

Bioretec Ltd

# Financial Statements 2021



# Table of contents

<b>Report by the Board of Directors for the financial year 2021 .....</b>	<b>3</b>
<b>Consolidated income statement .....</b>	<b>14</b>
<b>Consolidated balance sheet .....</b>	<b>15</b>
<b>Consolidated cash flow statement .....</b>	<b>17</b>
<b>Parent company income statement.....</b>	<b>18</b>
<b>Parent company balance sheet .....</b>	<b>19</b>
<b>Notes to the Financial Statements .....</b>	<b>21</b>
<b>Signatures for the Financial Statements and Report by the Board of Directors...</b>	<b>26</b>
<b>Auditor`s report .....</b>	<b>27</b>

Accounting period: 1 January–31 December 2021  
Financial statements must be retained until 31 December 2031.  
Financial statements have been prepared by Arol Finance Oy.



# Report by the Board of Directors for the financial year 2021

## Bioretec in brief

Bioretec Ltd is a globally operating Finnish medical device company that develops, manufactures and markets bioresorbable orthopedic implants. Bioretec's implants enhance bone growth and accelerate fracture healing after orthopedic surgery. They are resorbed and replaced by bone, which eliminates the need for implant removal surgery. Bioretec's products are used worldwide in approximately 40 countries. The majority of Bioretec's net sales comes from exports. In 2021, 5% of net sales came from Finland and 95% from other countries. The company's customers include public and private hospitals and hospital districts. Current products are sold through Bioretec's distribution network.

Bioretec's existing Activa product portfolio consists of bioabsorbable biopolymer products available for pediatric, trauma and sports surgery. Bioretec is also developing the new RemeOs™ product line based either purely on magnesium alloy or magnesium alloy and hybrid composite, introducing a new generation of strong bioresorbable materials. Some of the new products in the RemeOs™ product family will also be suitable for applications that require load-bearing capacity, such as the treatment of long bone fractures. The RemeOs™ implants have the potential to make titanium implants redundant. The U.S. and EU market authorizations for the first RemeOs™ product are expected in 2022.

Founded in 2003, Bioretec is headquartered in Tampere, Finland. At the end of 2021, the company had 26 employees in Finland. Bioretec's shares are traded on the Nasdaq First North Growth Market Finland since 28 September 2021. At the end of 2021, Bioretec group was formed by the parent company Bioretec Ltd (domicile: Finland) and its wholly owned subsidiary BRI.Tech GmbH (domicile: Austria). Bioretec's wholly owned subsidiary Bioretec Technology Oy (domicile: Finland) was merged into the parent company on 30 September 2021.

The company complies with the Finnish Accounting Standards (FAS) in its preparation of consolidated financial statements. In addition, Bioretec complies in its decision-making and corporate governance with the Finnish Limited Liability Companies Act, securities market legislation, other legal provisions concerning listed companies, its Articles of Association, and the Nasdaq First North rules. It also complies with its ethical code of conduct.

## Significant events during the review period

- In April 2021, Bioretec received Breakthrough Device Designation status granted by the U.S. Food and Drug Administration (FDA) for its RemeOs™ trauma screw products. Under the Breakthrough Device Designation program, Bioretec continued interactive discussions with the FDA regarding the registration of RemeOs™ trauma screws for the U.S. market. The U.S. market authorization for the RemeOs™ trauma screws is planned for the first half of 2022.
- On 7 June 2021, Bioretec announced that it had applied for its shares to be listed on Nasdaq First North Growth Market Finland and commenced an initial public offering (IPO). The offering, including the over-allotment option, was oversubscribed, but the conclusion of the sole global coordinator and bookrunner of the offering was that the offering could not be completed. Therefore, the company cancelled the IPO on 17 June 2021 based on reasons that were not related to Bioretec, its actions or financial position. According to the sole global coordinator, the oversubscription in the offering was not sufficient for the expected development of the Bioretec share price on the secondary market to be beneficial to Bioretec and the investors.
- On 23 June 2021, Bioretec announced that it had completed a EUR 7.2 million equity funding round. The funding round was oversubscribed and therefore ended during the first subscription day.
- On 27 September 2021, Bioretec announced it had completed a private placement and raised EUR 1.7 million of funds. In the private placement, Bioretec issued a total of 580,000 new shares to institutional investors and a limited number to other investors.
- In September 2021, Bioretec executed a technical listing on the Nasdaq First North Growth Market Finland and trading of the company's shares was commenced on 28 September 2021.
- Relocation to new facilities in Tampere was completed in August 2021.

- Bioretec announced on 30 December 2021 that it had submitted an application for the CE mark for the first product in its new RemeOs™ product family, the RemeOs™ trauma screw. The CE mark is a legal prerequisite for the commercialization of a medical device in the European Union. Bioretec's target is to receive the CE mark and to introduce the bioresorbable magnesium alloy trauma screw into the markets in the European Union during 2022.

## Group's key figures

EUR 1,000	FY 2021	FY 2020	Change, %
Net sales	2,003	1,499	33.6%
Sales margin	1,376	1,103	24.8%
Sales margin, %	68.7%	73.5%	
EBITDA	-2,497	-1,787	39.8%
EBIT	-2,666	-1,925	38.5%
Net profit (loss)	-6,017	-2,259	166.4%
R&D spend on total costs, %	34.7%	23.6%	
Equity ratio, %	50.6%	35.1%	
Cash and cash equivalents	6,621	2,273	191.3%
Earnings per share (undiluted)	-0.43	-0.02	
Earnings per share (diluted)	-0.31	-0.01	
Number of shares at the end of the period <sup>1</sup>	14,111,858	150,402,068	
Number of shares (diluted) <sup>1</sup>	19,679,006	218,724,369	
Personnel <sup>2</sup>	26	23	13.0%

<sup>1</sup> A reverse split was performed in April 2021, based on which the number of shares was divided by 15.

<sup>2</sup> Number of personnel at the end of the period.

## Net sales, profitability and financial performance

### NET SALES AND SALES MARGIN

Net sales for the financial period from January to December 2021 were Bioretec's best to date. Net sales amounted to EUR 2,003 (1,499) thousand, an increase of 34% compared to the same period last year. Growth was mainly due to higher sales of Activa products in Europe, U.S. and Asia.

