

BBS-Bioactive Bone Substitutes Plc: Financial Statements Review 1.1.-31.12.2019 (unaudited)

20.03.2020

Company Release 20.3.2020 at 9:00

BBS- Bioactive Bone Substitutes Plc's Financial Statements Review 1.1.-31.12.2019 (unaudited)

Year 2019 in brief (Reference period 2018)

- Associate Professor Ilkka Kangasniemi was appointed as the new CEO in October 15, 2019. Previous Managing Director, Emeritus professor Pekka Jalovaara continues as an advisor for the company.
- Quality system ISO 13485 was updated in line with the latest requirements.
- Documentation for regulatory handling of CE marking has been updated to reflect new medical device regulation.
- The patent for the manufacture of the protein extract and the final product itself was approved in Canada. An equivalent patent has been in force in Europe and Eurasia for three years.
- Process, end product and quality assurance validations continued. Some yet incomplete validations have no effect on the timetable for the CE marking application process.
- In 2018, an application was submitted to the Notified Body (BSI-UK) in England for the CE marking of ARTEBONE[®]. Due to the Brexit the cooperation with them ended.
- In the spring of 2019 the submission was suspended due to observed deficiencies in the content of a previously conducted animal experiment. In addition to the GLP formalities, the lack of equivalence between the dose levels of the samples (higher and lower dose in the animal test differed from the dose in the clinical trial) compared to the clinical trial samples, and the lack of adequacy of the control groups with the established regulatory requirements. The authority decision caused the company to carry out an additional animal study to support the application. Samples from the animal test were delivered for histological analysis at the end of the year and first time point results are expected in spring 2020. The rest of results will be available by the end of June 2020.
- The company has begun preparations for the application process with a Dutch Notified Body (BSI-NL).
- BBS had no sales revenue.
- Cash flow from operating activities was EUR -1.444 (-1.701) million.
- BBS's cash and cash equivalents at December 31, 2019 were EUR 0.515 (1.864) million.
- The company carried out a share issue in the Nasdaq First North GM marketplace in Sweden. The issue raised EUR 0.3 million in new assets to strengthen the company's equity ratio and shareholder base in Sweden. The cost of listing during the period was approximately EUR 50 thousand.

Key figures Group

€ 1,000	1-12 / 2019	1-12 / 2018
Other operating income	53	*2262
Personnel expenses	665	669
Depreciation, amortization and impairment	22 5	229
Other operating expenses	593	757
Profit for the period	-1638	379
The cash flow of a business	-1 444	-1 701
Equity ratio%	31.3	39.6
Earnings per share €	- 0.318	0,076
Earnings per share, diluted	- 0.308	0.073
Number of shares at end of period (BBS)	5 204 820	5 090 520
Average number of shares during the period	5 146 887	4 998 094

* Includes a loan agreement of EUR 2.224 million

€ 1,000	12/31/2019	12/31/2018
Cash and cash equivalents	515	1684
Own capital	3079	4416
Balance sheet total	9833	11,156

Equity ratio = Equity / Total assets

Earnings per share = earnings for the period / average number of shares during the period.

Board of Directors outlook for 2020

The company expects to launch its first product in the EU market and thus to start its turnover. Since the launch occurs just at the end of the year or early next year, in 2020 no substantial turnover is expected. The company's medium-term objectives are

- to generate significant revenue growth as a result of a two-year marketing period
- to become profitable after 4 years
- launch also in the US and many other countries
- develop new products
- establish partnership agreements with industry leaders

Board of Directors guidance for 2020

BBS begins its CE marking submission process in March.

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 its sales and marketing operation preparation, 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 mandatory research is required by 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 will be recruited and trained
- New production test rounds are performed to meet the needs of animal testing and subsequent clinical work as well as optimization of production.

The company will organize a share issue during 2020 to enable the realization of the above mentioned objectives.

CEO Ilkka Kangasniemi

Year 2019 was operationally challenging for the company. The authorities' requirement to carry out a supplementary animal experiment to amend its CE marking application caused a delay of more than one year in the submission process. However, this does not affect the performance or safety of the product, which can still be said to be at top level.

A share issue in Swedish Nasdaq First North list was carried out bringing company 0.3 M € in assets and 215 new owners. To be able to execute the next issue of shares boosted by positive news, the company saw it necessary to wait for the clinical report completion, the CE-marking submission and completion of the first interim report on animal testing.

