BBS-Bioactive Bone Substitutes Plc: Financial Statements Review 1.1.-31.12.2020 (unaudited)

Financial statement release on 24 February 2021 at 7.15 p.m. (CET)

BBS- Bioactive Bone Substitutes Plc's ("BBS", "the Company") Financial Statements Review 1.1.-31.12.2020 (unaudited)

Year 2020 in brief (Reference period 2019)

- Clinical study results were received in February and they were confirmed to fulfil the Company goals. The ARTEBONE® Paste works clinically as well as human autograft.
- BBS' patent application"A METHOD FOR PREPARING A BONE PROTEIN PREPARATION AND A BONE PROTEIN PREPARATION" for the product had been accepted in the USA. The Company's product ARTEBONE® is now patented in all the countries where it has been applied for. The patent application regarding the production is still in progress in the USA.
- Covid-19 pandemic caused considerable delays in the Company actions.
- Considerable deficiencies were discovered in the documentation for CE marking application. The Company made considerable investments to remedy the situation.
- Validations of production process, the product and quality control were continued. The validation processes in progress have no effect on timelines of the CE marking process.
- Interim reports of the animal trial requested by the regulatory authorities were received in spring and summer 2020. In the Company assessment the study outcome appears likely to fulfil the requirements of the authorities.
- The Company has initiated the regulatory approval process preparations with the Dutch Notified Body (BSI-NL).
- BBS had no sales revenue during the financial year 2020.
- Cash flow from operating activities was EUR –2,42 (-1,44) million.
- BBS's cash and cash equivalents on December 31st, 2020 were EUR 3,44 (0,52) million.
- The Company carried out a share issue in the Nasdaq First North GM marketplace in Finland and Sweden. The issue raised new funds of EUR 5,47 million for the Company with the aim of strengthening the Company's assets and ownership base.

Key Figures Group

1 000 €	**1.1-31.12.2020**	**1.1-31.12.2019**
Other operating income	46	53
Personnel expenses	795	665
Depreciation and Amortisation	214	225
Other operating expenses	1 599	593
Profit /Loss for the period	-2 731	-1 638
The Cash Flow from Business Operations	-2 418	-1 444
Change in Cash Position	2 923	-1 169

Equity ratio %	48 %	31 %
Earnings per share, EPS €	-0,46	-0,32
Earnings per share €, diluted	-0,45	-0,31
Number of shares at the end of period (BBS)	6 571 525	5 204 820
Average number of shares during the period	5 897 533	5 146 887

1 000 €	**31.12.2020**	**31.12.2019**
Cash and cash equivalents	3 438	515
Own capital	6 087	3 079
Balance sheet total	12 692	9 833

** Equity Ratio=* $\frac{\textit{Equity}}{\textit{(Balance Sheet Total – Advances Received)}}$

** EPS=* $\frac{\textit{Profit(Loss)}}{\textit{Average number of Shares during the Period}}$

Board of Directors guidance for 2021

The company expects to launch its first product in the EU market and thus to start its turnover. However, due to Covid-19 and the new MDR-regulation there are unusually many added uncertainty factors. Due to the situation turnover during this year is not expected.

The Company's medium-term objectives have not changed from last year. The Company expects

- to generate significant revenue growth as a result of a two-year marketing period
- to become profitable after four years
- To launch also in the US and many other countries
- To develop new products
- To establish partnership agreements with industry leaders

Board of Directors outlook for 2021

- BBS begins its CE marking submission process in April. The submission process is expected to progress during the year in a manner revealing the likelihood of acceptance and timeline towards the end of the year.
- Preparation of the FDA approval submission continues. The goal is to conduct an animal test required by the FDA authorities this year.
- The Company starts to prepare its sales and marketing operations, when the first response from Notified Body has been received.

- Preparations for recruiting marketing staff will begin
- Preparations for the Post market clinical follow up study will begin. The research is mandatory under medical device regulations.
- Building of a network of key clinical opinion leaders is initiated.
- The Company will start preparation of production when the first response from Notified Body has been received.

