

## **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, 2019. 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 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 want to draw attention to the factors described in the report of the Board of Directors under section "Working capital" and in the notes of the financial statements under section "Other notes" on requirement of working capital. Ability to start production and sales activities and hence also the ability to recover the carrying value of intangible assets by generating profit is dependent on how the company will succeed in raising additional funds. This may indicate a kind of material uncertainty that may cause a reason to doubt the company's ability to continue its' operations.

We have not qualified our audit opinion for 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.

- 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, 26 March 2020

Ernst & Young Oy  
Authorized Public Accountant Firm



Jari Karppinen  
Authorized Public Accountant

# **ANNUAL REPORT AND BALANCE SHEET BOOK 2019**

## **BBS-BIOACTIVE BONE SUBSTITUTES OYJ**

### **ANNUAL REPORT 1 JANUARY - 31 DECEMBER 2019**

#### **Business overview**

BBS-Bioactive Bone Substitutes Oyj ("BBS", "Company") is a biomedical technology company that develops innovative, bioactive medical devices and implants for orthopaedic surgery. The Company has an administration and quality control laboratory in Oulu and an EU-certified production plant in Reisjärvi.

#### **BBS's product development**

The company has during 2019 completed almost all of the required documentation changes that were required by Notified Body to amend the marketing authorization application, submitted in 2018, or by the new medical device regulation. The company has planned to initiate a submission process of a new application to Notified Body in March 2020. However, this schedule will be delayed because the chosen Notified Body (BSI Netherlands) has announced a delay until May 2020, generated by the increased workload by the new medical device regulation.

The regulatory approval process takes place by Notified Body and in addition by the Competent Authority (CA, National Agency for Medicines) for the drug component of the product, by the CA from which Notified Body so requests. Notified Body has 90 days from the filing date to submit questions and comments on the content of the application. The Competent Authority has 110 days to respond. During this processing, the two authorities will decide whether to accept the classification of the product as a medical device and whether the material submitted meets the requirements of the Directives and Standards for such a product. Thus, at the latest after these waiting periods, the company will either receive product approval or be made aware of any deficiencies and repairs required by the authorities.

At the same time, Notified Body audits the company operations and quality system during the spring and summer of 2020 and issues a quality certificate if no objections can be found.

Normally the authorities will always find comments on the small details, that need to be dealt with and accounted for, before final approval can be obtained. A realistic timetable for the CE marking of the product and a quality system certification is thus set for the end of 2020 or early 2021. However, from the first replies we can already learn what kind of comments are involved and thus form a strong sense of the realism of the timetable.

#### **Financial review**

##### **Operating result**

BBS had no turnover in 2019 or in the corresponding period of the previous year. The result for the review period was M€ -1,638 (2018: M€ 0,380) which consists of product development costs.

The one-time chord (debt forgiveness) of € 2,224 M obtained from loans was the main contribution to the good result of the comparison period.

### **Financing and investments**

The Company's finances at 31 December 2019 were € 515.633 (2018: € 1.684.871). BBS organized a directed share issue in Sweden which ends 30<sup>th</sup> June 2019. The company received M€ 0,3 new capital from the issue prior the issuance expenses of approximately M€ 0,05. In the issue, 114.300 new shares were subscribed. The authorization granted by the Annual General Meeting on 5<sup>th</sup> April 2019, has 1.385.700 million shares outstanding. More detailed information on share issue is available on the Company's website.

### **Working capital**

The Company's working capital is not sufficient to complete the approval processes, start production and start commercial operations, if the Company fails to raise equity financing or debt financing a total of approximately EUR 3-5,0 million. Start-up of production and sales activities, and hence the profitability of intangible assets activated in the balance sheet, depends on success in obtaining additional funding.

Up until now, the Company has been in the product development stage, and operating cash flow cannot be generated until it has received the CE mark for its main product. The CE mark is required for selling the Company's main product. The Company estimates the operating costs are EUR 1.4-1.6 million for the next 12 months. The Company's estimated repayment for the loans during the corresponding period is EUR 0.219 million, and the Company's planned investments in business activities are EUR 0.3 million.

