

## **BBS-Bioactive Bone Substitutes Plc**

<b>FINANCIAL STATEMENTS</b>	<b>1.1.2022 - 31.12.2022</b>
English version (unaudited)	
<b>FINANCIAL YEAR</b>	<b>2022</b>

**BBS-Bioactive Bone Substitutes Plc**

Kiviharjunlenkki 6

90220 Oulu

Domicile Oulu

Business Identity Code

0866451-4

<b>Financial statement for the financial year</b>	<b>1.1.2022 -</b>	<b>31.12.2022</b>
English version (unaudited)		
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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.

## **BOARD REPORT 1 JANUARY – 31 DECEMBER 2022**

### **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 2022, the company has continued to prepare its first product, Artebone® Paste, CE marking. In March 2022, BBS submitted its first product (ARTEBONE® Paste) to the Notified Body for the CE marking. Simultaneously, the authorities were requested to certify the company's quality system, which is part of the process requirements for receiving the product approval.

Following the submission of the application, the company has continued to implement the actions required to ensure the quality system as well as production capabilities are ready for the upcoming commercial phase.

Towards the end of the year, the company became increasingly aware of delays in the processing of the CE marking applications. The first audit of the quality system by the authorities took place in November 2022, and the second audit was scheduled for February 2023. Also, the product classification approval, the first step required for the CE marking, had not yet been completed by the end of the year. At the same time, based on the MedTech Europe Survey application processing by the Notified Body had become congested. Thus the company did not consider it likely that the company would receive the application in the original 12 month schedule. That said, the company believes that the earlier estimate of receiving the approval during 2023 is likely.

It is also positive that only minor measures were needed to correct the issues in the first audit report by the Notified Body.

With regard to the submission of a marketing authorization 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 Profitability**

BBS Plc had no revenue during the financial year 2022. The consolidated result for the review period was EUR –3,092 (-2,771) million 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 78 (125) thousand. All the development expenses were recognised as costs in the Profit and Loss statement. The company's cash resources at 31 December 2022 were EUR 1,52 (1,24) million and increased by EUR 0,28 million during the period, whilst decreased by EUR 2,20 million in 2021.

#### **Acquisitions and Share Issues**

There were no mergers or acquisitions during the financial year.

On 6 May 2022, the company announced that the board decided to organize a subscription rights issue of a maximum of approximately EUR 4.5 million and the related offering of option rights. The subscription period for the share issue started in Finland and Sweden on 18 May 2022. The subscription period ended on 1 June 2022 in Sweden and 3 June 2022 in Finland.

On 8 June 2022, the company's board of directors decided to accept the entries made in the issue. 1,972,571 shares were subscribed with subscription rights (about 73 percent of the subscribed shares) and 717,363 shares without subscription rights (about 27 percent of the subscribed shares). The shares registered in the share issue were registered in the trade register on 16 June 2022. The temporary shares were combined with the Company's existing shares in the book-entry system maintained by Euroclear Finland Oy on 17 June 2022 and in the book-entry system maintained by Euroclear Sweden AB on 23 June 2022. The new shares subscribed in the share issue were traded together with the Company's existing shares on 20 June 2022 in First North Growth Market Finland and on 23 June 2022 in First North Growth Market Sweden.

As a result of the share issue, the number of BBS shares increased by 2,689,934 shares. After the share issue, the company's total number of shares was 9,671,459, of which the number of treasury shares was 234,0523. The number of option rights issued in connection with the share issue was 670,962 from two different series (WA1 and WA2). For each eight (8) subscribed issue shares, the shareholder received two (2) option rights free of charge. The option gives its owner the right to subscribe for one (1) new share in the period between 21 November to 2 December 2022 (option right WA1) and 22 May to 2 June 2023 (option right WA2). With options, the shareholder can subscribe for shares at a discount compared to the price prior to the subscription.

The share issue was 77 percent subscribed, and the company raised approximately 3,5 million euros in assets before deducting the expenses and fees incurred from the share issue. Taking expenses and fees into account, the company raised a total of approximately 3,1 million euros in net assets. Of the net assets, approximately EUR 0,2 million, corresponding to the subscription price paid by RiverFort Global Opportunities PCC Ltd (RiverFort) in the share issue, was used to repay a part of the debt to RiverFort in accordance with the terms of the subscription commitment issued by RiverFort.

