



# Financial Statements

English version (unaudited)



1.1.2023 - 31.12.2023

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

<b>FINANCIAL STATEMENTS</b>	<b>1.1.2023 - 31.12.2023</b>
English version (unaudited)	
<b>FINANCIAL YEAR</b>	<b>2023</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>1.1.2023 -</b>	<b>31.12.2023</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 2023

### **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 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).

In 2023, the Company has continued to advance the CE marking process of its first product, Artebone® Paste, and to implement the actions required to ensure the quality system as well as production capabilities meet the standards required by the authorities. In March 2022, BBS submitted its first product (ARTEBONE® Paste) to the Notified Body for the CE marking. The original estimate for processing of the CE marking application was 8-12 months. Subsequently, the processing times have lengthened. Despite the delays, ARTEBONE® Paste's product approval process has made good progress with no significant non-conformities being reported which could endanger the product's approval.

In May 2023, the Company was informed of the particularly critical decision regarding product classification. ARTEBONE has been a new type of borderline case between medical devices and medicines, and the Company became a significant precedent from a regulatory point of view on how such products can overall be given approvals. BBS was even included as an example in the industry manual published in 2018 (Manual on borderline and classification in the community regulatory framework for medical devices, version 1.19 (04 2018)).

The first audit of the quality system was conducted in November 2022 and the following one in March 2023. In November 2023, the Notified Body delivered the final approved certificate related to the quality system to the Company. Simultaneously the Notified Body informed the Company that the consultation with the Finnish Medicines Agency (FIMEA) will begin on 21st of November 2023. The Company regards both important developments as critical steps towards the final approval of the CE marking. The official product approval process is underway alongside the consultation.

BBS expects the authorities' decision on approving the CE marking application during the second quarter of 2024. Based on the currently available information, the Company's view is that there are no longer product risks associated with the remaining technical phases of the regulatory approval process, but the main actual challenge is predicting the time required for the final phases of the official approval process, which the Company cannot entirely control, as the Notified Body makes decisions independently. A medical device is granted approval if 1) the product meets the safety requirements (its use does not cause harm), and 2) the products therapeutic efficacy must be demonstrated for its intended purpose. Both of these aspects are tested and verified through animal tests and clinical trials during the product development phase, before the regulatory approval process is initiated. BBS's ARTEBONE® Paste has already cleared these stages. The final ongoing regulatory approval phase mainly consists of consultations with the Medicines Agency and the finalization of the Company's production and quality control processes, including test production batches.

In October, 2023 the Company announced changes in its management team and appointed a new CEO. There was a clear need for these changes as the Company initiated preparations for the commercial phase as announced in the release. Thus far the Company has strongly focused on product development, but as the CE marking process of ARTEBONE® Paste continues to progress as expected, the Company has initiated preparations related to sales and marketing, recruitments and training as well as evaluation of potential clients.

## FINANCIAL OVERVIEW

### Operating result and Profitability

BBS Plc had no revenue during the financial year 2023. The consolidated result for the review period was EUR –3.48 (-3.09) 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 0 (78) thousand. All the development expenses were recognised as costs in the Profit and Loss statement. The Company's cash resources at 31 December 2023 were EUR 1.97 (1.52) million and increased by EUR 0.45 million (0.28) during the period.

### Acquisitions and Share Issues

There were no mergers or acquisitions during the financial year.

On 19 May 2023, the Company announced the subscription period for the warrant series (TO2), related to the rights offering in 2022, starting on 22 May 2023 and ending on 2 June 2023. In total, 254 580 warrants 2-2022 (TO2) were used for the subscription of shares, corresponding to approximately 57 percent of the total number of warrants. BBS received approximately EUR 165,000 in gross proceeds before expenses. The Company's Board of Directors approved the share subscriptions on 19 May 2023. The shares were registered in the trade register on 13 June 2023 and trading started on 14 June 2023.

On 3 June 2023, the Company announced that the Board of Directors had decided to arrange a rights offering totaling approximately EUR 2.9 million. The subscription period for the rights offering began in Finland and Sweden on 12 June 2023, ending on 26 June 2023 in Sweden and on 28 June 2023 in Finland.