The Company has negotiated additional payment time for the product development loan repayments in early 2020. The creditors have provisionally agreed to postpone the repayments by one year. The Company's management estimates that by savings will have sufficient working capital for the next 3 months but is preparing for additional funding. The Company's management can influence the amount of investments and expenses to be made.

### **Balance sheet**

The balance sheet total at 31 December 2019 was € 9,833 M. The balance sheet total at the end of the previous review period at 31 December 2017 was € 9,669 M. The change is mainly due the decrease in cash reserves and depreciation. At the end of the review period at 31 December 2019, the short-term interest-bearing debts on the balance sheets stood at € 0,961 M (2018: € 0,522 M), long-term interest-bearing debts € 5,191 M (2018: € 5,633 M) and subordinated loans EUR 0,176 (2018: € 0,176 M) million. The financing costs were € 102,2 thousand (2018: € 97,6 thousand). No product development investments have been capitalised in the balance sheet during the review period.

### **Staff, management and administration**

At the end of the 2019 financial period, the staff numbered 12 (2018:13). During the review period, the Board of Directors consisted of Jarmo Halonen, Pekka Jalovaara, Auvo Kaikkonen, Hannu Säynäjäkangas, Ilkka Kangasniemi and Tomi Numminen. BBS's management team consists of CEO Pekka Jalovaara until 14<sup>th</sup> Oct 2019 and Ilkka Kangasniemi since 15<sup>th</sup> Oct 2019, Production Manager Hanna Tölli and CFO Hannu Säynäjäkangas. Ernst&Young Oy acted as auditor, \*Juhani Rönkkö has been the principal auditor until the end of august 2019 and from beginning of September 2019 \*Jari Karppinen. (\*Auditor certified by the Central Chamber of Commerce\*)

### **2019 Annual General Meeting (AGM)**

BBS's AGM was held on 5<sup>th</sup> March 2019. The AGM approved the financial statements for 2018 and discharged the members of the board of directors and the CEO from liability. In accordance with the proposal by the Board of Directors, the AGM decided that no dividend is paid for the financial year 1 January 2018 - 31 December 2018, and that the loss for the financial year is recognised in the profit/loss account. The AGM confirmed the board member's remuneration of EUR 500 per meeting and the chairman EUR 750 per meeting. The AGM decided that the audi-

tor will be paid a reasonable fee according to the invoice approved by Company. Ernst&Young Oy, Authorized Public Accountants, was elected as the Company's auditor.

The Annual General Meeting decided to authorize the Board of Directors to decide on the issue of shares which does not exclude the right of the Board of Directors to decide on a directed share issue. The share issue may be effected by an increase in the share capital, a rights issue or a convertible loan in one or more tranches. Under the authorization, the BOD may offer up to 1.500.000 (one million and five hundred thousand) new shares. The authorization will be valid until the next Annual General Meeting, however, until the 30<sup>th</sup> June 2020 at the latest.

### **Risks and uncertainties**

Significant risks and uncertainties independent of the Company, such as actions by authorities, legislative changes and the desire of the market to receive a new product, are associated with product development and commercialisation. It is not certain that the capitalisations and established losses can be utilised. There are uncertainties which may delay obtaining a sales permit regarding the sufficiency of financing.

### **Shares and shareholders**

BBS had 1097 shareholders, all shares are of the same series and there were 5 204 820 registered shares (2018: 5 090 520) at the balance sheet date on 31 December 2019. Each share is entitled to one vote. The Company's Board of Directors and the President and CEO owned 31<sup>th</sup> December 2019 of a total of 543 650 (532 650) shares, including control of shares owned by companies, ie 10,4% of the Company's share capital. Information on the Company's insider trading in the Company's shares is published on the Company's website. 170 000 stock options have been given to staff, each option entitles to subscribe for one share. The largest shareholders at 31 December 2019 were Finha Capital (860 501 shares), Reisjärvi municipality (702 182 shares), EAKR-aloitusrahoitus Oy (596 271 shares), Pekka Jalovaara (532 850 shares), Paananen Ahti (267 879 shares), Irma Halonen (295 421 shares), Panvest Oy (244 142) and Innovestor Kasvurahoitus I Ky (229 094 shares).