On 4 November 2022, the company's Board of Directors decided to issue 275,000 shares without consideration to the company itself, for potential loan conversions as well as for other possible purposes, in accordance with authorisation from the Extraordinary Shareholders Meeting in 17 March 2022. After the direct issue, 509,523 treasury shares are in the possession of BBS, representing approximately 5,0 percent of the total shares of the company.

The warrant program (WA1) was implemented in November-December and as a result total of 231 415 warrants 1-2022 (WA1) were used, corresponding to approximately 69.0 percent of the total number of warrants. The company's Board of Directors approved the share subscriptions on 9 December 2022. The company received approximately EUR 213,000 in gross proceeds before expenses. Following the registration of the new shares, the total number of shares in BBS-Bioactive Bone Substitutes Oyj increased to 10,177,874 .

### **Balance sheet**

The balance sheet total on 31 December 2022 was EUR 10,69 (10,51) million. At the end of the review period, the total amount of loans to financial institutions amounted to EUR 5,67 (6,21) million, out of which - including the EUR 0,55 million arrangement with Riverfort - EUR 1,130 (1,08) million were due in 12 months and EUR 1,74 (2,4) million after five years or later. The long-term interest-bearing debts include a

subordinated Capital Loan worth EUR 0,176 (0,176) million. The financing expenses were EUR -0,14 (-0,20) million.

During the review period no further development costs were recognized 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 recognized as expense was EUR 96 3621,11.

### Equity

The company's equity on 31 December 2022 was EUR 4,27 million. At the closing of the previous financial year, the equity amounted to EUR 3,63 million. The rights share issue in May-June and the issue related to the Option ProgramWA1 in November-December considerably strengthened the equity.

The losses of the financial year were EUR -3,09 (-2,77) million.

#### KEY FIGURES

1000 eur	H2 2022	H2 2021	2022	2021
Other operating income	9	16	64	61
Personnel expenses	587	720	1,315	1,199
Depreciation and amortization	112	119	225	231
Other operational expenses	756	481	1,446	1,144
<b>Profit/Loss for the period</b>	-1,416	-1,463	-3,093	-2,771
<b>Cash flow for business operations</b>	-1,320	-1,155	-2,816	-2,520
Change in cash resources	-1,872	-698	281	-2,202
Equity ratio <sup>1)</sup> , %	40.0	34.6	40.0	34.6
Earnings per share <sup>2)</sup> , EUR	-0.15	-0.22	-0.38	-0.42
Earnings per share, EUR, diluted	-0.14	-0.22	-0.35	-0.41
Number of shares at the end of period	9,668,351	6,737,889	9,668,351	6,737,889
Average number of shares in the period	9,450,771	6,615,855	8,211,650	6,593,872
Equity per share <sup>3)</sup> , EUR	0.44	0.54	0.44	0.54
Cash and cash equivalents	1,517	1,236	1,517	1,236
Equity	4,271	3,634	4,271	3,634
Balance sheet total	10,688	10,506	10,688	10,506

<sup>1)</sup> Equity ratio = Equity / (Balance sheet total – Advances received)

<sup>2)</sup> EPS = Profit(Loss) / Average number of outstanding shares in the period

<sup>3)</sup> Equity / Total outstanding number of shares at the end of the period

### Staff, management and administration

At the end of the financial year 2022, the company employed the CEO and 21 (20) staff members. Two new professionals were recruited as production resources. 13 members of the staff worked in the Reisjärvi production site and another eight are located at Oulu office. The average number of personnel during the year was 19, like in the previous year. Personnel expenses in 2022 were 1.32 (1.20) million euros.

Chairman of the Board Jarmo Halonen, Pekka Jalovaara, Kirk Andriano and Seppo Nevalainen were the members of the BBS Board of Directors for the whole review period. Ahti Paananen was appointed as new board member at the Annual General Meeting on 28 April 2022. The Board of Directors includes two independent members.

The BBS Management Team consisted of the CEO Ilkka Kangasniemi, Quality and Assurance Manager Soile Hakala as well as Director of Quality Control Laboratory Mikko Viitanen. On 8 August 2022, Jussi Jukka joined the team as Production Manager and Jari Korttesluoma, CFO, on 7 October 2022, as the previous CFO Liisa Hukka left the company.

