additional personnel for production and quality. Staff training has been invested in ensuring the compliance of quality system operations and production processes.

The new MDR regulatory requirements have been responded to by producing a significant amount of new documentation during the year.

BBS's patent application "A METHOD FOR PREPARING A BONE PROTEIN PREPARATION AND A BONE PROTEIN PREPARATION" production claims were approved in USA.

The final report of the animal test required by the authorities was received in September 2021. The results of the experiment confirm the functionality of Artebone® Paste, which contains reindeer bone protein extract, and make it possible for the company to respond positively to the demands made by the authorities. According to the final report, Artebone® Paste causes the bone to heal faster than the control (ceramic and extract alone).

The animal test was carried out at the request of the authorities to supplement the documentation of the CE marking application. The aim of the experiment was to demonstrate that Artebone® Paste can be classified as a medical device and that its efficacy is at an acceptable level.

The company's management previously estimated that the Company will receive a CE marking for the ARTEBONE® product it has developed to repair bone fractures and bone damage during 2021. The timetable had to be revised three times during the year due to problems caused by equipment renewal, repair needs and delays caused by service providers and suppliers. By the end of the year, most of the causes of the delays have been eliminated. The introduction of the new Medical Devices Regulation (MDR), which is under way in Europe, has increased new regulatory guidelines to be followed during the year, which has contributed to further changes to existing documentation.

In general terms, the Covid-19 pandemic has caused delays and made the operating environment more difficult.

With regard to the submission of a marketing authorisation application to the U.S. regulatory authority (FDA) targeting the local market, the measures have not progressed significantly during the fiscal year. The company expects to continue preparing an application for the FDA following the submission of the CE-marking application to the European market.

FINANCIAL OVERVIEW

Operating result and R&D expenses

BBS Plc had no revenue during the financial year 2021, nor in the corresponding period of the previous year. The consolidated result for the review period was EUR -2,77 million (EUR -2,73 million in 2020) consisting of expenses for research and development, administration and finance.

Investments and Financing

The capital expenditure on machinery and equipment at Reisjärvi production site amounted to EUR 125 thousand (EUR 82 thousand in 2020). All the development expenses were recognised as costs in the Profit and Loss statement.

The Company's cash resources at December 31st 2021 were EUR 1,24 million (EUR 3,44 million in 2020) and decreased by EUR 2,2 million during the period (as increased by EUR 2,92 million in 2020)

In order to secure the working capital BBS-entered into an investment agreement with RiverFort Global Opportunities PCC Ltd for a capital facility of up to EUR 2,0 million with an initial advance of EUR 750 thousand. The facility enables the Company to request further capital advances up to EUR 1,25 million.

Acquisitions and Share Issues

There were no mergers or acquisitions during the financial year.

On September 30th 2021 the Company's Board of Directors decided to issue 410,000 shares without consideration to the Company itself based on the authorisation by the Annual General Shareholders Meeting on April 28th 2021. The amount corresponds to approximately 6% of the company's shares. The treasury shares were aimed for payment of the implementation fee of the Riverfort financial arrangement, potential loan conversions as well as for other possible purposes in accordance with the authorisation by the AMG on April 28th 2021.

The first EUR 250 thousand of Riverfort Global Opportunities PCC Ltd's capital facility was converted into shares in November at a subscription price of EUR 1,8656 per share. The Conversion price according to the terms and conditions was based on the "90% of the lowest volume weighted average price of a trading day during ten trading days before the applicable subscription notice"-option. The conversion was executed by transferring a total of 134.005 of treasury shares to Riverfort Global Opportunities PCC Ltd. Another 32 359 units of treasury shares were transferred to settle the fee for the Initial Advance at the price of EUR 2.086 per share.

As the share issue was registered on October 6th 2021, the total number of the company's shares was increased to 6 981 525. After the transfers, there were 243 636 treasury shares left, representing a 3,5% share of the total.

Balance sheet

The balance sheet total on December 31st 2021 was EUR 10,51 million (EUR 12,69 million in 2020).

At the end of the review period the interest-bearing debts to financial institutions amounted to EUR 6,21 million (EUR 6,01 million in 2020), out of which - including the EUR 0,50 million arrangement with Riverfort - EUR 1,08 million (0,31) were due in 12 months and EUR 2,40 million (2,14) after five years or later. The long-term interest-bearing debts include a subordinated Capital Loan worth EUR 0,176 million (0,176). The financing costs were EUR -0,20 million (- 0,085) million in 2020).