- New staff recruitment and training will be continued
- New production test rounds are performed to meet the needs of animal testing and subsequent clinical work as well as optimization of production.
- The Board of Directors has confirmed the sufficiency of funds for the Company business until summer 2022. The Company will make preparations during the year for a financial arrangement. Such funds are aimed to secure the Company business continuity and initiation of sales.

Annual Report and Balace Sheet 2020 BBS-BIOACTIVE BONE SUBSTITUTES Plc (English version, unaudited)

ANNUAL REPORT 1 JANUARY - 31 DECEMBER 2020

Business Review

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

In early 2020 the Company actions focused on quality system and technical file preparations, process validations as well as finalising the clinical study report. The Company is close to ending of its product development and is approaching its first product launch to the markets. The Company collected new equity from markets to secure the finalisation of its product development and approval of its first commercial product.

To ensure its short-term liquidity the Company decided to take out a working capital loan of EUR 200 thousand in March from Finha Capital Oy, which is one of the Company's main owners. In June 2020 The Company carried out a share issue in the Nasdaq First North GM marketplace in Helsinki and Stockholm. The issue raised new funds of EUR 5.47 million for the Company. The previously mentioned working capital loan was converted into the Company's shares in connection with the Rights Issue.

The Company released an announcement in February 2020 about the results of the clinical trial that showed ARTEBONE® Paste to function as well as human autograft in fusion of ankle.

First interim results of the animal trial requested by regulatory authorities were announced on August 31st, 2020. Based on the results, it was concluded that the final report is likely to fulfil the requirements set by the regulatory authorities. Due to inconsistent interpretations of study samples by the study facility an amendment on analytical method was made to study protocol and the measurements were partly repeated.

Management of the Company has estimated that the Company will receive the CE marking for the ARTEBONE® product designed to heal bone fractures and damages during 2021. The schedule described above requires that Notified Body in Europe can process the Company's CE marking application within eight months of the submission of the application. The Notified Body does not commit to precise application processing times, which means that the Company can only assess the schedule when the CE marking was granted.

The Company objective was earlier to submit the CE marking application to Notified Body in autumn 2020. Then the Company could have received the CE marking in spring 2021. However, in autumn 2020 significant causes of delays were observed.

The US market approval submission to FDA has not advanced significantly during the financial period. Company aims to submit the application to FDA after its application for CE-marking has been submitted.

At a general level, the Covid-19 pandemic has caused delays and made the operating environment more difficult. During autumn, the ongoing commissioning of new Medical Device Regulation (MDR) in Europe has highlighted significant number of unfinished documents, quality tests and qualifications of production equipment in the Company. In addition, the Notified Body demands that all documents must be ready for submission at the same time with the CE marking application, whereas according to previous practice, the application could be supplemented during the application process. Furthermore, the further measurements of the animal experiment required by the authority have had to wait longer than expected as the company released in August 2020.

The Company took several corrective actions during end of 2020 to correct the deficiencies due to the above reasons.

FINANCIAL REVIEW

Operating result

BBS Plc had no revenue during the financial year 2020, nor in the corresponding period of the previous year. The consolidated result for the review period was EUR -2,73 million (EUR -1,69 million in 2019) 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 82 thousand (EUR 23 thousand in 2019). All the development expenses were recognised as costs in the Profit and Loss statement.
The Company's cash resources at December 31st 2020 were EUR 3,44 million (EUR 0,52 million in 2019) and increased by EUR 2,92 million during the period (EUR -1,17 million in 2019)

Acquisitions and Share Issues

There were no mergers or acquisitions during the financial year.

However, between June 2nd and 18th a rights issue was organised both in the Finnish and Swedish market. The Company offered up to 1 301 205 new shares, representing approximately 25% of the company's shares. A total of 1.059.634 shares were subscribed based on pre-emption rights and the remaining 241.571 shares were allocated in accordance with the terms of the placement. Gross assets worth EUR 5,47 million were raised. However shortly afterwards, it became apparent that the subscription and payment of 65 500 shares by an existing shareholder had not been registered properly on the June 24th allocation. On June 26th, the Board of Directors agreed on an additional private placement of 65.500 shares to the investor at the same price and equal terms as the original issue. Additional EUR 0,27 million was collected.
In total the company received EUR 5,74 million worth gross assets. After the fees, loan conversion and other related costs approximately EUR 4,85 million remained to strengthen the Company's cash position.