The Board of Directors of the Company decided on 3 July 2023 to approve the subscriptions received in the Offering. A total of 2,931,504 shares (approximately 50.0 per cent of the subscribed shares) were subscribed for based on the subscription rights and a total of 754,889 shares (approximately 12.9 per cent of the subscribed shares) without subscription rights. A total of 3,686,393 shares were subscribed to. The shares subscribed for in the Offering were registered with the Finnish Trade Register on 10 July 2023. The combination of temporary shares with the Company's existing shares occurred in the book-entry system maintained by Euroclear Finland Oy on 10 July 2023 and in the book-entry system maintained by Euroclear Sweden AB on 13 July 2023. The new shares subscribed for in the Offering started trading together with the Company's existing shares on 11 July 2023 on First North Growth Market Finland.

As a result of the rights offering and shares subscribed for with TO2 warrants, the total number of BBS shares increased by 3,940,973 shares. After the rights offering, the total number of the Company's shares was 14,118,847, including the 392,128 treasury shares. BBS received approximately EUR 1.77 million net proceeds through the Offering and the TO2 option program.

The Company's Board of Directors decided on 3 September 2023 to issue 500,000 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 on 30 March, 2023. After the directed share issue, the Company held 601,451 treasury shares, representing approximately 4.1 percent of the total shares and votes of the Company.

On November 20, 2023, the Company announced that the Board of Directors had decided to arrange a rights offering totaling of up to approximately EUR 2.63 million. The subscription period for the rights offering began in Finland on 27 November 2023, and ended on 13 December 2023. The results of the offering were announced on 18 December 2023.

The rights offering was subscribed to 71.1 percent, and the Company raised approximately EUR 1.87 million in gross proceeds from the share offering before expenses and fees. Considering the expenses and fees,

the Company received approximately EUR 1.75 million in net proceeds from the rights offering.

The shares subscribed for in the right offering were registered in the trade register on 22 December 2023. Trading in the shares began on the First North Growth Market Finland on 23 December 2023. As a result of the rights offering, the number of BBS shares increased by 4,678,328 shares. After the rights offering, the total number of the Company's shares is 19,297,175.

### **Balance sheet**

The balance sheet total on 31 December 2023 was EUR 10.61 (10.69) million. At the end of the review period, the total amount of loans to financial institutions amounted to EUR 4.75 (5.67) million, out of which EUR 0.80 (1.13) million were due in 12 months and EUR 1.30 (1.74) 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 costs were EUR -0.12 (-0.14) 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 101,636.88.

### **Equity**

The Company's total equity on 31 December 2023 was EUR 5.11 million. At the closing of the previous financial year, the equity amounted to EUR 4.27 million. The rights offerings in June and December, subscriptions to the warrant program (TO2) and RiverFort's conversion of loan capital into equity, considerably strengthened the equity.

The losses of the financial year were EUR -3.48 (-3.09) million.

## KEY FIGURES

1000 EUR	7-12/2023	7-12/2022	Change, %	1-12/2023	1-12/2022
Other operating income	10	9	7.9	20	64
Personnel expenses	624	587	6.4	1,245	1,315
Depreciation and amortization	109	112	-3.0	217	225
Other operational expenses	1,065	756	40.8	1,921	1,446
Result for the period	-1,842	-1,416	30.0	-3,484	-3,093
Cash flow from operations	-1,492	-1,310	13.0	-2,923	-2,816
Change in cash position	300	1,872	-116.0	454	281
Equity ratio <sup>1)</sup> , %	48	40	20.4	48	40
Earnings per share, EUR, outstanding shares <sup>2)</sup>	-0.10	-0.15	-36.3	-0.18	-0.38
Earnings per share, EUR, diluted	-0.13	-0.4	-8.4	-0.24	-0.35
Number of shares at the end of the period (outstanding shares)	19,297,175	9,668,351	99.6	19,297,175	9,668,351
Average number of shares in the period (outstanding shares)	14,406,139	9,450,771	52.4	12,091,414	8,211,650
Equity per share, EUR <sup>3)</sup>	0.26	0,4	-40.1	0.26	0.44
Cash and cash equivalents	1,971	1,517	29.9	1,971	1,517
Shareholders' equity	5,108	4,271	19.6	5,108	4,271
Balance sheet total	10,613	10,688	-0.7	10,613	10,688

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

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

3) Shareholders' Equity / Total number of outstanding shares at the end of the period

## Staff, management and administration

At the end of the financial year 2023, the company employed the CEO and 22 (21) staff members. As a result of recruitments, production resources were strengthened by a net of one employee. 14 members of the staff worked at the factory in Reisjärvi and eight in Oulu.