During December 2021 the Company renegotiated the repayment plans for development and working capital loans worth EUR 578 680, 1 434 386 and, 2 732 000. According to the renewed agreements the loan repayment periods were extended and the repayment of EUR 578,680 were postponed for two years

starting in June 2024. The arrangement will reduce the burden of outbound financial cashflow in the coming few years

During the review period no further development costs were recognised as investments into the balance sheet.

The Capital Loans and Accrued Interest

The company has a Capital Loan of EUR 175 825,46 pursuant to Chapter 12 of the Limited Liabilities Company Act.

The Loan will be paid back in equal instalments in three years starting in year 2009, if conditions are met. The interest on Loan is one percentage unit lower than the basic interest rate currently in force, however at least three percent. If payment conditions are not met, the interest will be postponed for payment to the first annual closing meeting the conditions.

At the end of the financial year the accrued interest not recognised as expense was EUR 91 087,35.

Equity

The Company's equity on December 31st 2021 was EUR 3,63 million. At closing of the financial year 2020 the equity amounted to EUR 6,10 million. During the review period of 2021 the conversion of 166 364 treasury shares increased the equity by EUR 0,32 million.

The losses of the financial year were EUR -2,77 million. (EUR -2,73 million in 2020)

Staff, management and administration

At the end of the financial period 2021 the company employed the Managing Director and 20 staff members (16 in 2020). Four new professionals were recruited as production resources were strengthened. 15 members of the staff work in the Reisjärvi production site and another six are placed in Oulu. The average number of personnel during the year was 19 (12 in 2020)

Chairman of the Board Jarmo Halonen, Mr. Pekka Jalovaara and Mr. Seppo Nevalainen belonged to the BBS Board of Directors for the whole review period. Mr. Tomi Numminen left his seat at the Annual Shareholders Meeting on April 28th as Mr. Kirk Andriano was appointed as a new member. There are two independent members in the BBS Board.

The BBS Management consisted of the Managing Director Ilkka Kangasniemi, COO Hanna Tölli, The Quality and Assurance Manager Soile Hakala and The Manager of Quality Control Laboratory Mikko Viitanen. CFO Liisa Hukka joined the Management Team on February 1st as previous CFO Hannu Säynäjäkangas retired.

Ernst&Young Oy, Authorised Public Accountants, acted as the auditor of the company having Mr. Jari Karpinen (Auditor certified by the Central Chamber of Commerce) as the auditor with principal responsibility.

Annual General Meeting (AGM) 2021

BBS's AGM was held on April 28th 2021 in Oulu. The AGM approved the financial statements for the financial year 2020 and discharged the members of the Board of Directors and the CEO from liability. The AGM decided in accordance with the proposal by the Board of Directors, that no dividend is paid for the financial year January 1st 2020 - 31 December 2020, and that the loss for the financial year is recognised in the profit/loss account.

The AGM decided that the number of Board members will be four (4). The AGM approved the remuneration of the Board of Directors as follows: The Chairman will be paid EUR 1300 per meeting and the other members EUR 900 each. No compensation on e-meetings will be paid. Additionally the Company will compensate reasonable travel expenses according to the Company's travel policy.

Ernst&Young Oy, Authorised Public Accountants, was re-elected as the auditor of the Company having Mr. Jari Karppinen (Auditor certified by the Central Chamber of Commerce) as the auditor with principal responsibility.

Share-based incentive plan

The company has an option program approved by the AGM on July 18th 2012. The Board of Directors decided on options on January 2nd 2013 as authorised by the AGM. Last options were allocated to the key personnel in 2013. Each option entitles its holder to subscribe for one share at the price of one euro during the subscription period for ordinary shares, which started April 9th 2013., On January 9th 2018 the Board of Directors extended the subscription period until December 31st 2023. As the number of new shares in the option program is limited to 170 000 representing only 2,4% of the total, this has no perceptible impact on the earnings or other key figures per share

Valid Authorisations by AGM

The Annual General Meeting on April 28th 2021 authorised the Board of Directors to decide on a share issue which may be carried out by increasing the share capital by a new subscription or by taking out convertible bonds in one or more tranches. The right to a directed share issue is not restricted. The authorisation includes the right to deviate from the shareholders' pre-emptive right under the Companies Act to subscribe for new shares or convertible bonds, as well as the right to decide on subscription prices, those entitled to subscribe and subscription terms. The share subscription price will be recorded in the invested unrestricted equity fund.