EUR 1,000	FY 2021	FY 2020	Change, %
Europe <sup>1</sup>	1,012	697	45.3%
U.S.	96	68	40.0%
Rest of the world	895	734	21.9%
<b>Total</b>	<b>2,003</b>	<b>1,499</b>	<b>33.6%</b>

<sup>1</sup> Russia included in Europe.

Bioretec's sales margin in January–December 2021 grew by 25% to EUR 1,376 (1,103) thousand. The sales margin was 69% (74%) of net sales, well below comparison period. The decline was due to relocation related production shut down, ramp-up and other costs.

## OPERATING EXPENSES

Bioretec group's total operating expenses in January–December 2021 (including salaries, depreciation, and other operating expenses) were EUR 4,042 (3,027) thousand, an increase of 34% from the comparison period. The increase was mainly due to investment in product development of new products.

The Group's R&D expenses in 2021 totaled EUR 1,401 (715) thousand, up by 96% from the comparison period. R&D expenses also include expenses related to the current product portfolio.

## EBITDA AND NET PROFIT (LOSS)

Bioretec group's EBITDA in January–December 2021 decreased to EUR -2,497 ( -1,787) thousand. The main reasons for the decrease were the impact of relocating to new facilities on sales margin and operating expenses, slightly increased headcount, annual bonuses accrued and new product development costs. Net loss of the period was EUR -6,017 (-2,259) thousand. Net loss was significantly higher than in the comparison period due to realized costs of cancelled IPO, financing rounds and the cost of technical listing. Additionally, the company accrued the interest of capital loans having an impact of EUR 1,475 thousand. The total impact of these financial costs amounted to EUR 3,350 thousand. Financing costs in comparison period include costs related to 2020 financing round totaling EUR 330 thousand.

## Financial position and cash flow

The group's equity ratio was 51% (35%). The group's total liabilities on 31 December 2021 were EUR 4,243 (2,532) thousand. At the end of the period, interest-bearing liabilities amounted to EUR 1,977 (2,053) thousand, including EUR 22 (1,977) thousands of long-term liabilities. Capital loans were reclassified from long-term to short-term liabilities at year-end 2021 due to estimated payment within next year. Main terms of the capital and convertible loans are presented in the Notes to the financial statements.

The group had EUR 6,621 (2,273) thousands of cash and cash equivalents and money market deposits at the end of the financial period.

Operational cash flow totaled EUR -2,387 (-1,998) thousand. Cash flow from financing consists mainly of the share issue from Springvest financing round of EUR 7,200 thousand and the directed share issue of EUR 1,700 thousand performed in September 2021. Costs of paid financing arrangements are shown under other financial expenses along with the costs related to the canceled IPO and technical listing.

The group's capital expenditure totaled EUR 393 (121) thousand. The capital expenditure was mainly related to Bioretec's relocation to the new office and production facilities. The construction of new facilities required a total investment of approximately EUR 377 thousand, which is fully paid at the end of 2021.



## Research & development

Bioretec's research and development continues to concentrate on further developing RemeOs™ and Activa product families' products and expanding their clinical application areas to new indications. One of the cornerstones of Bioretec's R&D strategy is to provide industry-leading scientific evidence through clinical trials to validate the benefits of Activa and RemeOs™ products.

### PRODUCT DEVELOPMENT IN THE NEW REMEOS™ PRODUCT FAMILY

Bioretec intends to introduce a new generation of bioresorbable materials with enhanced strength for improved surgical outcome. The new RemeOs™ product line is based on a magnesium alloy and hybrid composite. The RemeOs™ implants are resorbed and replaced by bone and eliminate the need for implant removal surgery while facilitating fracture healing. They have potential to make traditional metal implants redundant.

The first RemeOs™ products, trauma screws based on magnesium alloy, have passed clinical trial with successful results. The investigator-initiated study for the treatment of medial malleolus fracture took place in 2018–2020 as a first-in-human trial. The first-year follow-up study yielded excellent results in safety and usability: There were no complications, and the screw effectively fixed the studied fractures. Complete consolidation of fractures was achieved in all patients in the trial at 12 weeks. The screw was found to be an excellent and safe alternative to non-bioabsorbable metal screws eliminating the need for implant removal surgery.

The follow-up study for the RemeOs™ trauma screws to support the product's commercialization continues as planned. The results of the two-year follow-up study for RemeOs™ trauma screws are ready to be published in the scientific journal, and some of the patients have already had their three-year follow-up visit. The preparation of RemeOs™ cannulated screw's commercialization in the United States and Europe is ongoing. The program under the Breakthrough Device Designation status granted by the U.S. Food and Drug Administration's (FDA) was launched in May 2021. The Breakthrough Device Designation confirms that the product represents a breakthrough technology in traumatology and orthopedic surgery providing a more effective treatment or diagnosis for life-threatening or irreversibly debilitating conditions or diseases. The interactive discussions, the so-called Sprint discussions, are ongoing regarding the registration of RemeOs™ trauma screws for the U.S. market. Bioretec expects to receive a market authorization for the trauma screws in the United States during the first half of 2022 and in the European Union during 2022. In December 2021, Bioretec filed for CE mark for the RemeOs™ magnesium screw in the European Union.

Bioretec is also developing three other products for the RemeOs™ product family: K-wire, intramedullary nail and cage. These products are currently in the product development, applicability, and research phase, with the goal of commercializing them one product at a time in 2024-2027.

Bioretec continued the process to identify Key Opinion Leaders for its Scientific Advisory Board. In 2021, The Scientific Advisory Board consisted of five globally recognized orthopedic experts supporting the development and the commercialization of Bioretec's products.

### PRODUCT DEVELOPMENT IN THE CURRENT ACTIVA PRODUCT FAMILY

Bioretec is also developing the properties and application areas of its current commercially available products, the Activa implants. Activa implants are bioabsorbable implants made of PLGA (poly-lactide-co-glycolide copolymer), which has a long history in medical use. The monomers, building blocks of PLGA are part of the normal chemistry in cells.

The post-market clinical follow-up study of Activa IM-Nail™ in CE-marked indication of pediatric diaphyseal forearm fractures has continued as planned in several European countries.