Completion and publication of the clinical report released February 19, 2020 significantly strengthened the company's outlook. For the first time, in 2020 the share price exceeded the IPO level.

The company cash assets were supplemented with 200.000 € as a working capital loan granted by Finha Capital Oy, signed in March 17, 2020. The purpose of the loan is to strengthen the company's liquidity. The loan terms and conditions include an option to convert the loan into shares at the next issue.

Despite the prolonged financial situation, at the end of the fiscal year the company has reached a good position in its aim to move to the next stage of its development. With the new animal test results sufficient documentation can be provided to the authorities for decision making.

The goals for 2019 declared a year ago to begin preparation of marketing and sales functions were transferred forward for the same reason as the regulatory submission process. As a result, this year's targets are almost the same as at the beginning of the previous fiscal year: Completing the EU marketing authorization process and submitting the FDA application. Preparations of marketing and sales operations is initiated, when the authorities give their first, positive, response with questions and comments about the application.

The company has also continued evaluation process with major international players, with the aim to open marketing channels, particularly in the USA, but also in other countries, in areas and that are not BBS's neighboring markets. News of the clinical study outcome has been received positively and expectations to reach next level in the evaluation processes are rising.

Submitting an application for marketing authorization for the first product

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

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

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

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

FINANCIAL REVIEW 1 JANUARY - 31 DECEMBER 2019

Overview

BBS owns 100% of the subsidiary Bio Bones Oy, which owns a production facility in Reisjärvi. Bio Bones has no other business.

Operating income and development costs

BBS had no net sales in the review period or in the corresponding period of the previous year. The result for the fiscal period 2019 is lower than the previous one because Other Revenue includes a decision taken in 2018 from Tekes (State funding agency) not to collect old R&D loans of EUR 2.224 million.

Financing and investment

At December 31, 2009, the company's cash and cash equivalents were EUR 0.515 (1.685) million. The company estimates that the current funding will be sufficient for approximately three months from the date of this release. The commencement of production and sales activities, and thus the income generating capacity of the intangible assets capitalized on the balance sheet, depends on the success of raising additional financing.

The Group's cash flow from operating activities for the period under review was EUR -1.444 (-1.701) million.

Acquisitions and directed issues

No acquisitions were made during the review period.

BBS organized a directed share issue in Sweden, the issue ended on 30 June 2019. In the issue, the company received capital of approximately EUR 0.3 million before the issue costs, which were estimated to be approximately EUR 0.05 million. More detailed information on the listing can be found on the company's website.

Balance

The consolidated balance sheet total at December 31, 2019 was EUR 9.833 (11.156) million. At the end of the reporting period, the company had loans from financial institutions totaling EUR 6.152 (6.155) million at the end of the review period, of which short-term loans EUR 0.961 (0.522) million. Capital loan was EUR 0.176 (0.176) million. Financial income and expenses totaled EUR -0.102 (-0.097) million. No capitalized product development investments have been made in the balance sheet during the review period.

Own capital

Shareholders' equity at December 31, 2017 was EUR 3.079 million. In the financial statements as at December 31, 2018, shareholders' equity was EUR 4.416 million. During the review period 2019, a directed issue was conducted to Sweden, generating gross income of EUR 0.3 million. Result for the financial year was EUR -1.638 million.

Personnel and administration

The number of personnel at the end of December 31, 2019 was 12. During the period under review, the Board of Directors comprised Jarmo Halonen (Chairman), Auvo Kaikkonen, Tomi Numminen, Ilkka Kangasniemi, Pekka Jalovaara and Hannu Säynäjäkangas. Pekka Jalovaara served as CEO until October 14, 2019 and Ilkka Kangasniemi served as CEO starting on October 15, 2019.

Annual General Meeting 2019

The Annual General Meeting of BBS Corporation was held in Oulu on 5th of April 2019.

The AGM approved the financial statements for 2018 and discharged the members of the Board of Directors and the CEO from liability. The Annual General Meeting decided in accordance with the Board's proposal, that no dividend be distributed for the financial period 1.1.2018-31.12.2018 and that the loss be recognized in the profit / loss account.

The AGM confirmed the remuneration of the Board members at EUR 500 per meeting and the Chairman EUR 750 per meeting.

The Annual General Meeting decided, that the auditor be paid a reasonable fee against invoice approved by the company. Ernst & Young Oy, an auditing firm, was elected as the auditor of BBS.