The average number of personnel during the year was 22 (19). Personnel expenses in 2023 were 1.24 (1.32) million euros.

Jarmo Halonen, Pekka Jalovaara, Seppo Nevalainen, Kirk Andriano and Ahti Paananen were the members of the Board of Directors for the whole review period. Pekka Jalovaara was appointed as the new Chairman of the Board of Directors in April 2023, replacing Jarmo Halonen. The Board of Directors includes two members independent of the Company and significant shareholders.

The BBS's Management Team consisted of the CEO Ilkka Kangasniemi (until 3 November 2023), Quality and Assurance Manager Soile Hakala (until 22 December 2023), Production Manager Jussi Jukka (until 29 December 2023), CFO Jari Kortessluoma and Director of Quality Control Laboratory Mikko Viitanen. New Management Team members were also appointed: CEO Juliusz Rakowski (as of 3 November 2023), Merja Hakala (as of 23 December 2023), and Production Manager Kimmo Tyni (as of 15 January 2024).

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 2023 and authorizations

The Company's Annual General Meeting (AGM) was held on Thursday, 30 March 2023 in Oulu.

The AGM confirmed the Company's financial statements for the financial year 2022, discharged Board of Directors and the CEO from liability. The AGM decided that the Company will not pay a dividend for the financial year 2022.

The AGM decided that the number of Board members is five. Jarmo Halonen, Pekka Jalovaara, Seppo Nevalainen, Kirk Andriano and Ahti Paananen were re-elected as board members for a term ending at the close of the next AGM. The AGM decided that the chairman of the board be paid EUR 1,500 per meeting and EUR 1,000 per meeting for other members. No compensation will be paid for e-mail meetings.

Ernst&Young Oy Authorized Public Accountants, was re-elected as the auditor of the Company by the AGM and KHT Jari Karppinen will act as the Company's principal auditor. The auditor is paid a fee according to a reasonable invoice approved by the Company.

The AGM decided to authorize the Board of Directors to decide in one or more installments on share issues and on the issuance 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 maximum number of shares to be issued pursuant to the authorization shall not exceed 6,000,000 shares. The Board of Directors decided on all the terms and conditions for issuing shares and option rights and other special rights entitling to shares. Share issues and the issuance 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 weighty financial reason for the Company's to do so. The authorization applies to the transfer of both new shares and own shares held by the Company. In the Company's share issue, shares may be transferred either in exchange for payment or free of charge. A directed share issue may be free of charge only if there is a particularly significant financial reason for the Company and it is in the interests of all its shareholders. The authorization is valid until 30 June 2024, and it revokes the the authorization granted by the AGM on 17 March 2022, as it enters into force.

### **Extraordinary General Meeting and authorizations**

BBS-Bioactive Bone Substitutes Plc Extraordinary General Meeting (EGM) was held on 23 Monday October 2023 in Oulu.

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 maximum number of shares to be issued pursuant to the authorization shall not exceed 7,000,000 shares. The Board of Directors decides on all terms and conditions for issuing shares, options and other special rights entitling to shares. Share issues and the issuance 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 wrighty financial reason for the Company to do so The authorization applies to the transfer of both new shares and own shares held by the Company. In the Company's share issues, shares can be transferred either in exchange for payment or free of charge. A directed share issue may be free of charge only if there is a particularly significant financial reason for the Company and it is in the interests of all its shareholders. The authorization is valid until 23 October 2027, and it revokes the authorization granted by the AGM on 30 March 2023, as it enters into force.

During the financial year, 3,940,973 authorizations have been used for the subscriptions to the option program (TO2), free issue related to the option program and the rights share issues in June. 4,678,328 authorizations have been used for the rights offering in December. The remaining authorizations total 2,321,672, corresponding to approximately 12% of the shares outstanding. The Company had no treasury shares at the end of the year.

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

The Company has an option program 2012, approved by the AGM on 18 July 2012. The Board of Directors decided on options on 2 January 2013 as authorized by the AGM. Options were allocated to the key personnel and each option entitles its holder to subscribe for one share at the price of one euro by the end of 31 December 2023. The Board of Directors decided on 20 November 2023 to extend the subscription period until the end of year 2029 and for a single smaller amount until the end of 2025. 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 significant impact on the key figures per share.