During the first half of the year 2021, an investigator initiated multi-center clinical trial was started to treat pediatric wrist fractures (Distal Radius) with Activa IM-Nail™. Wrist fractures are among the most common injuries in children. Today, the golden standard operative method is closed reduction and percutaneous pinning with metallic non-resorbable Kirschner wires (K-wires), and the study is executed as a comparative trial with the K-wires. The study is running according to the plan, and at the end of December 2021, approximately 37% of targeted pediatric patients had been treated. A positive result from the study would potentially mean an indication expansion for Activa IM-Nail™ and a larger addressable market in Europe.

Continuing global measures against COVID-19 and the need to prioritize healthcare resources may impact ongoing and forthcoming clinical trials. At present, Bioretec has no information on any consequences of COVID-19 other than those presented above. Updates will be provided when applicable.

## Operating environment and market development

Bioretect operates in the global market for orthopedic products, which in 2020 had a turnover of approximately USD 47.5 billion. In 2020, the global orthopedic market declined by around 11% due to uncertainty brought on by the COVID-19 pandemic, widespread surgical restrictions and cancellations. The pandemic persisted through 2021, obstructing companies from swift return to normalcy and growth. However, there were some signs of recovery, and forecasts for 2021 estimate orthopedic market turnover of USD 54.5 billion in 2021, up by 15% from 2020 (Source: The Orthopaedic Industry Annual Report 2021).

The main market segment for Bioretect's products is the orthopedic trauma products market, which in 2020 was approximately USD 7.1 billion globally. Out of orthopedic products, trauma products suffered the lowest impact from pandemic in 2020. Forecasts for 2021 expected the market to amount to USD 7.6 billion, up by 7.7% from 2020 (Source: The Orthopaedic Industry Annual Report 2021). In 2021, the surgical procedure rates increased in many Western European markets where restrictions were eased. Markets were opening after the pandemic in Germany, Bulgaria, Scandinavia, Spain, Russia and Slovakia. On the other hand, some pandemic hotspots still remained in parts of the EU, the United States, the UK, Russia and Southeast Asia. Disruptions to supply chains and shortage in labor force have created additional obstacles to market recovery and have constrained surgical procedure volumes.

In orthopedic trauma products, the largest geographic market is the United States (65% of sales in 2020). Europe and the Middle East and Africa (EMEA) account for about 17% and Asia-Pacific for about 13% of the sales. The United States is expected to remain the most important market also in the future. From 2016 to 2023, the market for orthopedic trauma products is expected to grow annually by about 3%.

The biggest driver of the market for trauma products is the increase in the number of fractures, especially as the proportion of the elderly population increases and due to the growing popularity of various extreme sports and the increasing prevalence of obesity. Other important market drivers are favorable reimbursement practices due to changes in claims policies and improved insurance coverage, especially in the United States, and growing demand for advanced orthopedic implants and increased need for customer-centric solutions as patients are becoming more aware of different treatment options (Source: The Orthopaedic Industry Annual Report 2021).

It is still difficult to assess whether the favorable market trend will continue in 2022, as new variations of the COVID-19 virus may cause new national restrictions in all geographical areas. Continuing global measures against COVID-19 and the need to prioritize healthcare resources may also impact Bioretect's sales and ongoing and forthcoming clinical trials.

## Significant risks and uncertainties

Bioretect's Board of Directors is responsible Bioretect's risk management. The purpose of risk management is to identify, assess and manage risks so that they do not affect the achievement of the company's objectives. The company has a risk management policy, which is confirmed by the Board of Directors. The risk management policy supports the implementation of the strategy and business objectives and ensures business continuity.

The company has identified risks and uncertainties that could affect the company's results and financial position. It is Bioretect's strategy to identify and manage risks continuously.

Bioretect's risks can be divided into:

- Risks related to operating environment, industry and regulations
- Risks related to business
- Risks related to product development, manufacturing and commercialization of products
- Risks related to financing and
- Risks related to equities, shares and trading of the shares

The company is exposed to various financial risks, such as liquidity, currency and credit risk. The most important financial risk is related to the sufficiency of the funding needed to support the group's strategic growth targets. Liquidity risk is continuously monitored by following up the amount of available funds and customer credits and open accounts payables as well as reviewing the monthly forecasted cash flow. Adequacy of funding and potential actions needed are regularly analyzed by the Board of Directors.

Industry-related risks are mainly associated with target markets which are both highly regulated and conservative and where the introduction of new technologies happens slowly. Risks related to legislation, rules, and regulatory compliance are associated with the group's industry sector.

## Personnel

At the end of 2021, Bioretec had 26 (23) employees. Average number of employees from 1 January to 31 December 2021 was 24 (23). Salaries and other personnel expenses in 2021 totaled EUR 2,186 (1,780) thousand.

## Changes in Management Team

On 31 December 2021, the members of Bioretec's Management Team were Timo Lehtonen (Chief Executive Officer), Johanna Salko (Chief Financial Officer), Minna Ahlstedt-Soini (Production Director), Lauri Hokkanen (Sales and Marketing Director), Kimmo Lähteenkorva (Chief Technology Officer) and Mari Ruotsalainen (Director of QA & RA). CFO Johanna Salko joined the Management Team in February 2021. There were no other changes in the composition of the Management Team during the review period. After the review period, Rami Ojala replaced Lauri Hokkanen as Sales and Marketing Director and member of the Management Team as of 1 January 2022.

## Annual General Meeting

Bioretec's Annual General Meeting was held on 22 April 2021 in Tampere, Finland. The Annual General Meeting resolved to approve the financial statements for the financial year 2020 and approved the Board of Directors' proposal not to pay any dividends.

The Annual General Meeting decided that the Board of Directors shall have five members.

It was decided that the following remuneration will be paid to the members of the Board of Directors in 2021: EUR 2,500 per month for the Chairman of the Board of Directors and EUR 1,500 per month for the members of the Board of Directors. Additionally, it was decided, that company may enter into a consultancy service agreement with Tomi Numminen relating to commercialization of the company products in the United States. Consultancy fee payable is EUR 7,500 per month.

Company's articles of association were amended regarding the number of members of Board of Directors and the selection and term of the auditor. Redemption clause was deleted.