The Oulu Wellness Fund owned 260.000 shares, the Fund's term of office came to an end and the company was dissolved. On November 12<sup>th</sup> 2019 the Fund's shares were distributed to investors of the fund, the largest owner of which is the City of Oulu 130 081 shares.

The Company's market capitalization at the end of the review period 31<sup>th</sup> December 2019 was EUR 10,4 million. The share closed 31<sup>th</sup> December 2019 at EUR 2,00. The highest price during the review period was EUR 3,75 and the lowest EUR 1,85.

### **Events after the balance sheet date**

In February 19, 2020 the Company announced the results of clinical trials, more details on the website. Investors saw the news as positive as the Company's share price rose sharply.

In early 2020, product and development loans have been restructured. After the arrangement, the share of short-term financial loans will be EUR 0,316 M and the loans maturing in more than five years will be EUR 2,995 M.

In March 2020, the Company decided to take out a working capital loan of EUR 200.000 to ensure its liquidity.

### **The Board of Directors' dividend proposal to the 2018 Annual General Meeting**

At the balance sheet date, BBS had no distributable funds, so the Company's Board of Directors proposes that no dividend is distributed for the financial year 1 January - 31 December 2019.

### **Outlook for 2020**

During this year, the Company's objective is to obtain the CE mark and launch commercial efforts. In order to secure funding, BBS will organize a financing round during 2020. Staff will be added to the sales organisation as resources allow.

Board of Directors

BBS-Bioactive Bone Substitutes Plc

**CONSOLIDATED INCOME STATEMENT**

1.1.-31.12.2019    1.1.-31.12.2018

SALES	0,00	0,00
* Other operating income	52 775,85	2 262 011,03
Materials and services		
Raw material and consumables		
Purchase during the period	-11 047,22	-58 302,16
External services	-94 641,70	-69 956,73
Raw materials and services total	-105 688,92	-128 258,89
Personnel expenses		
Wages and salaries	-568 867,89	-576 744,28
Social security expenses		
Pension expenses	-83 042,60	-84 065,19
Other personnel expenses	-13 101,44	-9 026,53
Personnel expenses total	-665 011,93	-669 836,00
Depreciation and amortization		
Depreciation according to plan	-225 417,46	-229 029,43
Impairment of non-current assets	0,00	0,00
Depreciation and amortization total	-225 417,46	-229 029,43
Other operating expenses	-592 597,71	-757 410,10
OPERATING PROFIT (LOSS)	-1 535 940,17	477 476,61
Financial income and expenses		
Other interest income and other financing income		
From others	0,27	1,80
Other interest and financial expenses		
To others	-102 210,21	-97 638,60
Financial income and expenses total	-102 210,21	-97 636,80
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-1 638 150,11	379 839,81
PROFIT (LOSS) OF THE FINANCIAL PERIOD	-1 638 150,11	379 839,81