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

### **Annual General Meeting 2022**

The company's annual general meeting was held on Thursday, 28 April 2022, starting at 2 p.m. in Oulu. The general meeting confirmed the company's financial statements for the financial year 2021, granted discharge of liability to the members of the board of directors and the CEO. The general meeting decided that the company will not pay a dividend for the financial year 2021.

The general meeting decided that the number of board members is five. Jarmo Halonen, Pekka Jalovaara, Seppo Nevalainen and Kirk Andriano were re-elected as board members until the end of the next annual general meeting. Ahti Paananen was elected as a new board member. The general meeting decided that the chairman of the board will be paid 1.300 euros per meeting and the other members 900 euros per meeting. There is no compensation for e-mail meetings.

Ernst&Young Oy Authorized Public Accountants, were re-elected as the auditor of the company by the AGM and KHT Jari Karppinen acts as the principal auditor. The remuneration to the auditors will be based on a reasonable invoice approved by the company.

### **Share-based incentive plan**

The company has an option program approved by the AGM on 18 July 2012. The Board of Directors decided on options on 2 January 2013 as authorized 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 9 April 2013. On 9 January 2018, the Board of Directors extended the subscription period until 31 December 2023. As the number of new shares in the option program is limited to 170,000 representing only 1,7% of the total, this has no perceptible impact on the earnings or other key figures per share.

### **Authorizations**

The Extraordinary General Meeting (EGM) decided to authorize the board of directors to decide in one or more installments on share issues and on the issue of option rights and other special rights entitling to shares referred to in Chapter 10, Section 1 of the Limited Liability Companies Act, as follows: The number of shares to be issued based on the authorization can be a maximum of 6,000,000 shares. The board of directors decides on all conditions for granting share issues and options and other special rights entitling to shares. Issuance of shares and the granting of option rights and other special rights entitling to shares may take place in deviation from the shareholders' pre-emptive right (directed issue), if there is a compelling financial reason for it from the company's point of view. The authorization applies to the transfer of both

new shares and the company's own shares. In the company's share issues, shares can be transferred either against payment or free of charge. The Directed share issue can only be free of charge if there is a particularly compelling financial reason for it from the company's point of view and taking into account the interests of all its shareholders. The authorization is valid until June 30, 2023, and when it enters into force, it will cancel the authorization granted by the annual general meeting on April 28, 2021.

During the financial year, 2,689,934 authorizations have been used in the May-June subscription rights issue, 275,000 in the free issue allocated to the company itself by the board's decision on November 4, 2022, and 231,415 in the November-December issue of the WA1 option program. The total number of remaining authorizations, 2,364,104, corresponds to approximately 23% of the company's share capital.

### **Risks and uncertainties**

Significant risks and uncertainties independent of the Company are identified both in the area of the product development and the commercializing 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 are reflected also in the FDA registration. 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 there are risks in the short and long term. The partial realization of the share issue (77%) has affected the adequacy of the company's financing. In addition, financial market instability can make it difficult to acquire further financing. The uncertainty in the stock market caused by the coronavirus and the war in Ukraine is still considered acute risk. As a product development and manufacturing company for medical devices, BBS is a long-term investment target. The development phase is long, and it is followed by a marketing and sales growth phase lasting four to five years after the launch. When the business has become profitable, the growth phase typically continues with the same product for a long time.

### **Working Capital**

Currently, the company's available working capital is not sufficient for the needs of the next 12 months, which also means that the company will need additional funding to complete the CE marking approval process and start commercial operations.

Since spring 2022, the company has taken actions to secure its financing, including the EUR 3,1 million rights issue in May-June, WA1 and WA2 option programs and financial arrangement with Riverfort Global Opportunities PCC Ltd. The company's financial resources at end of the financial period were EUR 1,5 million. The current working capital available is expected to cover the operative financial needs until the beginning of the second half of FY 2023. Furthermore, the Riverfort arrangement enables the raising of further EUR 1 million with approval of the lender for each advance.

The company is currently negotiating a 12-month extension for the current financing agreement based on the proposal received from Riverfort Global. According to the current agreement, the financing arrangement with Riverfort Global ends on 31, March 2023.