The Board of Directors was authorized to decide on a share issue for the purpose of an initial public offering in connection with applying for the company's share to be admitted to trading on Nasdaq First North Growth Market Finland.

The Board of Directors was authorized to decide on issuance of shares and special rights entitling to shares. The authorization did not revoke the authorization granted by the Annual General Meeting held on 26 June 2020 authorizing the Option Program 2020-1.

The Annual General meeting approved the reverse split proposed by the Board of Directors for the purpose of enabling a potential listing of the shares in the company.

## Extraordinary General Meetings and Board Authorizations

The Annual General Meeting held on 26 June 2020 authorized the Board of Directors to resolve on the issuance of option rights, based on which up to 26,000,000 shares can be given (option program 2020-1). Authorization is valid until 31 December 2022. In accordance with the option program 2020-1 the Extraordinary General Meeting held on 22 January 2021 in Tampere decided, based on the Board of Director's proposal, to grant 9,000,000 option rights to the company's key employees and members of the Scientific Advisory Board and 3,000,000 option rights to the members of the Board of Directors. Additionally, the EGM resolved to incorporate the company's share into the book-entry system.

Extraordinary General Meeting of Bioretec Ltd held on 9 July 2021 in Tampere authorized Bioretec Board of Directors to resolve on option program, based on which option rights were granted to Springvest Oy and its tied agents in relation



with the terms of the agreement between the company and Springvest Oy concerning the organizing of a financing round for the company. Based on the authorization the maximum number of shares that could be subscribed based on the option rights was 384,000 shares. Share subscription price was EUR 0.001 per share. The authorization was valid until 31 December 2021, and it did not cancel the previous authorizations granted to the Board of Directors.

Extraordinary General Meeting held on 9 July 2021 resolved based on the proposal of the Board of Directors to authorize Bioretec's Board of Directors to resolve on the issuance of shares. Under the authorization, up to 1,333,333 shares can be issued. The shares can be issued in one or more tranches against a minimum subscription price of EUR 3.00 per share. The shares issued under the authorization can be new shares or shares in the company's possession. The authorization can be used to strengthen the balance sheet and financial position of the company or for other purposes determined by the Board of Directors. Under the authorization, the Board of Directors may resolve upon issuing new shares, without consideration, to the company itself. The Board of Directors is authorized to resolve on all other terms for share issues. The Board of Directors is authorized to resolve on a directed share issue, provided, that there is a weighty financial reason for the company to do so. The authorization is valid until the end of the next Annual General Meeting, however, no longer than until 30 June 2022. The authorization shall revoke previous unused share issue authorizations except for the authorization granted by the Annual General Meeting held on 26 June 2020 authorizing the Option Program 2020-1.

## The Board of Directors

At the end of December 2021, Bioretec's Board of Directors had five members. The Annual General Meeting held on 22 April 2021 re-elected Tomi Numminen, Michael Piccirillo, Hans Rosén and Pekka Simula to new terms of office and Sarah Hubar-Fisher as a new member of the Board of Directors. In its organizational meeting after the Annual General Meeting, the Board of Directors elected Tomi Numminen as the Chairman of the Board.

## The Auditor

Bioretec's Annual General Meeting held on 22 April 2021 elected Authorized Public Accountants Ernst & Young Oy as the auditor of the company for a term ending at the close of the Annual General Meeting of 2022. Ernst & Young Oy has appointed Erika Grönlund, Authorized Public Accountant, as the responsible auditor. The auditor will be compensated as reasonably invoiced.

## Bioretec share and trading on shares

Bioretec has one share class. Each share has equal voting rights and all shares of the company provide equal rights to dividend.

On 31 December 2021, Bioretec had a total of 14,111,858 (150,402,068) shares. The share capital was EUR 3,749 (3,749) thousand. Bioretec does not hold its own shares. The average number of shares was 12,069,331 (8,663,341) during the year 2021. When calculating the average number of shares, 2020 year-end number has been adjusted with the impact of the reverse split, which took place in April 2021. The average number of shares (diluted) was 17,130,315 (12,857,659) during the year 2021.

Trading in the shares on Nasdaq First North Growth Market Finland commenced on 28 September 2021 under the trading code BRETEC.

There were 66 trading days in the review period. A total of 1,088,877 shares were traded during this period, and the value of the shares traded was EUR 3,002,118. The highest price of the share was EUR 3.59, and the lowest price was EUR 2.49. The volume weighted average price was EUR 2.76 and the closing price at the end of the review period was EUR 2.70. In accordance with the closing price, the combined market value of the shares was approximately EUR 38.1 million.

## Share issues and listing

On 7 June 2021, the company announced that it had applied for its shares to be listed on Nasdaq First North Growth Market Finland and it was to commence the initial public offering. As the public offering did not occur as planned, the company canceled the listing application based on the conclusion of the sole global coordinator and bookrunner of the offering on 17 June 2021. The cancellation of the offering was not based on reasons relating to Bioretec, its actions or financial position but oversubscriptions received in the offering not being sufficient. The offering, including the over-allotment option, was oversubscribed, but not to a sufficient degree such that the development of the Bioretec share price on the secondary market would have been expected to be beneficial to Bioretec and the investors.

On 23 June 2021, Bioretec completed EUR 7,2 million equity funding round in cooperation with Springvest. Bioretec's funding round was oversubscribed and ended during the first subscription day. Bioretec issued a total of 2,400,000 new shares with a subscription price of EUR 3.00 per share.

On 27 September 2021, Bioretec executed a private placement and raised EUR 1.7 million of funds. In the private placement, Bioretec issued a total of 580,000 new shares to institutional investors and a limited number to other investors. Subscription price was EUR 3.00 per share.

On 24 September 2021, Nasdaq Helsinki Ltd approved the listing application submitted by Bioretec. The technical listing on the Nasdaq First North Growth Market Finland was successfully completed and trading in the company's shares commenced on 28 September 2021.

## Shareholders

Bioretec's shares are in the book-entry system maintained by Euroclear Finland, and Euroclear Finland maintains Bioretec's official shareholder register. At the end of 2021, Bioretec had a total of 2,235 registered shareholders, of whom 88% were private individuals. There were 809,881 nominee-registered and foreign-owned shares, which was 6% of all shares, and they conferred entitlement to 6% of the total votes. The largest shareholders and shareholders by sector can be found on the company's website at [www.bioretec.com/investors/investors-in-english/share/shareholders](http://www.bioretec.com/investors/investors-in-english/share/shareholders).