BBS-Bioactive Bone Substitutes Plc  
**CONSOLIDATED BALANCE SHEET**

31.12.2019      31.12.2018

ASSETS

NON-CURRENT ASSETS

Intangible assets

Development expenditure      7 532 827,55      7 532 827,55

Other Intangible assets      359 254,72      433 289,14

Intangible assets total      7 892 082,27      7 966 116,69

Tangible assets

Land and water areas

Owned buildings      83 719,00      83 719,00

Buildings and structures

Owned buildings and structures      515 519,24      554 321,76

Machinery and equipment      624 977,83      773 860,95

Tangible assets total      1 284 216,07      1 411 901,71

NON-CURRENT ASSETS TOTAL      9 176 298,34      9 378 018,40

CURRENT ASSETS

Debtors

Short term

Other debtors      140 881,37      93 416,69

Prepayments and accrued income      0,00      0,00

Short term debtors total      140 881,37      93 416,69

Debtors total      140 881,37      93 416,69

Cash and equivalents      515 633,39      1 684 870,70

CURRENT ASSETS TOTAL      656 514,76      1 778 287,39

ASSETS TOTAL      9 832 813,10      11 156 305,79



BBS-Bioactive Bone Substitutes Plc  
**CONSOLIDATED BALANCE SHEET**

31.12.2019      31.12.2018

EQUITY AND LIABILITIES

CAPITAL AND RESERVES

Equity		
Share capital	80 000,00	80 000,00
Equity total	80 000,00	80 000,00
Share premium account	1 394 957,01	1 394 957,01
Other reserves		
Invested unrestricted equity fund	11 638 453,75	11 337 847,26
Other reserves total	11 638 453,75	11 337 847,26
Retained earnings (loss)	-8 396 062,95	-8 775 902,76
Profit (loss) of the period	-1 638 150,11	379 839,81
<b>CAPITAL AND RESERVES TOTAL</b>	<b>3 079 197,70</b>	<b>4 416 741,32</b>

CREDITORS

Long term		
Capital loans	175 825,46	175 825,46
Loans from credit institutions	5 191 297,00	5 633 425,33
Long term loans total	5 367 122,46	5 809 250,79
Short term		
Loans from credit institutions	961 473,00	521 664,67
Trade creditors	31 879,90	20 923,70
Other creditors	27 293,22	13 485,30
Accrual and referred income	365 846,82	374 240,01
Short term creditors total	1 386 492,94	930 313,68
<b>CREDITORS TOTAL</b>	<b>6 753 615,40</b>	<b>6 739 564,47</b>

<b>EQUITY AND LIABILITIES TOTAL</b>	<b>9 832 813,10</b>	<b>11 156 305,79</b>
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BBS-Bioactive Bone Substitutes Plc

**PARENT COMPANY'S INCOME STATEMENT**

1.1.-31.12.2019    1.1.-31.12.2018

SALES	0,00	0,00
* Other operating income	52 775,85	2 261 380,31
Materials and services		
Raw material and consumables		
Purchase during the period	-11 047,22	-58 302,16
External services	-94 641,70	-69 956,73
Raw materials and services total	-105 688,92	-128 258,89
Personnel expenses		
Wages and salaries	-568 867,89	-576 744,28
Social security expenses		
Pension expenses	-83 042,60	-84 065,19
Other personnel expenses	-13 101,44	-9 026,53
Personnel expenses total	-665 011,93	-669 836,00
Depreciation and amortization		
Depreciation according to plan	-182 968,36	-182 444,17
Impairment of non-current assets	0,00	0,00
Depreciation and amortization total	-182 968,36	-182 444,17
Other operating expenses	-620 208,22	-788 234,64
OPERATING PROFIT (LOSS)	-1 521 101,58	492 606,61
Financial income and expenses		
Other interest income and other financing income		
From others	0,25	1,71
Other interest and financial expenses		
To others	-75 876,95	-75 441,62
Financial income and expenses total	-75 876,95	-75 441,62
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-1 596 978,28	417 166,76
PROFIT (LOSS) OF THE FINANCIAL PERIOD	-1 596 978,28	417 166,76