## **Risks and uncertainties**

BBS expects the authorities' decision on approving the CE marking application during the second quarter of 2024. Based on the currently available information, the Company's view is that there is no product risk associated with the remaining final technical stages of the licensing process. The main challenge, according to management, is predicting the time it will take to complete the final stages of the regulatory process, which the company cannot entirely control, as the authorities make decisions independently. The FDA registration process has been postponed for the time being. 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 issues (62.8% and 71.1%) 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 war in Ukraine is still considered acute risk. The global tightening of the situation in the Middle East as well as around Taiwan can quickly complicate the availability of financing in the near future. 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 2023, the company has taken actions to secure its financing, including rights issues in June and in December, 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 1,97 million. The current working capital available is expected to cover the operative financial needs until the end of the first half of FY 2024. Furthermore, the Riverfort arrangement enables the raising of further EUR 1 million with approval of the lender for each advance.

The Company estimates that the operative expenses for the next 12 months will be EUR 2.3-2.8 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 2023 was EUR 9.5 million. The closing share price on 31 December was EUR 0.49. The highest share price during the review period was EUR 1.11 and the lowest EUR 0.38.

On 31 December 2023, the total number of BBS registered shareholders was 4,839 (3,236). All the shares have similar rights. At the end of December, the total number of registered shares was 19,297,175 (10,177,874) including 0 (50,523) treasury shares. The members of the Board of Directors and the CEO had a total of 1,307,445 (1,134,536) shares representing 6.7% of outstanding shares.

The information on insider trading is published on Company's website. 170,000 options have been allocated to key personnel, each option entitles to subscribe for one share.

The largest shareholders on 31 December 2023 were:

	31 December 2023		31 December 2022	
	Number of shares	% of outstanding shares	Number of shares	% of outstanding shares
Reisjärven Kunta	2,677,716	13.9 %	1,051,081	10.9 %
Finha Capital Oy	2,357,965	12.2 %	1,408,404	14.6 %
Panvest Oy	1,304,590	6.8 %	476,838	4.9 %
Jalovaara Pekka <sup>(1)</sup>	654,050	3.4 %	568,025	5.9 %
Paananen Ahti <sup>(1)</sup>	520,904	2.7 %	520,904	5.4 %
Halonen Jukka	281,594	1.5 %	226,481	2.3 %
Halonen Veronika	254,369	1.3 %	229,309	2.4 %
Rosenqvist Alexandra	253,971	1.3 %	230,309	2.4 %
Nordnet Bank AB, nominee registered	225,050	1.2 %	18,629	0.2 %
Skandinaviska Enskilda Banken AB, no.reg.	210,846	1.1 %	87,970	0.9 %
<b>10 largest</b>	<b>8,741,055</b>	<b>45.3 %</b>	<b>4,817,990</b>	<b>49.8 %</b>
Others	10,556,120	54.7 %	4,850,036	50.2 %
<b>Total</b>	<b>19,297,175</b>	<b>100.0 %</b>	9,668,026	<b>100.0 %</b>
BBS-Bioactive Bone Substitutes	0		509,523	
<b>Total</b>	<b>19,297,175</b>		<b>10,177,549</b>	

<sup>1)</sup> Ahti Paananen and Pekka Jalovaara are members of the company's board.

The 10 largest shareholders hold 45.3% (49.8%) 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 230 (238) 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. The related party transactions are published on the Company's website.

### Events after period-end

Kimmo Tyni has been appointed as the Production Director of BBS-Bioactive Bone Substitutes Oyj, as of 15 January 2024.

On 31 January 2024, the Company's Board of Directors resolved on a share issue with our consideration to the company itself. The issuance is intended to prepare for potential loan conversions as well as other possible purposes, in accordance with the authorization from the Extraordinary General Meeting on 23 October 2023. After the directed share issue, BBS holds a total of 1,000,000 of treasury shares, representing 4.9 percent of the Company's total shares.

On 21 February 2024, the Company announced that it has agreed to draw down an instalment of EUR 500,000 with RiverFort Global Opportunities PCC Ltd ("RiverFort") in accordance with the terms of the financing agreement announced on September 30, 2021. BBS will pay a transaction fee of EUR 45,000 by transferring 74,915 of its own shares to RiverFort at a price of EUR 0.6007 per share. The reference price is, according to the original financing agreement, tied to the average share price over the five (5) trading days preceding the payment of each instalment (VWAP). After the drawdown, BBS will issue 416,195 warrants to RiverFort (with an exercise price of EUR 0.8410 per share, 140% of the reference price) with a validity period of 48 months. After the transfers, BBS will have in total of 925,085 treasury shares.