At the end of 2021, the members of the Board of Directors owned a total of 6,000 company's shares. At the end of 2021, the CEO did not own company's shares. The members of the Group's Management Team (excluding the CEO) owned a total of 6,291 company's shares. Thus, the company's executive management held 0.09% of all of the company's shares and 0.09% of the total votes.

## Option programs

The company has established several share option programs as incentive plans for Bioretec's key personnel, members of the Board of Directors, members of the Scientific Advisory Board, the organizer of the share issue, and the former shareholders of the subsidiary BRI.Tech GmbH in connection with the completion of its acquisition in 2019.

At the end of 2021, there were three stock option programs open: Stock options 2018-1, 2019-1 and 2020-1. The stock options are issued free of charge. The shareholder's rights begin when the shares are registered in the Trade Register. The stock option plans that were open in 2021 or were registered in the Trade Register in 2021 are described in the table below.

### Open option programs

ID	Options	Share subscription price, EUR	Shares to be subscribed <sup>1</sup>	Subscription period	Unexercised options
2018-1A	8,500,000	1.50	566,666	1.1.2019-31.12.2023	8,500,000
2018-1B	8,500,000	1.50	566,666	1.1.2020-31.12.2023	8,500,000
2018-1C	1,500,000	2.25	100,000	1.1.2021-31.12.2023	1,500,000
2018-1D	1,500,000	2.25	100,000	1.1.2022-31.12.2023	1,500,000
2019-1	36,444,250	0.15	2,429,616	20.3.2019-31.12.2029	36,444,250
2020-1A	8,450,000	2.25	563,324	1.1.2022-31.12.2026	8,450,000
2020-1B	9,150,000	3.00	609,998	1.1.2023-31.12.2026	9,150,000
2020-1C	8,400,000	3.75	559,998	1.1.2024-31.12.2026	8,400,000
<b>Total</b>	<b>82,444,250</b>		<b>5,496,268</b>		<b>82,444,250</b>

<sup>1</sup>The decision to establish the stock option plans has been made before the reverse split in the spring 2021. After the reverse split, one share corresponds to 15 options.

### Option programs – shares subscribed

ID	Options	Share subscription price, EUR	Subscribed shares	Shares after reverse split <sup>1</sup>	Subscription period	Registered in the Trade Register
2017-1	17,863,794	0.100	6,586,477	439,098	1.10.2018-31.12.2020	5.2.2021
2018-2	4,795,200	0.001	4,795,200	319,680	20.11.2018-31.12.2030	6.4.2021
2019-2	7,996,320	0.001	7,996,320	533,088	21.2.2020-31.12.2030	6.4.2021
2021-1	384,000 <sup>2</sup>	0.001	384,000	384,000 <sup>2</sup>	5.8.2021-31.12.2030	8.9.2021 and 22.10.2021
<b>Total</b>	<b>31,039,314</b>		<b>19,761,997</b>	<b>1,675,866</b>		

<sup>1</sup>After the reverse split, 15 options correspond to one share.

<sup>2</sup>Option program 2021-1 has been implemented after the reverse split.

## Significant events after the review period

- Rami Ojala was appointed as Bioretec Ltd's new Sales and Marketing Director and member of the Management Team as of 1 January 2022.
- Bioretec announced on 13 January 2022 that it had entered into a supply agreement with Meotec for magnesium alloy raw materials for bioresorbable RemeOs™ products.

## Estimates of future development

Bioretec's future prospects and profitability are substantially dependent on the company's success in obtaining market authorization for its first magnesium-based RemeOs™ products in the United States and Europe, and the schedule related to this. Bioretec expects to receive the market authorization for the first RemeOs™ product in the U.S. during the first half of 2022 and in the EU during 2022. The company expects moderate growth in the initial phase of the commercialization as physicians typically introduce new products gradually to gain their own clinical experience.

Other RemeOs™ products are still in different stages of product development, and the aim is to commercialize them gradually between 2024–2027. The company's long-term prospects and profitability will depend on the future success of clinical trials and commercialization of these new magnesium and hybrid composite-based products and the company's ability to meet its planned schedule.

As significant share of Bioretec's future revenue is expected to come from products still in the development and commercialization phase, the company expects to incur significant costs relating to further product development. This product development is estimated to realize operating losses during the next few years. In the near future, the company expects to focus on financing its growth strategy and developing its business. The company expects to have positive operational cash flow by the end of 2025.

The COVID-19 pandemic has had an impact on the demand in the market for orthopedic products since 2020. Continuing global measures against COVID-19 and the need to prioritize healthcare resources may impact Bioretec's sales and ongoing and forthcoming clinical trials and thus the timing of commercialization of the new RemeOs™ products. It is still difficult to assess whether the market recovery trend of 2021 will continue in 2022, as new variations in the COVID-19 virus may cause new national restrictions in all geographical areas. In the long-term, the orthopedic trauma products are a growing market. The world's increasingly aging population brings new challenges for the global health care industry, but it also drives the demand for new innovative products that Bioretec provides and develops.

The recently changed global political situation and associated uncertainty will likely affect the company's business and markets, but the impact is difficult to assess in more detail at this stage.

## The Board's proposal for distribution of profit

The parent company's distributable funds on 31 December 2021 totaled EUR 885,348.77. The Board of Directors proposes that no dividend will be paid for the financial year 2021.