The company estimates that the operative expenses for the next 12 months will be EUR 2,8-3,3 million with monthly expenses rising in the latter half of the year, e.g. as the investments related to commercialization increase. Additionally, the financial expenses and loan repayments will be around EUR 0,7 million. Furthermore, the company reserves EUR 0,1 million for the investments in product and process

development and production. The total amount of investments and expenses depend on the management decisions.

### Shares and shareholders

The market capitalization of BBS at the end of December 2022 was EUR 11,6 million. The closing stock price on 31 December was EUR 1,20. The highest stock price during the review period was EUR 2,54 and the lowest EUR 1,05.

On 31 December 2022, the total number of BBS registered shareholders was 4,236 (3,926). All the shares have similar rights. At the end of December, the total number of registered shares was 10,177,874 (6,981,525), including 509,523 (243,636) treasury shares. Each share is entitled to one vote. The members of the Board of Directors and the CEO and the entities under their control had a total of 1,134,536 (577,812) shares representing 11,7 % of outstanding shares and in addition 22,761 WA2 options, representing 6,8 % of the respective option series.

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 31 December 2022 were:

	Number of shares	% of outstanding shares	Number of Options (2)
Finha Capital Oy	1 408 404	14,6 %	38 606
Reisjärven Kunta	1 051 081	10,9 %	43 795
Jalovaara Pekka (1)	568 025	5,9 %	1 925
Paananen Ahti (1)	520 904	5,4 %	20 836
Panvest Oy	476 838	4,9 %	19 073
Euroclear Bank SA/NV	250 348	2,6 %	8 084
Rosenqvist Alexandra	230 309	2,4 %	961
Halonen Veronika	229 349	2,4 %	961
Jukka Halonen	226 481	2,3 %	5 618
Oulun Kaupunki	130 081	1,3 %	
<b>10 largest</b>	<b>5 091 820</b>	<b>52,7 %</b>	<b>139 859</b>
Other	4 576 531	47,3 %	195 622
<b>Total</b>	<b>9 668 351</b>	<b>100,0 %</b>	<b>335 481</b>
BBS-BIOACTIVE BONE SUBSTITUTES OYJ	509 523		
<b>Grand Total</b>	<b>10177874</b>		<b>335481</b>

1) Ahti Paananen (since April 28, 2022) and Pekka Jalovaara are members of the company's board.

2) Number of quoted trading options (TO2/ BONEHEW22022)

The 10 largest shareholders hold 52,7 % of the votes and outstanding shares in 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 CEO are considered as the key personnel. The remuneration of the key personnel during the financial year was EUR 238 (206) thousand.

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 on 13 February 2023 applied for The Delisting of Secondary Listing on Nasdaq First North Growth Market Sweden. When making the decision, the board has taken into account the low trading volumes of BBS shares after the company's listing in 2018, as well as the small number of shareholders registered with Euroclear Sweden AB. The board has also assessed the additional costs incurred by the company and the administrative responsibilities arising from compliance with the listing requirements in connection with the parallel listing. The last day of trading in the shares of BBS on Nasdaq First North Growth Market Sweden shall be March 3, 2023.

**The board's proposal for measures concerning the company's result**

The board proposes that the company's financial year result be transferred to retained earnings and that no dividend be distributed.

**Outlook for 2023**

The company's goal is to obtain a CE-mark for its first product during the current year. According to a survey\* of supervisors published by Medtech Europe, average application processing times increased in 2022. For this reason, the company estimates that, based on the information currently available, it is unlikely that the final CE marking application will be approved by the end of March.

Preparations for commercial operations will begin towards the end of 2023.

The Board of Directors has prepared a cash flow model that extends to 24 months from the financial statements. The model contains assumptions based on the Board of Director'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 on the information available together with the presented and initiated actions to raise funds, the company expects to secure working capital needs over the next 12 months. However, despite all the actions presented, a level of uncertainty regarding the sufficiency related to the company funding remains.