The authorisation may be used against the shareholders pre-emptive rights if there is a compelling financial reason for the company, such as the expansion of the company's shareholder base or other arrangement related to the development of the company's business, an incentive program or arrangements in the capital management. Pursuant to the authorisation, shares may also be offered to members of the company's related parties, but not for the benefit of the related parties, deviating from the shareholders' pre-emptive subscription right. The Board of Directors has the right to decide that the shares may be given as subscription in kind, using the right of set off, or other specific conditions. The total number of the authorisations was 3 000 000 (three million) representing approximately 45% of the company's share capital

The authorisation is in force until the next Annual General Meeting, however no longer than until the June 30th 2022.

Authorisations worth 410 000 shares were used in October as the company issued the shares for its own possession. The amount of valid authorisations is 2 590 000 representing 37% of the total.

Risks and uncertainties

Significant risks and uncertainties independent of the Company are identified both in the area of the product development and the commercialising activities. Risks can lead to further postponement, as the authorities have the right to require complements and alterations to the documentation presented. The risk in the product classification lies in the interpretation of the authorities. The decision will be based on the results of the animal testing, which are available.

The FDA registration process has been postponed. The matters causing delays in the CE application process have reflected the FDA registration. I

Operational risks include, among other things, the dependence on the skills of the key personnel and the measures to strengthen their commitment.

On the financial side, the uncertainty in the stock market caused by the Covid19 pandemic is considered a risk. However, as a medical device development and manufacturing company, BBS is more of a long-term investment. The initial R&D phase takes a long time, followed by four to five years of post-launch marketing and growth of sales. Once sales have become profitable, the growth phase with the same product potentially continues for a long period of time.

Working Capital

At the moment the working capital available will not cover the financial needs of the CE approval process and the commencement of the commercial activities. Since spring 2021 the company has taken actions to secure its finance, including the EUR 2 million financial arrangement with Riverfort Global Opportunities PCC Ltd. The company's financial resources at end of the financial period were EUR 1,2 million. After the end of the financial period, the working capital has been strengthened by EUR 250 thousand by raising the second advance of the Riverfort arrangement and by signing a EUR 450 thousand loan commitment with Finha Capital Oy. The current working capital available is expected to cover the operative financial needs until the beginning of the second half of FY 2022. Furthermore the Riverfort arrangement enables the raising of further EUR 1 million with approval of the lender for each advance.

The company estimates that the operative expenses for the next 12 months will be EUR 2,5-2,8 million. Additionally the financial expenses and loan repayments will reach EUR 0,7 million. Furthermore the company reserves EUR 0,5 million for the investments in product and process development and production. The amount of investments and expenses depend on the management decisions. To secure the operations, the company is preparing a share issue and calling an extraordinary shareholders meeting to decide on the matter to convene on March 17th 2022. The company believes to raise the sufficient funds with the share issue.

Shares and shareholders

The market value of BBS at the end of December 2021 was EUR 15,3 million. The closing valuation on December 31st was EUR 2,19. The highest price during the review period was EUR 4,72 and the lowest EUR 1,71.

On December 31st 2021, BBS had 3 926 registered shareholders (3 391 in 2020). All the shares are of the same series. There were 6 981 525 registered shares (2020: 6 571 525) on December 31st 2021. The number of treasury shares was 243 636. Each share is entitled to one vote. The Company's Board of Directors and the Managing Director as persons and through entities under their control had a total of 577 812 (576 219) shares representing 8% of the total shares.

The information on insider trading is published on company's website.

170 000 options have been allocated to key personnel, each option entitles to subscribe for one share.

The largest shareholders on December 31st 2021 were:

Finha Capital (1 060 938 s.)	15,2%
Reisjärvi municipality (700 721 s.)	10,0%
Pekka Jalovaara (550 700 s.)	7,9%
Irma Halonen (369 276 s.)	5,3%
Ahti Paananen (333 379 s.)	4,8%
Panvest Oy (305 177 s.)	4,4%
Jukka Halonen (175 913 s.)	2,5%
Euroclear Bank Belgium (175 169 198 s.)	2,5%
City of Oulu I Ky (130 081 s.)	1,9%

Veronika Halonen (129 337 s.) 1,9%

The top ten shareholders represent 56% of the total shares and votes of the company.

The Consolidated Companies and Other Closely Related Parties

BBS Plc owns 100% of the shares of the subsidiary Bio Bones Ltd. Bio Bones Ltd owns and manages the Company's property in Reisjärvi. Bio Bones Ltd had no other business.

BBS had no shares in any other companies at the end of the review period.

The Board of Directors and the Managing Director are considered as the key personnel. The remuneration of the key personnel during the periods was EUR 206 thousand (EUR 242 thousand in 2020)

The related parties of the Company include the members of the Board of Directors and their related parties, as well as the Company's management key personnel and their close associates. In the financial year 2020, there were no related party transactions.