## Formulas

Key figure	Calculation formula
Sales margin	Revenue + other operating income - change in inventories - materials and services
Sales margin, %	(Sales margin / revenue) x 100
EBITDA	Revenue + other operating income - change in inventories - materials and services - personnel expenses - other operating expenses
EBIT	Revenue + other operating income - change in inventories - materials and services - personnel expenses - other operating expenses - depreciation and amortization
Net profit (loss)	Revenue + other operating income - change in inventories - materials and services - personnel expenses - other operating expenses - depreciation and amortization - net financial expenses - income taxes
R&D spend on total costs, %	Research and development expenses / (personnel expenses + depreciation + other operating expenses) x 100
Equity ratio, %	Total equity at the end of the period / (Total liabilities at the end of the period - advances received at the end of the period) x 100
Cash and cash equivalents	Cash and cash equivalents including money market deposits at the end of the period
Earnings per share (undiluted)	Profit (loss) of the period / shares outstanding at the end of the period
Earnings per share (diluted)	Profit (loss) of the period / (shares + convertible securities outstanding at the end of the period)



# Consolidated income statement

Currency EUR	1 January–31 December 2021	1 January–31 December 2020
<b>REVENUE</b>	<b>2,002,907.77</b>	<b>1,499,273.11</b>
Change in stocks of finished and work-in-progress products increase (+) or reduction (-)	-121,641.28	137,206.39
Other operating income	781.82	1,508.84
<b>Materials and services</b>		
Materials, supplies and goods		
Purchases during the accounting period	-484,478.61	-539,406.23
Inventory increase (+) or decrease (-)	89,607.87	97,148.65
External services	-111,192.95	-93,142.17
<b>Total materials and services</b>	<b>-506,063.69</b>	<b>-535,399.75</b>
<b>Personnel expenses</b>		
Wages and salaries	-1,837,761.53	-1,533,938.86
Social security costs		
Pension costs	-302,149.12	-206,256.02
Other personnel expenses	-45,868.38	-39,663.86
<b>Total personnel expenses</b>	<b>-2,185,779.03</b>	<b>-1,779,858.74</b>
<b>Depreciation and amortization</b>		
Depreciation according to plan	-89,872.37	-58,482.82
Depreciation of consolidated goodwill	-79,212.20	-79,655.99
<b>Total depreciation and amortization</b>	<b>-169,084.57</b>	<b>-138,138.81</b>
<b>Other operating expenses</b>	<b>-1,687,037.50</b>	<b>-1,109,365.38</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>-2,665,916.48</b>	<b>-1,924,774.34</b>
<b>Financial income and expenses</b>		
Other interest and financial income		
From others	102.64	13,152.67
Interest and other financial expenses		
For others	-3,350,204.42	-346,636.90
<b>PROFIT (LOSS) BEFORE TRANSFERS AND TAXES</b>	<b>-6,016,018.26</b>	<b>-2,258,258.57</b>
Income taxes		
Taxes for the accounting period	-500.00	-500.00
<b>PROFIT (LOSS) FOR THE ACCOUNTING PERIOD</b>	<b>-6,016,518.26</b>	<b>-2,258,758.57</b>

# Consolidated balance sheet

Currency EUR	31 December 2021	31 December 2020
<b>ASSETS</b>		
<b>FIXED ASSETS</b>		
<b>Intangible assets</b>		
Intangible rights	128,111.91	172,070.70
Consolidated goodwill	158,424.45	237,636.63
Advance payments	0.00	210.00
<b>Total intangible assets</b>	<b>286,536.36</b>	<b>409,917.33</b>
<b>Tangible assets</b>		
Buildings and structures	311,842.68	0.00
Machinery and equipment	259,569.91	209,033.73
Prepayments and in-progress acquisitions	0.00	30,630.26
<b>Total tangible assets</b>	<b>571,412.59</b>	<b>239,663.99</b>
<b>TOTAL FIXED ASSETS</b>	<b>857,948.95</b>	<b>649,581.32</b>
<b>CURRENT ASSETS</b>		
<b>Inventories</b>		
Materials and supplies	320,162.98	230,555.11
Finished products	319,992.03	441,633.31
<b>Total inventories</b>	<b>640,155.01</b>	<b>672,188.42</b>
<b>Short-term receivables</b>		
Accounts receivables	312,986.02	205,786.21
Other receivables	111,881.76	90,362.54
Accrued income	36,572.78	1,370.03
<b>Total short-term receivables</b>	<b>461,440.56</b>	<b>297,518.78</b>
<b>Money market deposits</b>	<b>6,458,418.40</b>	<b>0.00</b>
<b>Cash and cash equivalents</b>	<b>162,487.12</b>	<b>2,273,100.98</b>
<b>TOTAL CURRENT ASSETS</b>	<b>7,722,501.09</b>	<b>3,242,808.18</b>
<b>TOTAL ASSETS</b>	<b>8,580,450.04</b>	<b>3,892,389.50</b>

Currency EUR	31 December 2021	31 December 2020
<b>LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	3,748,592.19	3,748,592.19
Share issue	0.00	609,647.70
Other funds		
Invested unrestricted equity	9,603,259.65	0.00
Profit (loss) for previous accounting periods	-2,998,106.00	-739,347.45
Profit (loss) for the accounting period	-6,016,518.26	-2,258,758.57
<b>TOTAL EQUITY</b>	<b>4,337,227.58</b>	<b>1,360,133.87</b>
<b>LIABILITIES</b>		
<b>Long-term liabilities</b>		
Loans from financial institutions	22,148.17	65,300.05
Capital loans	0.00	1,912,013.86
<b>Total long-term liabilities</b>	<b>22,148.17</b>	<b>1,977,313.91</b>
<b>Short-term liabilities</b>		
Capital loans	1,912,013.86	0.00
Loans from financial institutions	43,151.88	75,719.95
Advances received	10,689.11	22,548.88
Accounts payable	122,948.48	118,640.41
Other liabilities	49,542.57	45,920.41
Accrued liabilities	2,082,728.39	292,112.07
<b>Total short-term liabilities</b>	<b>4,221,074.29</b>	<b>554,941.72</b>
<b>TOTAL LIABILITIES</b>	<b>4,243,222.46</b>	<b>2,532,255.63</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>8,580,450.04</b>	<b>3,892,389.50</b>