Since June 29th after the registration of the issue the total amount of the company shares equal to 6 571 525.

Balance sheet

The balance sheet total at December 31st 2020 was EUR 12,69 million (EUR 9,83 million in 2019). At the end of the review period the interest-bearing debts to financial institutions amounted to EUR 6,01 million (EUR 6,33 million in 2019), out of which EUR 0,31 million (0,96) were due in 12 months and EUR 2,14 million (0,88) 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 -0,085 million (- 102,2 million in 2019)

In March 2020 the Company renegotiated repayment plans for development and working capital loans worth EUR 78 520, 1 844 212, 2 732 000 and 578 680. According to the renewed agreements the repayments are scheduled between June 30th and 2020 and June 30th 2028. The arrangement has a significant impact on reducing the burden of outbound financial cashflow.

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.

Accrued interest not recognised as expense is EUR 85 802,68 at the end of the financial year

Equity

The Company's equity at December 31st 2020 was EUR 6,09 million. At closing of the financial year December 31st .2019 the equity amounted to EUR 3,08 million. During the review period of 2020 a rights issue and an additional private placement were organised strengthening the equity by EUR 5,74 million. The losses of the financial year were EUR -2,73 million.

Staff, management and administration

At the end of the financial period 2020 the company employed the Managing Director and 16 staff members (12 in 2019) . Five new professionals were recruited. The biomedical quality management resources as well as operational production and development resources were strengthened. Eight members of the staff work in the Reisjärvi production site and another eight are placed in Oulu,

Chairman of the Board Jarmo Halonen, Mr.Pekka Jalovaara and Mr.Tomi Numminen belonged to the BBS Board of Directors for the whole review period. Mr Auvo Kaikkonen, Company's CFO Hannu Säynäjäkangas and the Managing Director Ilkka Kangasniemi left their seats at the Annual Shareholders Meeting on August 17th as Mr.Seppo Nevalainen was appointed as a new member. After the changes there are two independent members in the BBS Board.

The BBS Management consisted of the Managing Director Ilkka Kangasniemi, CFO Hannu Säynäjäkangas and COO Hanna Tölli The Quality and Assurance Manager Soile Hakala was invited to the Management Team on August 17th.

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.

2019 Annual General Meeting (AGM)

BBS's AGM was held on August 17th 2020 in Oulu. The AGM approved the financial statements for the financial year 2019 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 2019 - 31 December 2019, and that the loss for the financial year is recognised in the profit/loss account. The AGM decided that the Board of Directors shall comprise of four (4) members. The AGM approved the remuneration of the Board of Directors as follows: The Chairman will be paid EUR 750 per meeting and the other members EUR 500 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.

The Annual General Meeting authorised the Board of Directors on the issuance of up to 1 000 000 (one million) new shares, not excluding the right of the Board of Directors to decide on a directed share issue. The authorisation is in force until the next AGM, however no longer than until the 30th June 2021.

Share-based incentive plan

The company has a valid option program approved by the AGM on July 18th, 2012. The Board of Directors decided on options on January 2nd, 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., 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 three percent (3%) 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 authorised the Board of Directors on the issuance of up to 1 000 000 (one million) new shares. The total number of authorisations represent to approximately 15% of the company's share capital, The share issue 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 authorisation is in force until the next Annual General Meeting, however no longer than until the 30th June 2021.

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 expected to be available shortly.

The FDA registration process has been started. The matters causing delays in the CE application process may also reflect the FDA registration. In the US, there is a fundamental risk in the 510 (k) approval route that allows the use of precedents. But according to the company's current knowledge, no difficulties are expected in these areas.

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.

Shares and shareholders

The market value of BBS at the end of December 2020 was EUR 31,3 million. The closing valuation on December 31st was EUR 4,76. The highest price during the review period was EUR 9,68 and the lowest EUR 1,92.

On December 31st 2020, BBS had 3 391 registered shareholders (1 097 in 2019). All the shares are of the same series. There were and 6 571 525 registered shares (2019: 5 204 820) on December 31st 2020. 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 576 219 (543 650) shares representing 8,8% of the total shares.