Events after the balance sheet date

The company has raised the second tranche, EUR 250 thousand based on the Riverfort Global Opportunities Plc Financing Arrangement published on September 30th 2021. Following the transaction there is a remaining financial facility of EUR 1 Million available according to the agreement. Furthermore the company has signed a loan commitment agreement from Finha Capital Oy for a facility of EUR 450 thousand, enabling raising the capital when needed. The final terms and conditions will be agreed in conjunction with the transaction.

Outlook for 2022

The company's goal is to submit the CE marking application to the authorities during the current spring. Preparations for commercial operations will begin in autumn 2022.

The Board of Directors has prepared a detailed cash flow model that extends to 24 months from the financial statements. The model contains assumptions based on the Government's view of future developments, which are expected to prevail during the forecast period. Based on the model, the Board of Directors assesses the adequacy of the company's cash resources from the perspective of business continuity and the planning of measures.

Based of the information available together with the presented and initiated actions for raising finance, the company expects to secure the working capital over the next 12 months, mitigating the working capital risk.

However, despite all the actions presented, there remains a level of uncertainty in the sufficiency of the company finance.

Currency unit EURO	1.1.2021 - 31.12.2021	1.1.2020 - 31.12.2020
NET TURNOVER	0,00	0,00
Other operating income	60 573,57	45 634,39
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	-56 949,57	-83 061,22
External services	0,00	0,00
Raw materials and services total	-56 949,57	-83 061,22
Personnel expenses		
Wages, salaries and bonuses	-1 007 952,62	-675 231,30
Social security expenses		
Pension expenses	-157 302,45	-90 529,05
Other personnel expenses	-34 184,78	-29 058,87
Personnel expenses total	-1 199 439,85	-794 819,22
Depreciation, amortisation and impairment losses		
Planned depreciation and amortisation	-231 337,61	-213 994,51
Planned depreciation and amortisation total	-231 337,61	-213 994,51
Other operating charges	-1 143 923,95	-1 598 825,86
OPERATING PROFIT (LOSS)	-2 571 077,41	-2 645 066,42
Financial income and expenses		
Other interest and financial income		
From others	44,01	2,27
Interest and other financial expenses		
For others	-199 880,71	-85 916,65
Financial income and expenses total	-199 836,70	-85 914,38
PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS	-2 770 914,11	-2 730 980,80
PROFIT (LOSS) FOR THE FINANCIAL YEAR	-2 770 914,11	-2 730 980,80

Currency unit EURO	31.12.2021	31.12.2020
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Development expenses	7 532 827,55	7 532 827,55
Other capitalised long-term expenses	256 610,52	307 932,62
Intangible assets total	7 789 438,07	7 840 760,17
Tangible assets		
Land and waters		
Own	83 719,00	83 719,00
Buildings		
Own	445 872,58	479 432,89
Machinery and equipment	618 755,96	640 185,50
Tangible assets total	1 148 347,54	1 203 337,39
NON-CURRENT ASSETS TOTAL	8 937 785,61	9 044 097,56
CURRENT ASSETS		
Debtors		
Short-term		
Other debtors	327 341,55	210 433,63
Prepayments and accrued income	5 298,16	53,33
Debtors total	332 639,71	210 486,96
Cash and cash equivalents	1 236 061,54	3 438 153,89
CURRENT ASSETS TOTAL	1 568 701,25	3 648 640,85
ASSETS TOTAL	10 506 486,86	12 692 738,41

Currency unit EURO	31.12.2021	31.12.2020
LIABILITIES		
CAPITAL AND RESERVES		
Share capital		
Share capital	80 000,00	80 000,00
		80 000,00
Share premium account	1 394 956,56	1 394 956,56
Other funds		
Invested unrestricted equity fund	17695037,93	17 377 537,93
Other funds total	17695037,93	17 377 537,93
Retained earnings (loss)	-12 765 193,41	-10 034 212,61
Profit (loss) for the financial year	-2770914,11	-2 730 980,80
CAPITAL AND RESERVES TOTAL	3 633 886,97	6 087 301,08
CREDITORS		
Long-term		
Capital loans	175 825,46	175 825,46
Loans from financial institutions	4946464,75	5 529 499,00
Accruals and deferred income	176 200,00	176 200,00
Long-term loans total	5 298 490,21	5 881 524,46
Short-term		
Loans from financial institutions	1083034,25	306 728,00
Trade creditors	82402,5	145 118,76
Other creditors	83464,92	40 719,43
Accruals and deferred income	325208,01	231 346,68
Short-term total	1574109,68	723 912,87
CREDITORS TOTAL	6 872 599,89	6 605 437,33
LIABILITIES TOTAL	10 506 486,86	12 692 738,41