Currency unit EURO	1.1.2022 - 31.12.2022	1.1.2021 - 31.12.2021
<b>NET TURNOVER</b>	0,00	0,00
Other operating income	64 222,95	60 573,57
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	-29 954,56	-56 949,57
External services	0,00	0,00
Raw materials and services total	-29 954,56	-56 949,57
Personnel expenses		
Wages, salaries and bonuses	-1 101 084,02	-1 007 952,62
Social security expenses		
Pension expenses	-176 235,17	-157 302,45
Other personnel expenses	-37 585,02	-34 184,78
Personnel expenses total	-1 314 904,21	-1 199 439,85
Depreciation, amortisation and impairment losses		
Planned depreciation and amortisation	-225 200,73	-231 337,61
Planned depreciation and amortisation total	-225 200,73	-231 337,61
Other operating charges	-1 445 749,83	-1 143 923,95
<b>OPERATING PROFIT (LOSS)</b>	<b>-2 951 586,38</b>	<b>-2 571 077,41</b>
Financial income and expenses		
Other interest and financial income		
From others	39,68	44,01
Interest and other financial expenses		
For others	-141 051,39	-199 880,71
Financial income and expenses total	-141 011,71	-199 836,70
<b>PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS</b>	<b>-3 092 598,09</b>	<b>-2 770 914,11</b>
<b>PROFIT (LOSS) FOR THE FINANCIAL YEAR</b>	<b>-3 092 598,09</b>	<b>-2 770 914,11</b>

Currency unit EURO	31.12.2022	31.12.2021
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets		
Development expenses	7 532 827,55	7 532 827,55
Other capitalised long-term expenses	214 607,59	256 610,52
Intangible assets total	7 747 435,14	7 789 438,07
Tangible assets		
Land and waters		
Own	83 719,00	83 719,00
Buildings		
Own	414 661,50	445 872,58
Machinery and equipment	525 176,13	618 755,96
Tangible assets total	1 023 556,63	1 148 347,54
<b>NON-CURRENT ASSETS TOTAL</b>	<b>8 770 991,77</b>	<b>8 937 785,61</b>
<b>CURRENT ASSETS</b>		
Debtors		
Short-term		
Other debtors	396 606,51	327 341,55
Prepayments and accrued income	3 814,80	5 298,16
Debtors total	400 421,31	332 639,71
Cash and cash equivalents	1 516 774,94	1 236 061,54
<b>CURRENT ASSETS TOTAL</b>	<b>1 917 196,25</b>	<b>1 568 701,25</b>
<b>ASSETS TOTAL</b>	<b>10 688 188,02</b>	<b>10 506 486,86</b>

Currency unit EURO	31.12.2022	31.12.2021
<b>LIABILITIES</b>		
<b>CAPITAL AND RESERVES</b>		
Share capital		
Share capital	80 000,00	80 000,00
Share premium account	1 394 956,56	1 394 956,56
Other funds		
Invested unrestricted equity fund	21 425 092,26	17 695 037,93
Other funds total	21 425 092,26	17 695 037,93
Retained earnings (loss)	-15 536 107,52	-12 765 193,41
Profit (loss) for the financial year	-3 092 598,09	-2 770 914,11
<b>CAPITAL AND RESERVES TOTAL</b>	<b>4 271 343,21</b>	<b>3 633 886,97</b>
<b>CREDITORS</b>		
Long-term		
Capital loans	175 825,46	175 825,46
Loans from financial institutions	4 363 430,50	4 946 464,75
Accruals and deferred income	176 200,00	176 200,00
Long-term loans total	4 715 455,96	5 298 490,21
Short-term		
Loans from financial institutions	1 133 034,45	1 083 034,25
Trade creditors	145 381,60	82 402,50
Other creditors	59 679,13	83 464,92
Accruals and deferred income	363 293,67	325 208,01
Short-term total	1 701 388,85	1 574 109,68
<b>CREDITORS TOTAL</b>	<b>6 416 844,81</b>	<b>6 872 599,89</b>
<b>LIABILITIES TOTAL</b>	<b>10 688 188,02</b>	<b>10 506 486,86</b>