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

The largest shareholders on December 31st 2020 were:

Finha Capital (1 060.938 s.),
Reisjärvi municipality (700 721 s.),
Pekka Jalovaara (550 700 s.),
EAKR-aloitusrahasto Oy (380 842 s.),
Irma Halonen (369 276 s.),
Paananen Ahti (333 379 s.),
Panvest Oy (305 177 s.),
Halonen Jukka (184 013 s.),
Nordea Bank Hallintarekisteri (161 198 s.)
and Innovestor Kasvu-rahasto I Ky (155 326 s.).

Information on the company's insider trading in the company's shares is published on the company's website. The company does not hold any of its own shares.

More detailed information on share issue is available on the Company's website.

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 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

January 11th 2021 the Company announced a new timetable for the CE-marking process, reasons for it and actions taken.

The CFO Hannu Säynäjäkangas retired on February 2nd 2021. At the same occasion Ms Liisa Hukka was appointed as the new CFO and a member of the Management Team. The Quality Control Manager Mikko Viitanen was appointed to the Management Team on February 1st 2021.

Outlook for 2021

Company's target for the current year is to receive the CE-marking approval. The current management has estimated a new timeline for the process. Currently the Company is aiming to submit the application for review during April 2021. Based on the expected length of review, the CE – marking approval may be expected by the end of the year 2021, which is nine months later than expected earlier.

The preparation for commercial activities will be started in autumn 2021.

The Board of Directors has launched a detailed cash flow model reaching out for the next 24 months. The model includes presumptions that are based on the current expectations of the future development. Based on the model, the Board of Directors estimates adequacy of the cash resources form the point of business continuity and proactive planning the terms and measures. Based on the information available, the cash resources are expected to suffice until summer 2022.

Dividend proposal

The Board of Directors of BBS proposes that no dividend shall be paid for the financial year 2020 and that the loss (EUR -2 730 980,80) for the financial year is recognised in the profit/loss account.

Accounting Policies

The financial statements bulletin has been prepared in accordance with the Finnish Accounting Act and the rules of the First North Marketplace. The figures in the financial statements release are unaudited.

Financial information 2021

BBS-Bioactive Bone Substitutes' Annual General Meeting 2021 is tentatively scheduled to be held in Oulu on April 28, 2021 at 2:00 PM. The Board of Directors will later send a separate invitation to the meeting.

The Annual Report 2020 will be published on the Company's website in week 13.

Half-year report January-June 2021 made available by 25.8.2021.

Oulu, February 24, 2021

BBS-Bioactive Bone Substitutes Plc

Board

For more information:

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This is information that BBS-Bioactive Bone Substitutes Plc is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication, through the agency of the contact person set out above on 24 February 2021 at 7:15 pm (UTC+2:00).

BBS – Bioactive Bone Substitutes Plc

BBS-Bioactive Bone Substitutes Plc is the health technology company operating since 2003. Before that there was a background of seven years of product development in the University of Oulu. We have developed a new product for healing of difficult bone fractures and for solving the problems in bone healing. Our mission is to offer new generation medicinal products for the orthopedic surgery. The research and development in the field of medicine requires perseverance and courage to develop new things. We have over 20 years of expertise in this. Our operations are characterized by

top expertise, innovativeness and dedicated and committed employees. The ARTEBONE ®product is ready and the application process for the CE marking has been initiated. BBS is the company having its headquarters in Oulu. We have our own production plant located in Reisjärvi and it is approved by FIMEA.

More information: www.bbs-artebone.fi.

BBS-Bioactive Bone Substitutes Plc shares are listed on the Nasdaq First North Growth Market Finland and Nasdaq First North Growth Market Sweden. The company's Certified Adviser is Nordic Certified Adviser AB, they can be reach on phone +46 70 551 67 29 or e-mail info@certifiedadviser.se

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Main Media

www.bbs-artebone.fi

ATTACHMENTS:

1. BBS Financial statement release for 2020
2. Financial Statement December 31, 2020 (Signed by the Company, unaudited)