# Consolidated cash flow statement

Currency EUR	1 January–31 December 2021	1 January–31 December 2020
<b>Cash flow from operating activities</b>		
Profit for the accounting period	-6,016,518.26	-2,258,758.57
Adjustments		
Total depreciations and amortization	169,084.57	138,138.81
Financial income and expenses	3,350,101.78	333,484.23
Other adjustments	500.00	500.00
<b>Cash flow before changes in working capital</b>	<b>-2,496,831.91</b>	<b>-1,786,635.53</b>
<b>Change in working capital</b>		
Change in short-term non-interest-bearing receivables	-163,921.78	186,157.80
Change in inventories	32,033.41	-234,355.04
Change in short-term non-interest-bearing payables	245,976.66	-144,518.42
<b>Operational cash flow before net financial expenses and taxes</b>	<b>-2,382,743.62</b>	<b>-1,979,351.19</b>
Paid interests and payments from other operating financial expenses	-3,782.00	-18,372.61
Paid direct taxes	-500.00	-500.00
<b>Cash flow from operating activities (A)</b>	<b>-2,387,025.62</b>	<b>-1,998,223.80</b>
<b>Cash flow from investments</b>		
Investments for intangible and tangible assets	-393,282.70	-121,223.81
<b>Cash flow from investments (B)</b>	<b>-393,282.70</b>	<b>-121,223.81</b>
<b>Cash flow from financing</b>		
Paid share issues	8,993,611.97	4,613,272.73
Increase in short-term loans	0	125,000.00
Decrease in short-term loans	-75,719.95	-76,668.20
Paid interests and payments from other financial expenses	-1,789,779.16	-327,080.00
<b>Cash flow from financing (C)</b>	<b>7,128,112.86</b>	<b>4,334,524.53</b>
<b>Change in liquid assets (A+B+C) increase (+) or decrease (-)</b>	<b>4,347,804.54</b>	<b>2,215,076.92</b>
<b>Cash and cash equivalents at the beginning of the accounting period</b>	<b>2,273,100.98</b>	<b>58,024.06</b>
<b>Cash and cash equivalents at the end of the accounting period</b>	<b>6,620,905.52</b>	<b>2,273,100.98</b>

Cash and cash equivalents include funds on bank accounts and liquid financial securities, which are reported as money market deposits in the balance sheet.

# Parent company income statement

Currency EUR	1 January–31 December 2021	1 January–31 December 2020
<b>REVENUE</b>	<b>2,002,907.77</b>	<b>1,498,697.11</b>
Change in stocks of finished and work-in-progress products increase (+) or reduction (-)	-121,641.28	137,206.39
Other operating income	0.00	1,508.84
<b>Materials and services</b>		
Materials, supplies and goods		
Purchases during the accounting period	-484,478.61	-539,406.23
Inventory increase (+) or decrease (-)	89,607.87	97,148.65
External services	-111,192.95	-93,142.17
<b>Total materials and services</b>	<b>-506,063.69</b>	<b>-535,399.75</b>
<b>Personnel expenses</b>		
Wages and salaries	-1,837,761.53	-1,533,560.81
Social security costs		
Pension costs	-302,149.12	-206,256.02
Other personnel expenses	-45,868.38	-39,653.54
<b>Total personnel expenses</b>	<b>-2,185,779.03</b>	<b>-1,779,470.37</b>
<b>Total depreciation and amortization</b>	<b>-72,199.07</b>	<b>-55,848.00</b>
<b>Other operating expenses</b>	<b>-1,714,841.54</b>	<b>-1,072,090.76</b>
<b>OPERATING PROFIT (LOSS)</b>	<b>-2,597,616.84</b>	<b>-1,805,396.54</b>
<b>Financial income and expenses</b>		
Other interest and financial income		
From others	102.64	13,152.62
Interest and other financial expenses		
For others	-3,350,204.42	-346,631.51
<b>PROFIT (LOSS) BEFORE TRANSFERS AND TAXES</b>	<b>-5,947,718.62</b>	<b>-2,138,875.43</b>
<b>PROFIT (LOSS) FOR THE ACCOUNTING PERIOD</b>	<b>-5,947,718.62</b>	<b>-2,138,875.43</b>



# Parent company balance sheet

Currency EUR	31 December 2021	31 December 2020
<b>ASSETS</b>		
<b>FIXED ASSETS</b>		
<b>Intangible assets</b>		
Intangible rights	121,745.45	148,178.72
Advance payments	0.00	210.00
<b>Total intangible assets</b>	<b>121,745.45</b>	<b>148,388.72</b>
<b>Tangible assets</b>		
Buildings and structures	311,842.68	0.00
Machinery and equipment	259,348.21	208,664.25
Prepayments and in-progress acquisitions	0.00	30,630.26
<b>Total tangible assets</b>	<b>571,190.89</b>	<b>239,294.51</b>
<b>Investments</b>		
Shares in companies of the same group	437,992.60	443,210.10
<b>Total investments</b>	<b>437,992.60</b>	<b>443,210.10</b>
<b>TOTAL FIXED ASSETS</b>	<b>1,130,928.94</b>	<b>830,893.33</b>
<b>CURRENT ASSETS</b>		
<b>Inventories</b>		
Materials and supplies	320,162.98	230,555.11
Finished products	319,992.03	441,633.31
<b>Total inventories</b>	<b>640,155.01</b>	<b>672,188.42</b>
<b>Short-term receivables</b>		
Sales receivables	312,986.02	205,786.21
Receivables from group companies	28,615.76	49,868.54
Other receivables	111,083.13	80,805.86
Accrued income	36,572.78	1,295.00
<b>Total short-term receivables</b>	<b>489,257.69</b>	<b>337,755.61</b>
<b>Money market deposits</b>	<b>6,458,418.40</b>	<b>0.00</b>
<b>Cash and cash equivalents</b>	<b>151,334.91</b>	<b>2,271,355.34</b>
<b>TOTAL CURRENT ASSETS</b>	<b>7,739,166.01</b>	<b>3,281,299.37</b>
<b>TOTAL ASSETS</b>	<b>8,870,094.95</b>	<b>4,112,192.70</b>