The Annual General Meeting decided to authorize the Board of Directors to decide on the issue of shares of 1.500.000 (one and half million) which does not exclude the right of the Board of Directors to decide on a directed share issue. The authorization will be valid until the next Annual General Meeting, however, until the 30th June 2020 at the latest.

Share-based incentive plan

The company has a valid stock option plan 2012 approved by the Annual General Meeting on July 18, 2012. The Board of Directors authorized the Annual General Meeting to decide on stock options on 2nd January 2013. Options have been issued to key personnel and each option entitles its holder to subscribe for one share at a price of one EUR by 31 December 2019. On January 9, 2018, the Board of Directors has extended the subscription period until December 31, 2023. The subscriptions of stock options may amount to a maximum of 170000 new shares and have no appreciable effect on earnings per share.

Risks and uncertainties

The company's risks have recently focused on product approval processes and financial operations. On the approval side, the risk is mainly in keeping timelines, due to the ability of the authority to require additions and corrections to the documentation provided. The product classification is subject to regulatory interpretation. The decision-making will depend on the results of the animal experiment which will be available in the near future. On the US side, the 510(k) certification path that allows predicate use carries a principle risk, but the company's current view is that no difficulty is expected in this respect.

On the financial side, the acute risk is the uncertainty in the stock market caused by the Corona virus. So far, the company's share price has not followed the general trend in stock exchanges. This is understandable as BBS is a long-term investment target as a medical device R&D and production company. The development phase is long, followed by a 4-5 years post-launch marketing and sales growth phase, and finally, once the sales turn profitable, the company will typically continue its profitable growth phase for a long time. The risk of a share issue failure can also be seen as a financial risk. The volatility of the global economic and the falling stock prices may scare investors.

Shares and Shareholders

BBS's market capitalization at the end of the reporting period 31.12.2019 was by 10.4 million euros. The closing price on December 31, 2018 was EUR 2.00. The highest quotation during the review period was EUR 3.75 and the lowest EUR 1.85.

BBS had 1097 registered shareholders at the register of shareholders on December 31, 2019.

As at December 31, 2018, BBS's Board of Directors and CEO owned a total of 543.650 (532.850) shares, including shares held through controlled companies, or 10.4 % of the Company's stock. Information on insider trading in the company's shares is published on the company's website.

Events after the reporting period

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

In early 2020, product and development loans have been restructured. After the arrangement, the share of short-term financial loans will be EUR 0.316 M and the loans maturing in more than five years will be EUR 2.995 M.

In March 17, 2020, the Company decided to take out a working capital loan of EUR 200.000 to ensure its liquidity.

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 2020

Half-year report January-June 2020 made available by 31.8.2020 at 9:00 am.

Oulu, March 20, 2020

BBS-Bioactive Bone Substitutes Plc

Board

For more information:

Ilkka Kangasniemi, CEO,

puh. 040 7080307, e-mail: ilkka.kangasniemi@bbs-artebone.fi

Hannu Säynäjäkangas, CFO,

puh. 040 5021092, e-mail: hannu.saynajakangas@bbs-artebone.fi

Certified Advisor:

Stockholm Certified Advisers AB, p. +46 70 5516 729

DISTRIBUTION:

Nasdaq Helsinki Oy

Nasdaq Stockholm AB

Key media

www.bbs-artebone.fi

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 20th March 2020 at 9:00 am (UTC).

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.

ATTACHMENTS:

Financial Statement December 31, 2019

Cash Flow Statement December 31, 2019

Statement of changes in equity in the year 2019

Distribution: NASDAQ and key media

ANNUAL REPORT AND BALANCE SHEET BOOK 2019**BBS-BIOACTIVE BONE SUBSTITUTES OYJ****ANNUAL REPORT 1 JANUARY - 31 DECEMBER 2019****Business overview**

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

BBS's product development

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

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

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

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

Financial review

Operating result

BBS had no turnover in 2019 or in the corresponding period of the previous year. The result for the review period was M€ -1.638 (2018: M€ 0.380) which consists of product development costs. The one-time chord (debt forgiveness) of € 2.224 M obtained from loans was the main contribution to the good result of the comparison period.