### **The Board of Director'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 2024**

BBS expects the authorities' decision on approving the CE marking application during the second quarter of 2024. The Company continues preparations for the commercial activities during the beginning of 2024.

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
<b>NET TURNOVER</b>	0,00	0,00
Other operating income	19 932,64	64 222,95
Raw materials and services		
Raw materials and consumables		
Purchases during the financial year	-3 619,38	-29 954,56
External services	-15,00	0,00
Raw materials and services total	-3 634,38	-29 954,56
Personnel expenses		
Wages, salaries and bonuses	-1 042 179,32	-1 101 084,02
Social security expenses		
Pension expenses	-176 323,84	-176 235,17
Other personnel expenses	-26 347,79	-37 585,02
Personnel expenses total	-1 244 850,95	-1 314 904,21
Depreciation, amortisation and impairment losses		
Planned depreciation and amortisation	-217 090,68	-225 200,73
Planned depreciation and amortisation total	-217 090,68	-225 200,73
Other operating charges	-1 921 030,58	-1 445 749,83
<b>OPERATING PROFIT (LOSS)</b>	<b>-3 366 673,95</b>	<b>-2 951 586,38</b>
Financial income and expenses		
Other interest and financial income		
From others	33,41	39,68
Interest and other financial expenses		
For others	-116 974,83	-141 051,39
Financial income and expenses total	-116 941,42	-141 011,71
<b>PROFIT (LOSS) BEFORE EXTRAORDINARY ITEMS</b>	<b>-3 483 615,37</b>	<b>-3 092 598,09</b>
<b>PROFIT (LOSS) FOR THE FINANCIAL YEAR</b>	<b>-3 483 615,37</b>	<b>-3 092 598,09</b>

Currency unit EURO	31.12.2023	31.12.2022
<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	161 175,49	214 607,59
Intangible assets total	7 694 003,04	7 747 435,14
Tangible assets		
Land and waters		
Own	83 719,00	83 719,00
Buildings		
Own	385 635,20	414 661,50
Machinery and equipment	431 315,76	525 176,13
Tangible assets total	900 669,96	1 023 556,63
<b>NON-CURRENT ASSETS TOTAL</b>	<b>8 594 673,00</b>	<b>8 770 991,77</b>
<b>CURRENT ASSETS</b>		
Debtors		
Short-term		
Other debtors	42 116,36	396 606,51
Prepayments and accrued income	5 705,55	3 814,80
Debtors total	47 821,91	400 421,31
Cash and cash equivalents	1 970 801,37	1 516 774,94
<b>CURRENT ASSETS TOTAL</b>	<b>2 018 623,28</b>	<b>1 917 196,25</b>
<b>ASSETS TOTAL</b>	<b>10 613 296,28</b>	<b>10 688 188,02</b>

Currency unit EURO	31.12.2023	31.12.2022
<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	25 745 731,24	21 425 092,26
Other funds total	25 745 731,24	21 425 092,26
Retained earnings (loss)	-18 628 705,61	-15 536 107,52
Profit (loss) for the financial year	-3 483 615,37	-3 092 598,09
<b>CAPITAL AND RESERVES TOTAL</b>	<b>5 108 366,82</b>	<b>4 271 343,21</b>
<b>CREDITORS</b>		
Long-term		
Capital loans	175 825,46	175 825,46
Loans from financial institutions	3 775 518,25	4 363 430,50
Accruals and deferred income	176 200,00	176 200,00
Long-term loans total	4 127 543,71	4 715 455,96
Short-term		
Loans from financial institutions	801 842,93	1 133 034,45
Trade creditors	162 454,62	145 381,60
Other creditors	76 200,80	59 679,13
Accruals and deferred income	336 887,40	363 293,67
Short-term total	1 377 385,75	1 701 388,85
<b>CREDITORS TOTAL</b>	<b>5 504 929,46</b>	<b>6 416 844,81</b>
<b>LIABILITIES TOTAL</b>	<b>10 613 296,28</b>	<b>10 688 188,02</b>