[1000 euros]	2021	2020
Cash flow from business operations		
<i>Profit (loss) before extraordinary items</i>	-2771	-2731
Adjustments		
Scheduled depreciation and amortisation	231	214
Financial income and expenses	200	86
Other adjustments		
Cash flow before changes in working capital	-2340	-2431
Change in working capital		
Changes in short-term non-interest-bearing (+) (-)	-122	-70
Changes in inventory Increase (-)/ Decrease (+)	0	0
Changes in short-term non-interest-bearing loans Increase (+)/Decrease (-)	76	-9
Changes in long-term non-interest-bearing loans Increase (+)/Decrease (-)	0	176
Cash flow from business operations before financial items and taxes	-2386	-2333
Interest paid and other financial expenses from business operations	-135	-85
Interest received and other financial income from business operations	0	0
Cash flow before extraordinary items and taxes	-2520	-2418
Cash flow from business operations (A)	-2520	-2418
Cash flow from investments		
Investments in tangible and intangible goods	-125	-82
Investments in shares in subsidiaries	0	0
Loans granted		
Cash flow from investments (B)	-125	-82
Cash flow from financing		
Share issue	0	5739
Riverfort Financial Arrangement	750	
Raised long-term loans	0	0
Repayment of long-term loans	-307	-317
Raised short-term loans	0	0
Repayment of short-term loans	0	0
Cash flow from financing (C)	443	5423
Changes in funds (A+B+C) Increase (+)/Decrease (-)	-2202	2923
Funds at the beginning of the financial period	3438	516
Funds at the end of the financial period	1236	3438

Currency unit EURO	1.1.2021 - 31.12.2021	1.1.2020 - 31.12.2020
NET TURNOVER	0,00	0,00
Other operating income	60 573,57	45 634,39
Raw materials and services		
Raw materials, supplies and goods		
Purchases during the financial year	-56 949,57	-83 061,22
External services		0,00
Raw materials and services total	-56 949,57	-83 061,22
Personnel expenses		
Wages, salaries and bonuses	-1 007 952,62	-675 231,30
Social security expenses		
Pension expenses	-157 302,45	-90 529,05
Other personnel expenses	-34 184,78	-29 058,87
Personnel expenses total	-1 199 439,85	-794 819,22
Depreciation, amortisation and impairment losses		
Planned depreciation and amortisation	-195 726,12	-175 173,25
Planned depreciation and amortisation total	-195 726,12	-175 173,25
Other operating expenses	-1 174 249,78	-1 636 160,41
OPERATING PROFIT (LOSS)	-2 565 791,75	-2 643 579,71
Financial income and expenses		
Other interest and financial income		
From others	42,85	2,27
Interest and other financial expenses		
To others	-178 832,28	-62 438,19
Financial income and expenses total	-178 789,43	-62 435,92
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-2 744 581,18	-2 706 015,63
PROFIT (LOSS) FOR FINANCIAL YEAR	-2 744 581,18	-2 706 015,63

Currency unit EURO	31.12.2021	31.12.2020
ASSETS		
NON-CURRENT ASSETS		
Intangible assets		
Development costs	7 532 827,55	7 532 827,55
Other capitalised long-term expenses	256 610,52	307 932,62
Intangible assets total	7 789 438,07	7 840 760,17
Tangible assets		
Machinery and equipment	612 602,39	631 980,75
Tangible assets total	612 602,39	631 980,75
Investments		
Shares of group companies	714 499,55	714 499,55
Investments total	714 499,55	714 499,55
NON-CURRENT ASSETS TOTAL	9 116 540,01	9 187 240,47
CURRENT ASSETS		
Debtors		
Short-term		
Receivables from group companies	0,00	1 239,62
Other receivables	326 552,33	210 433,48
Prepayments and accrued income	5 298,16	53,33
Debtors total	331 850,49	211 726,43
Cash and cash equivalents	1 214 706,01	3 360 812,98
CURRENT ASSETS TOTAL	1 546 556,50	3 572 539,41
TOTAL ASSETS	10 663 096,51	12 759 779,88

Currency unit EURO

31.12.2020

LIABILITIES

CAPITAL AND RESERVES

Share capital		
Share capital	80 000,00	80 000,00
	80 000,00	80 000,00
Share premium account	1 394 956,56	1 394 956,56
Other funds		
Invested unrestricted equity fund	17 695 037,93	17 377 537,93
Other funds total	17 695 037,93	17 377 537,93
Retained earnings (loss)	- 12 117 120,73	-9 411 105,10
Net profit (loss) for the financial year	- 2 744 581,18	-2 706 015,63
CAPITAL AND RESERVES TOTAL	4 308 292,58	6 735 373,76