Financing and investments

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

Working capital

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

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

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

Balance sheet

The balance sheet total at 31 December 2019 was € 9.833 M. The balance sheet total at the end of the previous review period at 31 December 2017 was € 9.669 M. The change is mainly due the decrease in cash reserves and depreciation. At the end of the review period at 31 December 2019, the short-term interest-bearing debts on the balance sheets stood at € 0.961 M (2018: € 0.522 M), long-term interest-bearing debts € 5,191 M (2018: € 5.633 M) and subordinated loans EUR 0,176 (2018: € 0.176 M) million. The financing costs were € 102.2 thousand (2018: € 97.6 thousand). No product development investments have been capitalised in the balance sheet during the review period.

Staff, management and administration

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

2019 Annual General Meeting (AGM)

BBS's AGM was held on 5th March 2019. The AGM approved the financial statements for 2018 and discharged the members of the board of directors and the CEO from liability. In accordance with the proposal by the Board of Directors, the AGM decided that no dividend is paid for the financial year 1 January 2018 - 31 December 2018, and that the loss for the financial year is recognised in the profit/loss account. The AGM confirmed the board member's remuneration of EUR 500 per meeting and the chairman EUR 750 per meeting. The AGM decided that the auditor will be paid a reasonable fee according to the invoice approved by Company. Ernst&Young Oy, Authorized Public Accountants, was elected as the Company's auditor.

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

Risks and uncertainties

Significant risks and uncertainties independent of the Company, such as actions by authorities,

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

Shares and shareholders

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

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

The Company's market capitalization at the end of the review period 31st December 2019 was EUR 10.4 million. The share closed 31st December 2019 at EUR 2.00. The highest price during the review period was EUR 3,75 and the lowest EUR 1.85.

Events after the balance sheet date

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

In early 2020, product and development loans have been restructured. After the arrangement, the share of short-term financial loans will be EUR 0,316 M and the loans maturing in more than five years will be EUR 2.995 M.

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

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

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

Outlook for 2020

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

Board of Directors

BBS-Bioactive Bone Substitutes Plc

CONSOLIDATED INCOME STATEMENT

1.1.-31.12.2019 1.1.-31.12.2018

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

BBS-Bioactive Bone Substitutes Plc

CONSOLIDATED BALANCE SHEET

31.12.2019

31.12.2018

ASSETS

NON-CURRENT ASSETS

Intangible assets

Development expenditure	7 532 827,55	7 532 827,55
Other Intangible assets	359 254,72	433 289,14
Intangible assets total	7 892 082,27	7 966 116,69
Tangible assets		
Land and water areas		
Owned buildings	83 719,00	83 719,00
Buildings and structures		
Owned buildings and structures	515 519,24	554 321,76
Machinery and equipment	624 977,83	773 860,95
Tangible assets total	1 284 216,07	1 411 901,71
NON-CURRENT ASSETS TOTAL	9 176 298,34	9 378 018,40
CURRENT ASSETS		
Debtors		
Short term		
Other debtors	140 881,37	93 416,69
Prepayments and accrued income	0,00	0,00
Short term debtors total	140 881,37	93 416,69
Debtors total	140 881,37	93 416,69
Cash and equivalents	515 633,39	1 684 870,70
CURRENT ASSETS TOTAL	656 514,76	1 778 287,39
ASSETS TOTAL	9 832 813,10	11 156 305,79

BBS-Bioactive Bone Substitutes Plc

CONSOLIDATED BALANCE SHEET

31.12.2019

31.12.2018

EQUITY AND LIABILITIES

CAPITAL AND RESERVES

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

CREDITORS

Long term

Capital loans	175 825,46	175 825,46
Loans from credit institutions	5 191 297,00	5 633 425,33
Long term loans total	5 367 122,46	5 809 250,79

Short term

Loans from credit institutions	961 473,00	521 664,67
Trade creditors	31 879,90	20 923,70
Other creditors	27 293,22	13 485,30
Accrual and referred income	365 846,82	374 240,01
Short term creditors total	1 386 492,94	930 313,68

CREDITORS TOTAL 6 753 615,40 6 739 564,47

EQUITY AND LIABILITIES TOTAL 9 832 813,10 11 156 305,79

BBS-Bioactive Bone Substitutes Plc

PARENT COMPANY'S INCOME STATEMENT

1.1.-31.12.2019 1.1.-31.12.2018

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

Other interest income and other financing income		
From others	0,25	1,71
Other interest and financial expenses		
To others	-75 876,95	-75 441,62
Financial income and expenses total	-75 876,95	-75 441,62
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-1 596 978,28	417 166,76
PROFIT (LOSS) OF THE FINANCIAL PERIOD	-1 596 978,28	417 166,76