[1000 euros]	2022	2021
<b>Cash flow from business operations</b>		
<i>Profit (loss) before extraordinary items</i>	-3 093	-2 771
Adjustments		
Scheduled depreciation and amortisation	225	231
Financial income and expenses	141	200
Other adjustments		
<b>Cash flow before changes in working capital</b>	<b>-2 726</b>	<b>-2 340</b>
Change in working capital		
Changes in short-term non-interest-bearing (+) (-)	-48	-122
Changes in short-term non-interest-bearing loans Increase (+)/Decrease (-)	83	76
Changes in long-term non-interest-bearing loans Increase (+)/Decrease (-)		0
<b>Cash flow from business operations before financial items and taxes</b>	<b>-2 691</b>	<b>-2 386</b>
Interest paid and other financial expenses from business operations	-125	-135
Cash flow before extraordinary items and taxes	-2 816	-2 520
<b>Cash flow from business operations (A)</b>	<b>-2 816</b>	<b>-2 520</b>
<b>Cash flow from investments</b>		
Investments in tangible and intangible goods	-78	-125
Loans granted		
<b>Cash flow from investments (B)</b>	<b>-78</b>	<b>-125</b>
<b>Cash flow from financing</b>		
Share issue	3 708	0
Riverfort Financial Arrangement	50	750
Repayment of long-term loans	-583	-307
<b>Cash flow from financing ( C)</b>	<b>3 175</b>	<b>443</b>
<b>Changes in funds (A+B+C) Increase (+)/Decrease (-)</b>	<b>281</b>	<b>-2 202</b>
Funds at the beginning of the financial period	1 236	3 438
Funds at the end of the financial period	1 517	1 236

	1.1.2022	1.1.2021
Currency unit EURO	- 31.12.2022	- 31.12.2021
<b>NET TURNOVER</b>		0,00
Other operating income	64 202,95	60 573,57
Raw materials and services		
Raw materials, supplies and goods		
Purchases during the financial year	-29 954,56	-56 949,57
External services		
Raw materials and services total	-29 954,56	-56 949,57
Personnel expenses		
Wages, salaries and bonuses	-1 101 084,02	-1 007 952,62
Social security expenses		
Pension expenses	-176 235,17	-157 302,45
Other personnel expenses	-37 585,02	-34 184,78
Personnel expenses total	-1 314 904,21	-1 199 439,85
Depreciation, amortisation and impairment losses		
Planned depreciation and amortisation	-192 451,26	-195 726,12
Planned depreciation and amortisation total	-192 451,26	-195 726,12
Other operating expenses	-1 553 263,24	-1 174 249,78
<b>OPERATING PROFIT (LOSS)</b>	<b>-3 026 370,32</b>	<b>-2 565 791,75</b>
Financial income and expenses		
Other interest and financial income		
From others	34,69	42,85
Interest and other financial expenses		
To others	-121 882,23	-178 832,28
Financial income and expenses total	-121 847,54	-178 789,43
<b>PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES</b>	<b>-3 148 217,86</b>	<b>-2 744 581,18</b>
<b>PROFIT (LOSS) FOR FINANCIAL YEAR</b>	<b>-3 148 217,86</b>	<b>-2 744 581,18</b>

Currency unit EURO	31.12.2022	31.12.2021
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Intangible assets		
Development costs	7 532 827,55	7 532 827,55
Other capitalised long-term expenses	214 607,59	256 610,52
Intangible assets total	7 747 435,14	7 789 438,07
Tangible assets		
Machinery and equipment	520 560,95	612 602,39
Tangible assets total	520 560,95	612 602,39
Investments		
Shares of group companies	714 499,55	714 499,55
Investments total	714 499,55	714 499,55
<b>NON-CURRENT ASSETS TOTAL</b>	<b>8 982 495,64</b>	<b>9 116 540,01</b>
<b>CURRENT ASSETS</b>		
Debtors		
Short-term		
Receivables from group companies	0,00	0,00
Other receivables	395 518,43	326 552,33
Prepayments and accrued income	3 814,80	5 298,16
Debtors total	399 333,23	331 850,49
Cash and cash equivalents	1 467 618,08	1 214 706,01
<b>CURRENT ASSETS TOTAL</b>	<b>1 866 951,31</b>	<b>1 546 556,50</b>
<b>TOTAL ASSETS</b>	<b>10 849 446,95</b>	<b>10 663 096,51</b>