CREDITORS

Long-term		
Capital loans	175 825,46	175 825,46
Loans from financial institutions	4 497 396,75	5 016 231,00
Accrued expenses and deferred income	176 200,00	176 200,00
Long-term total	4 849 422,21	5 368 256,46
Short-term		
Loans from financial institutions	1 018 834,25	242 528,00
Trade creditors	79 332,37	142 802,02
Other creditors	82 053,00	39 531,99
Accruals and deferred income	325 162,10	231 287,65
Short-term total	1 505 381,72	656 149,66

CREDITORS TOTAL	6 354 803,93	6 024 406,12
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LIABILITIES TOTAL	10 663 096,51	12 759 779,88
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[1000 euros]	2021	2020
Cash flow from business operations		
Profit (loss) before extraordinary items	-2745	-2706
Adjustments		
Scheduled depreciation and amortisation	196	175
Financial income and expenses	179	62
Other adjustments		
Cash flow before changes in working capital	-2370	-2468
Change in working capital		
Changes in short-term non-interest-bearing (+) (-)	-120	-71
Changes in inventory Increase (-)/ Decrease (+)	0	0
Changes in short-term non-interest-bearing loans Increase (+)/Decrease (-)	75	-107
Changes in long-term non-interest-bearing loans Increase (+)/Decrease (-)	0	176
Cash flow from business operations before financial items and taxes	-2415	-2470
Interest paid and other financial expenses from business operations	-114	-61
Interest received and other financial income from business operations	0	0
Cash flow before extraordinary items and taxes	-2529	-2531
Cash flow from business operations (A)	-2529	-2531
Cash flow from investments		
Investments in tangible and intangible goods	-125	-82
Investments in shares in subsidiaries	0	0
Loans granted		
Cash flow from investments (B)	-125	-82
Cash flow from financing		
Share issue	0	5739
Riverfort Financial Arrangement	750	
Raised long-term loans	0	0
Repayment of long-term loans	-243	-252
Raised short-term loans	0	0
Repayment of short-term loans	0	0
Cash flow from financing (C)	507	5487
Changes in funds (A+B+C) Increase (+)/Decrease (-)	-2146	2874
Funds at the beginning of the financial period	3361	487
Funds at the end of the financial period	1215	3361

NOTES TO THE FINANCIAL STATEMENTS

The financial statements have been prepared in compliance with the requirements set for small enterprises (Government Decree on the information presented in the financial statements of a small undertaking and micro-undertaking, chapters 2 and 3).

Valuation and accrual principles and methods followed

The financial statements have been prepared in accordance with the assumption principles and methods of valuation and accrual provided for in Chapter 2, Section 2a of the Accounting Regulation, with the exceptions listed below:

Parent company's capitalised development costs

Development costs, including salaries for capitalised projects. Native project product development completion date was Feb 2015, project continued as a clinical project, which was completed in Dec 2017.

Activations have not been depreciated. Depreciation will begin when the sales begins. The estimated depreciation period is 5 years.

Native project	6 369 319,10
Clinical project	1 163 508,45
	<u>7 532 827,55</u>

Parent company: capitalised long-term expenses

Other long-term expenses have been capitalised in accordance with the Accounting Act, Chapter 5, Section 11 in 2017. Cleanroom native project is depreciated by 10 years straight-line depreciation. Started in January 2017.

	31.12.2021	31.12.2020
Cleanroom native project	256 610,52	307 932,60

The capitalisation of the Reisjärvi production facilities and additional investments in the process were fully depreciated completed during 2019.

Parent company's machinery and equipments

	31.12.2021	31.12.2020
Native project machinery and equipments	434 045,48	520 854,58

NOTES TO THE INCOME STATEMENT**Parent company: grounds for and changes to the planned depreciations and amortisation**

Category	Estimated service life (years)	Depreciation %	Depreciation method
Other tangible assets	10		Straight-lined
Native project machinery and equipments	10		Straight-lined
Machinery and equipment		25 %	Declining balance

Consolidated: grounds for and changes to the planned depreciations and amortisation

Category	Estimated service life (years)	Depreciation %	Depreciation method
Other tangible assets	10		Straight-lined
Buildings		7 %	Declining balance
Native project machinery and equipments	10		Straight-lined
Machinery and equipment		25 %	Declining balance