BBS-Bioactive Bone Substitutes Plc

**PARENT COMPANY'S BALANCE SHEET**

31.12.2019

31.12.2018

**ASSETS****NON-CURRENT ASSETS**

## Intangible assets

Development expenditure

7 532 827,55

7 532 827,55

Other Intangible assets

359 254,72

433 289,14

Intangible assets total

7 892 082,27

7 966 116,69

## Tangible assets

Machinery and equipment

674 038,17

759 274,71

Land and water areas

Shares in the same group of companies

714 499,55

714 499,55

**NON-CURRENT ASSETS TOTAL**

9 280 619,99

9 439 890,95

**CURRENT ASSETS**

## Debtors

## Short term

Other debtors

140 881,37

93 416,69

Prepayments and accrued income

0,00

0,00

Short term debtors total

140 881,37

93 416,69

Debtors total

140 881,37

93 416,69

Cash and equivalents

487 027,18

1 664 343,16

**CURRENT ASSETS TOTAL**

627 908,55

1 757 759,85

**ASSETS TOTAL**

9 908 528,54

11 197 650,80

BBS-Bioactive Bone Substitutes Plc

**PARENT COMPANY'S BALANCE SHEET**

31.12.2019

31.12.2018

## EQUITY AND LIABILITIES

## CAPITAL AND RESERVES

Equity		
Share capital	80 000,00	80 000,00
Equity total	80 000,00	80 000,00
Share premium account	1 394 957,01	1 394 957,01
Other reserves		
Invested unrestricted equity fund	11 638 453,75	11 337 847,26
Other reserves total	11 638 453,75	11 337 847,26
Retained earnings (loss)	-7 814 126,82	-8 231 293,58
Profit (loss) of the period	-1 596 978,28	417 166,76
<b>CAPITAL AND RESERVES TOTAL</b>	<b>3 702 305,21</b>	<b>4 998 677,00</b>

## CREDITORS

Long term		
Capital loans	175 825,46	175 825,46
Loans from credit institutions	4 613 829,00	5 312 591,34
Long term loans total	4 789 654,46	5 488 416,80
Short term		
Loans from credit institutions	897 273,00	200 830,66
Trade creditors	127 240,45	123 558,43
Other creditors	26 274,19	13 289,63
Accrual and referred income	365 781,23	372 878,28
Short term creditors total	1 416 568,87	710 557,00
<b>CREDITORS TOTAL</b>	<b>6 206 223,33</b>	<b>6 198 973,80</b>

<b>EQUITY AND LIABILITIES TOTAL</b>	<b>9 908 528,54</b>	<b>11 197 650,80</b>
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BBS-BIOACTIVE BONE SUBSTITUTES OYJ  
 Kiviharjunlenkki 6  
 90220 Oulu  
 Y-tunnus 0866451-4

## Notes to the Financial Statements

The financial statements have been prepared in accordance with the Small Business Act (SBA)  
 Code for the disclosure of small and micro enterprises

The group owns 100% of its subsidiary Bio Bones Oy. Bio Bones Oy's business area is to own and rent production facilities in Reisjärvi

## Notes to the income statement

An explanation of the reasons for the planned depreciation and its changes

Machinery and equipment acquired for Native III and IV are amortized over 10 years on a straight-line basis  
 Depreciation started in January 2017  
 Other machines and equipment are removed in accordance with EVL-tax maximum depreciation rates  
 Cleanroom native project is depreciated by 10 years straight-line depreciation. Started in January 2017  
 The additional investments/renovation cost of Reisjärvi production facilities will be amortized over 5 years

Planned depreciations		31.12.2019	31.12.2018
Machinery and equipments	112 580,52	113 271,85	
Buildings and structures	38 802,52	41 723,16	
Other long term expenses	74 034,42	74 034,42	

Other income

Tekesin hyväksymä lainojen akordi, 2.224.150,54 eur, kirjattu liiketoiminnan muihin tuottoihin vuonna 2018.

## Notes to the Balance Sheet

Intangible assets

Development costs, including salaries, for capitalized projects

	Native project	Clinical project
	6 369	
Opening balance 1.1.2019	319,10	1 163 508,45
	6 369	
Balance 31.12.2019	319,10	1 163 508,45

Native project product development completion date was Feb 2015, the project continued as a clinical project,  
 which was completed in Dec 2017. Activations have not been depreciated.  
 Depreciation will begin when the sale begins. The estimated depreciation period is 5 years.

Other long term expenses

	Additional investments in Reisjärvi	Clean room Native project
Opening balance 1.1.2019	22 712,30	410 576,84



depreciation during the financial year	22 712,30	51 322,12
Balance 31.12.2019	0,00	359 254,72
	7 892	
Intangible assets total	082,27	

Among non-current assets a total of EUR 7.336.237,49 in equipment development costs and clean room premises, including project machinery and equipment and the cost of continuing Clinical project of EUR 1.163.508,45 have been capitalized to non-current assets

The capitalization of the Reisjärvi production facilities and additional investments in the process was completed during 2019.