Currency unit EURO	31.12.2022	31.12.2021
<b>LIABILITIES</b>		
<b>CAPITAL AND RESERVES</b>		
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	21 425 092,26	17 695 037,93
Other funds total	21 425 092,26	17 695 037,93
Retained earnings (loss)	-14 861 701,91	-12 117 120,73
Net profit (loss) for the financial year	-3 148 217,86	-2 744 581,18
<b>CAPITAL AND RESERVES TOTAL</b>	<b>4 890 129,05</b>	<b>4 308 292,58</b>
<b>CREDITORS</b>		
Long-term		
Capital loans	175 825,46	175 825,46
Loans from financial institutions	3 978 562,50	4 497 396,75
Accrued expenses and deferred income	176 200,00	176 200,00
Long-term total	4 330 587,96	4 849 422,21
Short-term		
Loans from financial institutions	1 068 834,45	1 018 834,25
Trade creditors	141 086,23	79 332,37
Other creditors	55 515,59	82 053,00
Accruals and deferred income	363 293,67	325 162,10
Short-term total	1 628 729,94	1 505 381,72
<b>CREDITORS TOTAL</b>	<b>5 959 317,90</b>	<b>6 354 803,93</b>
<b>LIABILITIES TOTAL</b>	<b>10 849 446,95</b>	<b>10 663 096,51</b>



[1000 euros]	2022	2021
<b>Cash flow from business operations</b>		
Profit (loss) before extraordinary items	-3 148	-2 745
Adjustments		
Scheduled depreciation and amortisation	192	196
Financial income and expenses	122	179
Other adjustments		
<b>Cash flow before changes in working capital</b>	<b>-2 834</b>	<b>-2 370</b>
<b>Change in working capital</b>		
Changes in short-term non-interest-bearing (+) (-)	-48	-120
Changes in short-term non-interest-bearing loans Increase (+)/Decrease (-)	79	75
<b>Cash flow from business operations before financial items and taxes</b>	<b>-2 803</b>	<b>-2 415</b>
Interest paid and other financial expenses from business operations	-105	-114
Cash flow before extraordinary items and taxes	-2 908	-2 529
<b>Cash flow from business operations (A)</b>	<b>-2 908</b>	<b>-2 529</b>
<b>Cash flow from investments</b>		
Investments in tangible and intangible goods	-78	-125
Loans granted		
<b>Cash flow from investments (B)</b>	<b>-78</b>	<b>-125</b>
<b>Cash flow from financing</b>		
Share issue	3 708	0
Riverfort Financial Arrangement	50	750
Repayment of long-term loans	-519	-243
<b>Cash flow from financing (C)</b>	<b>3 239</b>	<b>507</b>
<b>Changes in funds (A+B+C) Increase (+)/Decrease (-)</b>	<b>253</b>	<b>-2 146</b>
Funds at the beginning of the financial period	1 215	3 361
Funds at the end of the financial period	1 468	1 215

FINANCIAL STATEMENTS 31.12.2022

**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 capitalized development costs**

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

Capitalised assets have not been depreciated. Depreciations will be started in conjunction with the deliveries to customers of the products of which development costs have been capitalised. The estimated depreciation period is 10 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.

	<b>31.12.2022</b>	<b>31.12.2021</b>
Cleanroom native project	205 288,42	256 610,52

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**

	<b>31.12.2022</b>	<b>31.12.2021</b>
Native project machinery and equipments	347 236,38	434 045,48

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

<b>Category</b>	<b>Estimated service life (years)</b>	<b>Depreciation %</b>	<b>Depreciation method</b>
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**

<b>Category</b>	<b>Estimated service life (years)</b>	<b>Depreciation %</b>	<b>Depreciation method</b>
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 31.12.2022

## NOTES TO BALANCE SHEET LIABILITIES

Specification of equity	Parent company 31.12.2022	Parent company 31.12.2021	Consolidated 31.12.2022	Consolidated 31.12.2021
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	<u>1 474 956,56</u>	<u>1 474 956,56</u>	<u>1 474 956,56</u>	<u>1 474 956,56</u>
Reserve for invested unrestricted equity at the beginning of the financial year	17 695 037,93	17 377 537,93	17 695 037,93	17 377 537,93
Increase	3 707 554,33		3 707 554,33	
Increase, Riverfort	22 500,00	317 500,00	22 500,00	317 500,00
Reserve for invested unrestricted equity at the end of the financial year	21 425 092,26	17 695 037,93	21 425 092,26	17 695 037,93
Retained earnings/losses at the beginning of the financial year	-12 117 120,20	-9 411 105,10	-12 765 193,41	-10 034 212,61
Retained earnings/losses from the previous financial year	-2 744 581,18	-2 706 015,10	-2 770 914,11	-2 730 980,80
Retained earnings/losses at the end of the financial year	-14 861 701,38	-12 117 120,20	-15 536 107,52	-12 765 193,41
Profit/loss for the financial year	-3 148 217,86	-2 744 581,18	-3 092 598,09	-2 770 914,11
Total unrestricted equity at the end of the financial year	<u>3 415 173,02</u>	<u>2 833 336,55</u>	<u>2 796 386,65</u>	<u>2 158 930,41</u>
Equity, total	<u>4 890 129,58</u>	<u>4 308 293,11</u>	<u>4 271 343,21</u>	<u>3 633 886,97</u>