BBS-Bioactive Bone Substitutes Plc

PARENT COMPANY'S BALANCE SHEET

31.12.2019

31.12.2018

ASSETS

NON-CURRENT ASSETS

Intangible assets

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

Other Intangible assets 359 254,72 433 289,14

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

Tangible assets

Machinery and equipment 674 038,17 759 274,71

Land and water areas

Shares in the same group of companies 714 499,55 714 499,55

NON-CURRENT ASSETS TOTAL

9 280 619,99

9 439 890,95

CURRENT ASSETS

Debtors

Short term

Other debtors 140 881,37 93 416,69

Prepayments and accrued income 0,00 0,00

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

Debtors total 140 881,37 93 416,69

Cash and equivalents 487 027,18 1 664 343,16

CURRENT ASSETS TOTAL

627 908,55

1 757 759,85

ASSETS TOTAL

9 908 528,54

11 197 650,80

BBS-Bioactive Bone Substitutes Plc

PARENT COMPANY'S BALANCE SHEET

31.12.2019

31.12.2018

EQUITY AND LIABILITIES**CAPITAL AND RESERVES**

Equity

Share capital

80 000,00

80 000,00

Equity total

80 000,00

80 000,00

Share premium account

1 394 957,01

1 394 957,01

Other reserves

Invested unrestricted equity fund

11 638 453,75

11 337 847,26

Other reserves total

11 638 453,75

11 337 847,26

Retained earnings (loss)

-7 814 126,82

-8 231 293,58

Profit (loss) of the period

-1 596 978,28

417 166,76

CAPITAL AND RESERVES TOTAL

3 702 305,21

4 998 677,00

CREDITORS

Long term

Capital loans

175 825,46

175 825,46

Loans from credit institutions

4 613 829,00

5 312 591,34

Long term loans total

4 789 654,46

5 488 416,80

Short term

Loans from credit institutions

897 273,00

200 830,66

Trade creditors

127 240,45

123 558,43

Other creditors

26 274,19

13 289,63

Accrual and referred income

365 781,23

372 878,28

Short term creditors total

1 416 568,87

710 557,00

CREDITORS TOTAL

6 206 223,33

6 198 973,80

EQUITY AND LIABILITIES TOTAL

9 908 528,54

11 197 650,80

BBS-BIOACTIVE BONE SUBSTITUTES OYJ

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90220 Oulu

Y-tunnus 0866451-4

Notes to the Financial Statements

The financial statements have been prepared in accordance with the Small Business Act (SBA)

Code for the disclosure of small and micro enterprises

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

production facilities in Reisjärvi

Notes to the income statement

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

Machinery and equipment acquired for Native III and IV are amortized over 10 years on a straight-line basis

Depreciation started in January 2017

Other machines and equipment are removed in accordance with EVL-tax maximum depreciation rates

Cleanroom native project is depreciated by 10 years straight-line depreciation. Started in January 2017

The additional investments/renovation cost of Reisjärvi production facilities will be amortized over 5 years

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

Other income

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

Notes to the Balance Sheet

Intangible assets

Development costs, including salaries, for capitalized projects

	Native project	Clinical project
Opening balance 1.1.2019	6 369	1 163

	319,10	508,45
Balance 31.12.2019	6 369	1 163
	319,10	508,45

Native project product development completion date was Feb 2015, the project continued as a clinical project,

which was completed in Dec 2017. Activations have not been depreciated.

Depreciation will begin when the sale begins. The estimated depreciation period is 5 years.

Other long term expenses

	Additional investments in Reisjärvi	Clean room Native project
Opening balance 1.1.2019	22 712,30	410 576,84
depreciation during the financial year	22 712,30	51 322,12
Balance 31.12.2019	0,00	359 254,72

Intangible assets total	7 892	082,27
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Among non-current assets a total of EUR 7.336.237,49 in equipment development costs and clean room

premises, including project machinery and equipment and the cost of continuing Clinical project of EUR

1.163.508,45 have been capitalized to non-current assets

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

BBS-BIOACTIVE BONE SUBSTITUTES OYJ

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Capital loans

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

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

Debts, events after the financial year

In early 2020, a change was made to Valtiokonttori/Tekes loans. As a result, short term debt is reduced by