#### BBS-BIOACTIVE BONE SUBSTITUTES OYJ

Kiviharjunlenkki 6

90220 Oulu

Y-tunnus 0866451-4

#### Capital loans

Tekes/Valtiokonttori	175 825,46
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#### Debts, that fall due after more than five years

Valtiokonttori/Tekes 160/09	307 367,00
Valtiokonttori/Tekes 363/15	113 880,00
Finnvera 1012867	138 690,00
Finnvera 1012865	320 668,00

#### Debts, events after the financial year

In early 2020, a change was made to Valtiokonttori/Tekes loans. As a result, short term debt is reduced by EUR 644.930,00 and debt maturing later than five years increased by EUR 2.114.701,00

After the arrangement, the share of short term financing loans is EUR 316.543,00

and liabilities maturing later than five years are total EUR 2.995.306,00

In addition, a EUR 200.000 working capital loan has been taken out after the end of the financial year.

Breakdown of equity		31.12.2019	31.12.2018
Share capital at the beginning of the financial year	80 000,00	80 000,00	
Share capital at the end of the financial year	80 000,00	80 000,00	
	1 394		
The share premium account	957,01	1 394 957,01	
	1 474		
Total equity	957,01	1 474 957,01	
	11 337		
Invested unrestricted equity fund at the beginning of the f.y.	847,26	7 836 992,76	
Increase in the invested unrestricted equity fund during the f.y.	300 606,49	3 500 854,50	
	11 638	11 337	
Invested unrestricted equity fund at the end of the f.y.	453,75	847,26	
	-8 396		
result for previous financial years	062,95	-8 775 902,76	
	-1 638		
Result of the financial year	150,11	379 839,81	
	1 604		
Total unrestricted equity	240,69	2 941 784,31	
Total equity	3 079	4 416 741,32	

	197,70	
Capital loan Tekes/Valtiokonttori	175 825,46	175 825,46
	3 255	
Equity + capital loans	023,16	4 592 566,78
Distributable unrestricted equity	11 638	
The invested unrestricted equity fund	453,75	
	-8 396	
Results of the previous financial years	062,95	
	-1 638	
Result of the financial year	150,11	
	-7 532	
Capitalized development costs in the balance sheet	827,55	
	-5 928	
Distributable unrestricted equity 31th Dec 2019	586,86	

At the balance sheet date, the parent company has 5.204.820 registered shares and 170.000 registered options. Each share entitles its holder to one vote at the General Meeting.

At its meeting on April 27, 2018, the BOD has extended the subscription period until the end of the year 2023.

### Accrued unpaid interest

#### Capital loan

Tekes/Valtiokonttori 9.3.-31.8.2005	2 505,51
Tekes/Valtiokonttori 1.9.2005-31.8.2006	5 274,75
Tekes/Valtiokonttori 1.9.2006-31.8.2007	5 348,02
Tekes/Valtiokonttori 1.9.2007-31.8.2008	6 300,40
Tekes/Valtiokonttori 1.9.2008-31.8.2009	6 593,44
Tekes/Valtiokonttori 1.9.2009-31.8.2010	5 274,75
Tekes/Valtiokonttori 1.9.2010-31.8.2011	5 274,76

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Tekes/Valtiokonttori 1.9.2011-31.8.2012	5 274,76
Tekes/Valtiokonttori 1.9.2012-31.12.2013	7 033,01
Tekes/Valtiokonttori 1.1.-31.12.2014	5 274,75
Tekes/Valtiokonttori 1.1.-31.12.2015	5 274,75
Tekes/Valtiokonttori 1.1.-31.12.2016	5 274,75
Tekes/Valtiokonttori 1.1.-31.12.2017	5 474,75
Tekes/Valtiokonttori 1.1.-31.12.2018	5 274,76
Tekes/Valtiokonttori 1.1.-31.12.2019	5 274,76

Due to the loan forgiveness by Tekes 2018, the unpaid interest decreased in the same proportion.