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

	31.12.2022	31.12.2021
Retained earnings from the previous financial years	-14 861 701,91	-12 117 120,73
Financial result (profit+/loss-)	+ -3 148 217,86	-2 744 581,18
Reserve for invested unrestricted equity	+ 21 425 092,26	17 695 037,93
Accumulated unaccounted capital loan interest	- -96 362,11	-91 087,35
Activated development costs	- -7 532 827,55	-7 532 827,55
<b>Unrestricted equity, total</b>	<u>= -4 214 017,17</u>	<u>-4 790 578,88</u>

## Liabilities maturing later than five years:

	Parent company 31.12.2022	Parent company 31.12.2021	Consolidated 31.12.2022	Consolidated 31.12.2021
Loans from financial institutions	1 613 890,50	2 196 879,75	1 741 958,50	2 389 147,75
	1 613 890,50	2 196 879,75	1 741 958,50	2 389 147,75

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 31.12.2022

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

During the 2H of 2021 Riverfort Global Ltd granted EUR 750,00 capital facility for the company of which EUR 250,000 and EUR 67,500 as capital facility arrangement fees, a total of EUR 317,000 was recognised in the reserve for invested equity during the financial year 2021.

In the fiscal year 2022 an additional loan installment of EUR 250,000 was granted by Riverfort Global Ltd. The arrangement fees of EUR 22,500 related to the loan was converted and recognised in the reserve for invested equity. Later during the financial year EUR 199,999.80 was repaid to Riverfort Global Ltd.

Theremaining portion of the financing arrangement of EUR 550 000,20 is included in the Current Liabilities.

Key commercial terms and conditions of the financing arrangement with Riverfort Global Ltd 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 from the date of issuance.

**Working Capital**

Currently, the company's available working capital is not sufficient for the needs of the next 12 months, which also means that the company will need additional funding to complete the CE marking approval process and start commercial operations.

Since spring 2022, the company has taken actions to secure its financing, including the EUR 3,1 million rights issue in May-June, WA1 and WA2 option programs and financial arrangement with Riverfort Global Opportunities PCC Ltd. The company's financial resources at end of the financial period were EUR 1,5 million. The current working capital available is expected to cover the operative financial needs until the beginning of the second half of FY 2023. Furthermore, the Riverfort arrangement enables the raising of further EUR 1 million with approval of the lender for each advance.

The company is currently negotiating a 12-month extension for the current financing agreement based on the proposal received from Riverfort Global. According to the current agreement, the financing arrangement with Riverfort Global ends on 31, March 2023.

The company estimates that the operative expenses for the next 12 months will be EUR 2,8-3,3 million with monthly expenses rising in the latter half of the year, e.g. as the investments related to commercialization increase. Additionally, the financial expenses and loan repayments will be around EUR 0,7 million. Furthermore, the company reserves EUR 0,1 million for the investments in product and process development and production. The total amount of investments and expenses depend on the management decisions.

## FINANCIAL STATEMENTS 31.12.2022

**Unrecognized tax liabilities or assets**

The Group has tax loss of approximately EUR 13,4 million, of which a hidden tax claim at the current income tax rate of 20% is approximately EUR 2,6 million.

**PLEGDED ASSETS AND OFF-BALANCE SHEET COMMITMENTS AND ARRANGMENTS**

	<b>Debts</b>		<b>Corporate mortgages</b>	<b>Value of guarantee placed</b>
<b><u>Parent company</u></b>				
Secured Loans from financial institutions	194 290,00	-	194 290,00	194 290,00
Falling due for payment with in the next 12 mont	27 800,00			
<b><u>Consolidated</u></b>				
Secured Loans from financial institutions	643 358,00	-	643 358,00	643 358,00
Falling due for payment with in the next 12 mont	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:**

<b>Company</b>	<b>domicile</b>	<b>ownership %</b>
Bio Bones Oy	Reisjärvi	100,00