FINANCIAL STATEMENTS 31.12.2021

NOTES TO BALANCE SHEET ITEMS

Receivables from group companies:

Short-term	31.12.2021	31.12.2020
Other concern receivables	0,00	1 239,62
Short-term receivables from group companies in total	0,00	1 239,62
Concern receivables in total	0,00	1 239,62

NOTES TO BALANCE SHEET LIABILITIES

Specification of equity	Parent company 31.12.2021	Parent company 31.12.2020	Consolidated 31.12.2021	Consolidated 31.12.2020
Share capital at the beginning of the financial year	80 000,00	80 000,00	80 000,00	80 000,00
Share capital at the end of the financial year	80 000,00	80 000,00	80 000,00	80 000,00
Share premium account at the beginning of the financial year	1 394 956,56	1 394 956,56	1 394 956,56	1 394 956,56
Share premium account at the end of the financial year	1 394 956,56	1 394 956,56	1 394 956,56	1 394 956,56
Total restricted equity at the end of the financial year	1 474 956,56	1 474 956,56	1 474 956,56	1 474 956,56
Reserve for invested unrestricted equity at the beginning of the financial year	17 377 537,93	11 638 453,75	17 377 537,93	11 638 453,75
Increase		5 739 084,18	0,00	5 739 084,18
Increase, Riverfort	317 500,00	0,00	317 500,00	0,00
Reserve for invested unrestricted equity at the end of the financial year	17 695 037,93	17 377 537,93	17 695 037,93	17 377 537,93
Retained earnings/losses at the beginning of the financial year	-9 411 105,10	-7 814 126,82	-10 034 212,61	-8 396 062,50
Retained earnings/losses from the previous financial year	-2 706 015,63	-1 596 978,28	-2 730 980,80	-1 638 150,11
Retained earnings/losses at the end of the financial year	-12 117 120,73	-9 411 105,10	-12 765 193,41	-10 034 212,61
Profit/loss for the financial year	-2 744 581,18	-2 706 015,63	-2 770 914,11	-2 730 980,80
Total unrestricted equity at the end of the financial year	2 833 336,02	5 260 417,20	2 158 930,41	4 612 344,52
Equity, total	4 308 292,58	6 735 373,76	3 633 886,97	6 087 301,08

Unrestricted equity in compliance with the Finnish Act on Limited Liability Companies chapter 13, section 5.

	31.12.2021	31.12.2020
Retained earnings from the previous financial years	-12 117 120,73	-9 411 105,10
Financial result (profit+/loss-)	+ -2 744 581,18	-2 706 015,63
Reserve for invested unrestricted equity	+ 17 695 037,93	17 377 537,93
Accumulated unaccounted capital loan interest	- -91 087,35	-85 802,68
Activated development costs	- -7 532 827,55	-7 532 827,55
Unrestricted equity, total	= -4 790 578,88	-2 358 213,03

Liabilities maturing later than five years:

	Parent company 31.12.2021	Parent company 31.12.2020	Consolidated 31.12.2021	Consolidated 31.12.2020
Loans from financial institutions	2 196 879,75	1 884 292,00	2 389 147,75	2 140 760,00
	2 196 879,75	1 884 292,00	2 389 147,75	2 140 760,00

In early 2022 changes were agreed to loans from financial institutions. As a result, the short-term debt reduced and debt maturing later than five years increased.

FINANCIAL STATEMENTS 31.12.2021

The amounts and associated rights of financial instruments issued by the company entitling to shares or other equity, by type;

Of the EUR 750,000 capital facility from Riverfort Global Ltd, EUR 250,000 has been converted. Including this and the EUR 67,500 in capital facility arrangement fees, a total of EUR 317,000 has been recognised in the reserve for invested equity during the financial year. The remaining portion of the financing arrangement of EUR 500 000 is included in the Current Liabilities

Key commercial terms and conditions of the financing arrangement with Riverfort Global Include:

- The loan has a zero percent annual interest rate (0%).
- The loan implementation fee is nine percent (9%) of the amount of each drawdown.
- The Company settled the fee for the Initial Advance in its own shares by way of a reference price being linked to the average of the last five (5) days prior to the Initial Advance (EUR 2.086) (the "Reference Price") so as to preserve the net proceeds of the Initial Advance.
- Maturity date falling 36 months from the advance of the Initial Advance.
- The loan may be converted into shares of the Company by way of the subscriptions at a price determined by the lower of:
 - a) 140 % of the Reference Price; or
 - b) 90% of the lowest volume-weighted average price of a trading day during ten trading days before the applicable subscription notice.
- The Noteholder shall receive warrants entitling to subscription of Company's shares equal to 50% of each drawdown exercisable at a 40% premium to the Reference Price, with a 48-month term

FINANCIAL STATEMENTS 31.12.2021

NOTES ON INCOME TAXES**Unrecognized tax liabilities or assets**

The Group has tax loss of approximately EUR 11,6 million, of which a hidden tax claim at the current income tax rate of 20% is approximately EUR 2,3 million.