### Collateral and contingent liabilities in the notes

#### Debts secured by a business mortgage

Corporate mortgages EUR 800.000 related to Finnvera loans totaling EUR 919.358,00

## Notes on the members and staff of the institutions

Average number of employees during the financial year

	31.12.2019	31.12.2018
Personnel	12	13

## Unrecognized deferred tax assets

The Group has a tax loss of approximately EUR 7,41 million, of which a hidden tax claim at a current rate of 20% is approximately EUR 1,48 million.

## Other notes

At the balance sheet date, the parent company invested a total of EUR 3.255.023,16 in equity and subordinated debt. The subordinated loan includes a subordinated loan of EUR 175.825,46 granted by Tekes. Active efforts are still being made to raise both equity and non-equity financing

The Company's working capital will not be sufficient to complete the approval process, start production and commercial operations if the company fails to raise approximately EUR 3-5 million in equity or debt financing. The commencement of production and sales activities, and thus the return on intangible assets capitalized on the balance sheet, is dependent on success in obtaining additional financing.

BBS-Bioactive Bone Substitutes Plc Concern

## Cash Flow Statement

	[1000 euros]	2019	2018
<b>Cash flow from business operations</b>			
Profit (loss) before extraordinary items		-1638	380
<b>Adjustments</b>			
Scheduled depreciation and amortization		225	229
Financial income and expenses		102	98
Other adjustments: Accord of loans		0	-2224
Other adjustments: Write-downs		0	0
<b>Cash flow before changes in working capital</b>		<b>-1311</b>	<b>-1517</b>
<b>Change in working capital</b>			
Changes in short-term non-interest-bearing (+)			
(-)		-47	-33
Changes in inventory Increase(-)/Decrease(+)		0	0
Changes in short-term non-interest-bearing loans Increase(+)/Decrease(-)		-18	-45
<b>Cash flow from business operations before financial items and taxes</b>		<b>-1340</b>	<b>-992</b>
Interest paid and other financial expenses from business operations		104	106
Interest received and other financial income from business operations		0	0
<b>Cash flow before extraordinary items and taxes</b>		<b>-1444</b>	<b>-1701</b>
<b>Cash flow from business operations (A)</b>		<b>-1444</b>	<b>-1701</b>

**Cash flow from investments**

Investments in tangible and intangible goods	-24	-34
Investments in shares in subsidiaries	0	0
Loans granted	0	0
<b>Cash flow from investments (B)</b>	<b>-24</b>	<b>-34</b>

**Cash flow from financing**

Share issue	301	3501
Raised long-term loans	0	0
Repayment of long-term loans	2	16
Raised short-term loans	0	0
Repayment of short-term loans	0	100
<b>Cash flow from financing (C)</b>	<b>299</b>	<b>3385</b>

**Changes in funds (A+B+C) Increase (+)/Decrease (-)**

	<b>-1169</b>	<b>1650</b>
Funds at the beginning of the financial period	1685	35
Funds at the end of the financial period	516	1685

**Equity development**

BBS Group	Share Capital	The share premium account	The invested Unrestricted equity fund	Retained earnings	Total Equity
Equity 31.12.2018	80 000	1 395 000	11 338 000	-8 396 000	4 417 000
Net profit/loss of f.y.				-1 638 000	
Paid share issue			300 000		
Equity 31.12.2019	80 000	1 395 000	11 638 000	-10 034 000	3 079 000
Equity 31.12.2017	80 000	1 394 957	7 836 993	-8 775 903	536 047
Net profit/loss of f.y.				379 840	
Paid share issue			3 500 855		
Equity 31.12.2018	80 000	1 394 957	11 337 847	-8 396 063	4 416 741
Equity 31.12.2016	27 984	1 394 957	6 977 189	-4 309 588	4 090 542
Net profit/loss of f.y.				-4 466 315	
Paid share issue	52 016		859 804		
Equity 31.12.2017	80 000	1 394 957	7 836 993	-8 775 903	536 047