[1000 euros]	2023	2022
<b>Cash flow from business operations</b>		
<i>Profit (loss) before extraordinary items</i>	-3 484	-3 093
Adjustments		
Scheduled depreciation and amortisation	217	225
Financial income and expenses	117	141
Other adjustments		
<b>Cash flow before changes in working capital</b>	<b>-3 130</b>	<b>-2 726</b>
Change in working capital		
Changes in short-term non-interest-bearing (+) (-)	292	-48
Changes in short-term non-interest-bearing loans Increase (+)/Decrease (-)	7	83
Changes in long-term non-interest-bearing loans Increase (+)/Decrease (-)		
<b>Cash flow from business operations before financial items and taxes</b>	<b>-2 831</b>	<b>-2 691</b>
Interest paid and other financial expenses from business operations	-92	-125
Cash flow before extraordinary items and taxes	-2 923	-2 816
<b>Cash flow from business operations (A)</b>	<b>-2 923</b>	<b>-2 816</b>
<b>Cash flow from investments</b>		
Investments in tangible and intangible goods	0	-78
Loans granted		
<b>Cash flow from investments (B)</b>	<b>0</b>	<b>-78</b>
<b>Cash flow from financing</b>		
Share issue	3 830	3 708
Riverfort Financial Arrangement	0	50
Repayment of long-term loans	-503	-583
<b>Cash flow from financing (C)</b>	<b>3 377</b>	<b>3 175</b>
<b>Changes in funds (A+B+C) Increase (+)/Decrease (-)</b>	<b>454</b>	<b>281</b>
Funds at the beginning of the financial period	1 517	1 236
Funds at the end of the financial period	1 971	1 517

	1.1.2023	1.1.2022
Currency unit EURO	- 31.12.2023	- 31.12.2022
<b>NET TURNOVER</b>		
Other operating income	19 932,64	64 202,95
Raw materials and services		
Raw materials, supplies and goods		
Purchases during the financial year	-3 619,38	-29 954,56
External services	-15,00	
Raw materials and services total	-3 634,38	-29 954,56
Personnel expenses		
Wages, salaries and bonuses	-1 042 179,32	-1 101 084,02
Social security expenses		
Pension expenses	-176 323,84	-176 235,17
Other personnel expenses	-26 347,79	-37 585,02
Personnel expenses total	-1 244 850,95	-1 314 904,21
Depreciation, amortisation and impairment losses		
Planned depreciation and amortisation	-186 910,59	-192 451,26
Planned depreciation and amortisation total	-186 910,59	-192 451,26
Other operating expenses	-1 999 662,21	-1 553 263,24
<b>OPERATING PROFIT (LOSS)</b>	<b>-3 415 125,49</b>	<b>-3 026 370,32</b>
Financial income and expenses		
Other interest and financial income		
From others	28,40	34,69
Interest and other financial expenses		
To others	-86 227,11	-121 882,23
Financial income and expenses total	-86 198,71	-121 847,54
<b>PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES</b>	<b>-3 501 324,20</b>	<b>-3 148 217,86</b>
<b>PROFIT (LOSS) FOR FINANCIAL YEAR</b>	<b>-3 501 324,20</b>	<b>-3 148 217,86</b>



Currency unit EURO	31.12.2023	31.12.2022
<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	161 175,49	214 607,59
Intangible assets total	7 694 003,04	7 747 435,14
Tangible assets		
Machinery and equipment	427 854,37	520 560,95
Tangible assets total	427 854,37	520 560,95
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>8 836 356,96</b>	<b>8 982 495,64</b>
<b>CURRENT ASSETS</b>		
Debtors		
Short-term		
Receivables from group companies	0,00	0,00
Other receivables	41 024,27	395 518,43
Prepayments and accrued income	5 704,55	3 814,80
Debtors total	46 728,82	399 333,23
Cash and cash equivalents	1 873 576,26	1 467 618,08
<b>CURRENT ASSETS TOTAL</b>	<b>1 920 305,08</b>	<b>1 866 951,31</b>
<b>TOTAL ASSETS</b>	<b>10 756 662,04</b>	<b>10 849 446,95</b>

Currency unit EURO	31.12.2023	31.12.2022
<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	25 745 731,24	21 425 092,26
Other funds total	25 745 731,24	21 425 092,26
Retained earnings (loss)	-18 009 919,77	-14 861 701,91
Net profit (loss) for the financial year	-3 501 324,20	-3 148 217,86
<b>CAPITAL AND RESERVES TOTAL</b>	<b>5 709 443,83</b>	<b>4 890 129,05</b>
<b>CREDITORS</b>		
Long-term		
Capital loans	175 825,46	175 825,46
Loans from financial institutions	3 454 850,25	3 978 562,50
Accrued expenses and deferred income	176 200,00	176 200,00
Long-term total	3 806 875,71	4 330 587,96
Short-term		
Loans from financial institutions	705 542,93	1 068 834,45
Trade creditors	139 644,85	141 086,23
Other creditors	74 403,38	55 515,59
Accruals and deferred income	320 751,34	363 293,67
Short-term total	1 240 342,50	1 628 729,94
<b>CREDITORS TOTAL</b>	<b>5 047 218,21</b>	<b>5 959 317,90</b>
<b>LIABILITIES TOTAL</b>	<b>10 756 662,04</b>	<b>10 849 446,95</b>