PLEGGED ASSETS AND OFF-BALANCE SHEET COMMITMENTS AND ARRANGMENTS

	Debts	Corporate mortgages	Value of guarantee placed
<u>Parent company</u>			
Loans from financial institutions	222 090,00	222 090,00	222 090,00
Falling due for payment with in the next 12 months	27 800,00	-	
<u>Consolidated</u>			
Loans from financial institutions	735 358,00	735 358,00	722 090,00
Falling due for payment with in the next 12 months	92 000,00		

PERSONNEL**Parent company:**

The average number of personnel during the financial year was 19.

Consolidated:

The average number of personnel during the financial year was 19.

NOTES TO THE PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS:

Accounting principles for consolidated financial statements:

The subsidiary is included in the consolidated financial statements. The consolidated financial statements have been prepared as per the acquisition cost method.

The intercompany transactions, receivables and payables have been eliminated.

Consolidated subsidiary and ownership:

Company	domicile	ownership %
Bio Bones Oy	Reisjärvi	100,00

List of accounting records, document types and methods of storage

Daily ledger		Sähköinen arkisto (CD)
General ledger		Sähköinen arkisto (CD)
Purchases ledger		Sähköinen arkisto (CD)
Payroll accounting		Sähköinen arkisto (CD)
Financial statements		Sähköinen arkisto (CD)
Balance sheet specifications		Sähköinen arkisto (CD)

	Receipt type	
Bank entries	01,02	Sähköinen arkisto (CD)
VAT receipts	99	Sähköinen arkisto (CD)
Accruals	90	Sähköinen arkisto (CD)
Purchase invoices	22,45,46	Sähköinen arkisto (CD)
Memos	09,13,14	Sähköinen arkisto (CD)
Payroll slips	50,55,56	Sähköinen arkisto (CD)

Liitetietotositteet		Sähköinen arkisto (CD)
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AUDITOR'S REPORT (translation of the Finnish original)

To the Annual General Meeting of BBS-Bioactive Bones Substitutes Oyj

Report on the Audit of Financial Statements

Opinion

We have audited the financial statements of BBS-Bioactive Bones Substitutes Oyj (business identity code 0866451-4) for the year ended 31 December, 2021. The financial statements comprise the consolidated balance sheet, income statement, cash flow statement and notes, as well as the parent company's balance sheet, income statement, cash flow statement and notes.

In our opinion, the financial statements give a true and fair view of the group's and the parent 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.

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 are independent of the parent company and of the group companies 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. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Material uncertainty related to going concern

We would like to draw attention to the amount of loss shown in the income statement and the amount of negative cash flow shown in the cash flow statement. In addition, we would like to draw attention to the sections "Working capital" and "Outlook for 2022" in the report of the Board of Directors, where the Company highlights the uncertainty related to the adequacy of the Company's financing. These events or circumstances indicate material uncertainties that could cast significant doubt upon the Company's ability to continue as a going concern. Our opinion has not been modified in respect of this matter.

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 parent company's and the group's ability to continue as 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 parent company or the group or cease operations, or there is no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of Financial Statements

Our objectives are to obtain reasonable assurance on 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 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.



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- 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 parent company's or the group'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 parent company's or group'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 parent company or group 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.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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.

Oulu, 22 March 2022

Ernst & Young Oy
Authorized Public Accountant Firm

Jari Karppinen
Authorized Public Accountant

Government guidance and outlook for 2022

On March 9, 2022, the company submitted a CE marking application to the authorities for its first product, Artebone[®] bone filler material. During the multi-stage regulatory process, the company will implement the necessary measures for future official inspections and requests for additional information, and will later start preparing for the measures needed for marketing in 2022. There are no expectations of a change of side for this year.

The company's medium-term goals have not changed since last year. The company's expectations include:

- achieve a significant increase in turnover as a result of a two-year marketing period;
- to become profit positive in four years
- launch the product in the USA and several other countries
- develop new products
- reach partner agreements with market leaders in the sector
- The Board of Directors has determined that the cash and cash equivalents are sufficient for the business until the summer of 2022, which is why the Company will prepare a financing arrangement during the current year. The funds collected will ensure the continuity of the Company's operations and the launch of the sale.