EUR 644.930,00 and debt maturing later than five years increased by EUR 2.114.701,00

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

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

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

Breakdown of equity		31.12.2019	31.12.2018
Share capital at the beginning of the financial year	80 000,00	80 000,00	
Share capital at the end of the financial year	80 000,00	80 000,00	
The share premium account	1 394 957,01	1 394 957,01	
Total equity	1 474 957,01	1 474 957,01	
Invested unrestricted equity fund at the beginning of the f.y.	11 337 847,26	7 836 992,76	
Increase in the invested unrestricted equityfund during the f.y.	300 606,49	3 500 854,50	
Invested unrestricted equity fund at the end of the f.y.	11 638 453,75	11 337 847,26	
result for previous financial years	-8 396 062,95	-8 775 902,76	
Result of the financial year	-1 638 150,11	379 839,81	
Total unrestricted equity	1 604 240,69	2 941 784,31	
Total equity	3 079 197,70	4 416 741,32	
Capital loan Tekes/Valtiokonttori	175 825,46	175 825,46	
Equity + capital loans	3 255	4 592	

	023,16	566,78
Distributable unrestricted equity		
The invested unrestricted equity fund	11 638	
Results of the previous financial years	453,75	
	-8 396	
	062,95	
Result of the financial year	-1 638	
	150,11	
Capitalized development costs in the balance sheet	-7 532	
	827,55	
Distributable unrestricted equity 31th Dec 2019	-5 928	
	586,86	

At the balance sheet date, the parent company has 5.204.820 registered shares and 170.000 registered options

Each share entitles its holder to one vote at the General Meeting.

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

Accrued unpaid interest

Capital loan

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

BBS-BIOACTIVE BONE SUBSTITUTES OYJ

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

Tekes/Valtiokonttori 1.1.-31.12.2016	5 274,75
Tekes/Valtiokonttori 1.1.-31.12.2017	5 474,75
Tekes/Valtiokonttori 1.1.-31.12.2018	5 274,76
Tekes/Valtiokonttori 1.1.-31.12.2019	5 274,76

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

Collateral and contingent liabilities in the notes

Debts secured by a business mortgage

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

Notes on the members and staff of the institutions

Average number of employees during the financial year

	31.12.2019	31.12.2018
Personnel	12	13

Unrecognized deferred tax assets

The Group has a tax loss of approximately EUR 7,41 million, of which a hidden tax claim at a current

rate of 20% is approximately EUR 1,48 million.

Other notes

At the balance sheet date, the parent company invested a total of EUR 3.255.023,16 in equity and subordinated debt.

The subordinated loan includes a subordinated loan of EUR 175.825,46 granted by Tekes.

Active efforts are still being made to raise both equity and non-equity financing

The Company's working capital will not be sufficient to complete the approval process, start production and

commercial operations if the company fails to raise approximately EUR 3-5 million in equity or debt financing.

The commencement of production and sales activities, and thus the return on intangible assets capitalized

on the balance sheet, is dependent on success in obtaining additional financing.

BBS-Bioactive Bone Substitutes Plc
Concern

Cash Flow Statement

[1000 euros]	2019	2018
Cash flow from business operations		
Profit (loss) before extraordinary items	-1638	380
<i>Adjustments</i>		
Scheduled depreciation and amortization	225	229
Financial income and expenses	102	98
Other adjustments: Accord of loans	0	-2224
Other adjustments: Write-downs	0	0
Cash flow before changes in working capital	-1311	-1517
Change in working capital		
Changes in short-term non-interest-bearing (+) (-)	-47	-33
Changes in inventory Increase(-)/Decrease(+)	0	0
Changes in short-term non-interest-bearing loans Increase(+)/Decrease(-)	-18	-45
Cash flow from business operations before financial items and taxes	-1340	-992
Interest paid and other financial expenses from business operations	104	106
Interest received and other financial income from business operations	0	0
Cash flow before extraordinary items and taxes	-1444	-1701
Cash flow from business operations (A)	-1444	-1701
Cash flow from investments		
Investments in tangible and intangible goods	-24	-34

Investments in shares in subsidiaries	0	0
Loans granted	0	0
Cash flow from investments (B)	-24	-34

Cash flow from financing

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

Changes in funds (A+B+C) Increase (+)/Decrease (-) **-1169** **1650**

Funds at the beginning of the financial period	1685	35
Funds at the end of the financial period	516	1685

Equity development

BBS Group

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