[1000 euros]	2023	2022
<b>Cash flow from business operations</b>		
Profit (loss) before extraordinary items	-3 501	-3 148
Adjustments		
Scheduled depreciation and amortisation	187	192
Financial income and expenses	86	122
Other adjustments		
<b>Cash flow before changes in working capital</b>	<b>-3 208</b>	<b>-2 834</b>
<b>Change in working capital</b>		
Changes in short-term non-interest-bearing (+) (-)	292	-48
Changes in short-term non-interest-bearing loans Increase (+)/Decrease (-)	-30	79
<b>Cash flow from business operations before financial items and taxes</b>	<b>-2 946</b>	<b>-2 803</b>
Interest paid and other financial expenses from business operations	-57	-105
Cash flow before extraordinary items and taxes	-3 003	-2 908
<b>Cash flow from business operations (A)</b>	<b>-3 003</b>	<b>-2 908</b>
<b>Cash flow from investments</b>		
Investments in tangible and intangible goods	0	-78
Loans granted		
<b>Cash flow from investments (B)</b>	<b>0</b>	<b>-78</b>
<b>Cash flow from financing</b>		
Share issue	3 879	3 708
Riverfort Financial Arrangement	0	50
Repayment of long-term loans	-471	-519
<b>Cash flow from financing ( C)</b>	<b>3 408</b>	<b>3 239</b>
<b>Changes in funds (A+B+C) Increase (+)/Decrease (-)</b>	<b>405</b>	<b>253</b>
Funds at the beginning of the financial period	1 468	1 215
Funds at the end of the financial period	1 873	1 468

FINANCIAL STATEMENTS 31.12.2023

**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>31.12.2023</b>	<b>31.12.2022</b>
Cleanroom native project	153 966,32	205 288,42

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>31.12.2023</b>	<b>31.12.2022</b>
Native project machinery and equipments	260 427,29	347 236,38

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

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

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

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

## FINANCIAL STATEMENTS 31.12.2023

## NOTES TO BALANCE SHEET LIABILITIES

Specification of equity	Parent company	Parent company	Consolidated	Consolidated
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
Share capital at the beginning of the financial year	80 000,00	80 000,00	80 000,00	80 000,00
Share capital at the end of the financial year	80 000,00	80 000,00	80 000,00	80 000,00
Share premium account at the beginning of the financial year	1 394 956,56	1 394 956,56	1 394 956,56	1 394 956,56
Share premium account at the end of the financial year	1 394 956,56	1 394 956,56	1 394 956,56	1 394 956,56
Total restricted equity at the end of the financial year	1 474 956,56	1 474 956,56	1 474 956,56	1 474 956,56
Reserve for invested unrestricted equity at the beginning of the financial year	21 425 092,26	17 695 037,93	21 425 092,26	17 695 037,93
Increase	4 270 638,98	3 707 554,33	4 270 638,98	3 707 554,33
Increase, Riverfort	50 000,00	22 500,00	50 000,00	22 500,00
Reserve for invested unrestricted equity at the end of the financial year	25 745 731,24	21 425 092,26	25 745 731,24	21 425 092,26
Retained earnings/losses at the beginning of the financial year	-14 861 701,91	-12 117 120,20	-15 536 107,52	-12 765 193,41
Retained earnings/losses from the previous financial year	-3 148 217,86	-2 744 581,71	-3 092 598,09	-2 770 914,11
Retained earnings/losses at the end of the financial year	-18 009 919,77	-14 861 701,91	-18 628 705,61	-15 536 107,52
Profit/loss for the financial year	-3 501 324,20	-3 148 217,86	-3 483 615,37	-3 092 598,09
Total unrestricted equity at the end of the financial year	4 234 487,27	3 415 172,49	3 633 410,26	2 796 386,65
Equity, total	5 709 443,83	4 890 129,05	5 108 366,82	4 271 343,21

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

	31.12.2023	31.12.2022
Retained earnings from the previous financial years	-18 009 919,77	-14 861 701,91
Financial result (profit+/loss-)	+ -3 501 324,20	-3 148 217,86
Reserve for invested unrestricted equity	+ 25 745 731,24	21 425 092,26
Accumulated unaccounted capital loan interest	- -101 636,87	-96 362,11
Activated development costs	- -7 532 827,55	-7 532 827,55
<b>Unrestricted equity, total</b>	<b>= -3 399 977,15</b>	<b>-4 214 017,17</b>

## Liabilities maturing later than five years:

Loans from financial institutions	Parent company	Parent company	Consolidated	Consolidated
	31.12.2023	31.12.2022	31.12.2023	31.12.2022
	1 233 272,25	1 613 890,50	1 297 140,25	1 741 958,50
	1 233 272,25	1 613 890,50	1 297 140,25	1 741 958,50

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.

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

In the beginning of the reporting period the remaining portion of the Riverfort financing arrangement of EUR 550 000,20 was included in the Current Liabilities.

The Company renewed the loan agreement on 31st of March 2023, and the repayment period for the loan instalments was extended by one year. The first repayment instalment will fall due on 31st of March 2024 (previously on 31st of March 2023) and the second on 22nd of August 2024 (previously on 22nd of August 2023). The essential commercial terms and conditions of the loan remained unchanged. The reference price for the amount of the loan in use was redefined according to the terms and conditions of the agreement, now being EUR 1.008 per share. Similarly, the fixed conversion price is EUR 1.4113 per share.

On March 30, 2023 the Company announced that it had received request from Riverfort to convert EUR 50,000 of the loan principal into Company shares and also the agreement renewal fee (5% of the loan principal, EUR 25,000) was paid in Company shares in April 2023. Thus, the Company gave Riverfort a total of 84,303 Company shares at EUR 0.8897 per share. The conversion price as per the agreement was 90% of the lowest daily average price over the previous 10 trading days. During the financial year, the Company converted a total of 0.42 million worth of the loan into equity corresponding to the transfer of 958,860 shares to Riverfort, including the conversion of the renewal fee. The remaining portion of the financing arrangement of EUR 134 202,20 is included in the Current Liabilities.

## FINANCIAL STATEMENTS 31.12.2023

**Unrecognized tax liabilities or assets**

The Group has tax loss of approximately EUR 16,3 million, of which a hidden tax claim at the current income tax rate of 20% is approximately EUR 3,3 million.

**PLEGGED 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	180 390,00	-	180 390,00	180 390,00
Falling due for payment with in the next 12 months	41 700,00			
<b><u>Consolidated</u></b>				
Secured Loans from financial institutions	597 358,00	-	597 358,00	597 358,00
Falling due for payment with in the next 12 months	138 000,00			

**PERSONNEL****Parent company:**

The average number of personnel during the financial year was 22.

**Consolidated:**

The average number of personnel during the financial year was 22.

**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



**Building a better  
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*This auditor's report replaces the auditor's report of 1 March 2024*

## **AUDITOR'S REPORT (Translation of the Finnish original)**

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

### **Opinion**

We have audited the financial statements of BBS-Bioactive Bone Substitutes Oyj (business identity code 0866451-4) for the year ended 31 December 2023. The financial statements comprise the balance sheets, the income statements, cash flow statements and notes for the group as well as for the parent company.

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

### **Basis for Opinion**

We conducted our audit in accordance with good auditing practice in Finland. Our responsibilities under good auditing practice are further described in the *Auditor's Responsibilities for the Audit of Financial Statements* section of our report. We are independent of the parent company and of the group companies in accordance with the ethical requirements that are applicable in Finland and are relevant to our audit, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Material uncertainty related to going concern**

We would like to draw attention to the note of the financial statements "Working capital situation", in which the Company has described the uncertainty related to the adequacy of the Company's financing. This indicates a material uncertainty relating to the company's ability to continue as going concern. Our opinion has not been modified in respect of this matter.

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

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

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

### **Auditor's Responsibilities for the Audit of the 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 the 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 the 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 consideration**

This auditor's report replaces the auditor's report of 1 March 2024, which incorrectly lacked an opinion related to the group.

### **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.



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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, 12.3.2024

Ernst & Young Oy  
Authorized Public Accountant Firm

Jari Karppinen  
Authorized Public Accountant