Currency EUR	31 December 2021	31 December 2020
<b>LIABILITIES</b>		
<b>EQUITY</b>		
Share capital	3,748,592.19	3,748,592.19
Share issue	0.00	609,647.70
Other funds		
Invested unrestricted equity	9,603,259.65	0.00
Profit (loss) for previous accounting periods	-2,770,192.26	-631,316.83
<b>Profit (loss) for the accounting period</b>	<b>-5,947,718.62</b>	<b>-2,138,875.43</b>
<b>TOTAL EQUITY</b>	<b>4,633,940.96</b>	<b>1,588,047.63</b>
<b>LIABILITIES</b>		
<b>Long-term liabilities</b>		
Loans from financial institutions	22,148.17	65,300.05
Capital loans	0.00	1,912,013.86
<b>Total long-term liabilities</b>	<b>22,148.17</b>	<b>1,977,313.91</b>
<b>Short-term liabilities</b>		
Loans from financial institutions	43,151.88	75,719.95
Capital loans	1,912,013.86	0.00
Advances received	10,689.11	22,548.88
Accounts payables	119,286.10	115,976.41
Other liabilities	47,636.48	41,973.85
Accrued liabilities	2,081,228.39	290,612.07
<b>Total short-term liabilities</b>	<b>4,214,005.82</b>	<b>546,831.16</b>
<b>TOTAL LIABILITIES</b>	<b>4,236,153.99</b>	<b>2,524,145.07</b>
<b>TOTAL EQUITY AND LIABILITIES</b>	<b>8,870,094.95</b>	<b>4,112,192.70</b>

# Notes to the Financial Statements

## Group and parent company

### The accounting principles used

The financial statements have been prepared in accordance with the principles and methods of measurement and recognition set out in Chapter 4 of the Government Decree on the information presented in the financial statements of a small undertaking and micro-undertaking, with the exception of the accounting principles for fixed assets set out below.

Intra-group ownership has been eliminated using the acquisition cost calculation. Group assets are depreciated on a straight-line basis over 5 years. Intra-group transactions and receivables and liabilities between group companies have been eliminated.

### Measurement principles and methods used in the recognition of fixed and current assets

#### FIXED ASSETS

##### Intangible assets

The acquisition value of utilities shown in assets will be depreciated according to plans determined.

The depreciations have been calculated according to the following plans:

- Intangible rights: 10–20 years straight-lined depreciation
- Buildings and structures: 10 years straight-lined depreciation
- Machinery and equipment: 3–10 years straight-lined depreciation
- Group assets: 5 years straight-lined depreciation

The depreciation period of patents in Austria is based on the period of validity of the patents (20 years). In other respects, the group complies with a 10-year depreciation period in patents.

### Notes on the group companies

#### Parent company

Bioretec Ltd

#### Domicile

Tampere, Finland

#### Subsidiary

BRI.Tech GmbH

#### Ownership,%

100%

#### Domicile

Graz, Austria

The subsidiary Bioretec Technology Oy (ownership 100%) has merged with parent company Bioretec Ltd on 30 September 2021.

## Related party transactions

The related party of Bioretec consists of parent company Bioretec Ltd and the subsidiary BRI.Tech GmbH. The related party also includes key persons in the management and their close family members. Key management personnel include members of the Bioretec Board of Directors, company CEO and members of the Group Management Team.

On 1 May 2021, the company has signed a consulting agreement with the Chairman of the Board of Directors Tomi Numminen regarding the commercialization of the company products in the United States. The monthly consulting fee is EUR 7,500 and total fees paid based on the agreement during 1 May–31 December 2021 is EUR 60,000.

Bioretec has given a loan to its subsidiary BRI.Tech GmbH. Total loan receivable on 31 December 2021 was EUR 28,615.76 (EUR 48,270.45 on 31 December 2020). Additionally, BRI.Tech GmbH has charged some EUR 104 thousand (EUR 0) from the parent company on research and other costs during the year.

## Exceptional items

Net loss was significantly higher than in the comparison period due to bookings in financial costs coming from realized costs of cancelled IPO, financing rounds and the cost of technical listing. Additionally, the company accrued the interest of capital loans, which had an impact of EUR 1,475 thousand. The total impact of these financial costs amounted to EUR 3,350 thousand. Costs of listing(s) are shown under the financing cash flow in consolidated cash flow. Financing costs in comparison period include costs related to 2020 financing round totaling EUR 330 thousand.

## Group and parent company

Collateral provided and off-balance sheet commitments	31 December 2021	31 December 2020
Financial leasing agreements		
Lease agreement liabilities	19,811.64	16,261.98
Due in the next accounting year	9,266.54	9,802.20
Due later	10,545.10	6,459.78
Rental liabilities	950,971.13	1,013,538.97

The company's premises' rental agreement is fixed term for the period from 1 August 2021 to 31 December 2027. The rental liability for the premises has been calculated for the period from 1 January 2022 to 31 December 2027.

Other commitments	31 December 2021	31 December 2020
Commitments total	23,963.62	30,365.82
Available amount	3,963.62	10,414.51

Guarantees given by type and the amount of liabilities or a guarantee with lesser value	31 December 2021	31 December 2020
Loans from credit institutions	32,994.17	99,662.17
Company mortgages total	440,000.00	440,000.00

## Parent company

Group receivables	31 December 2021	31 December 2020
Group loan receivables	28,615.76	48,270.45
Other group receivables	0.00	1,598.09
<b>Group loan receivables total</b>	<b>28,615.76</b>	<b>49,868.54</b>

## Group and parent company

Personnel	31 December 2021	31 December 2020
The number of employees on average during the accounting period	24	23

## Changes in equity

### Group

Breakdown of equity	31 December 2021	31 December 2020
Share capital on 1 January	3,748,592.19	9,221,289.08
Reduction of the share capital	0.00	-5,472,696.89
Share capital on 31 December	3,748,592.19	3,748,592.19
Total restricted equity	3,748,592.19	3,748,592.19
Share issues on 1 January	609,647.70	0.00
Additions/reductions during the accounting period	-609,647.70	609,647.70
Share issues on 31 December	0.00	609,647.70
Invested unrestricted equity reserve on 1 January	0.00	12,754,931.68
Reduction of the share capital	0.00	-17,027,303.11
Additions/reductions during the accounting period	9,603,259.65	4,272,371.43
Invested unrestricted equity reserve on 31 December	9,603,259.65	0.00
Profit /loss for the previous accounting period on 1 January	-2,998,106.02	-23,239,347.47
Reduction of the share capital	0.00	22,500,000.00
Profit /loss for the previous accounting period on 31 December	-2,998,106.02	-739,347.45
Profit/loss for the accounting period	-6,016,518.26	-2,258,758.57
Total retained earnings for the previous and current accounting period	-9,014,624.28	-2,998,106.02
<b>Total equity, group</b>	<b>4,337,227.56</b>	<b>1,360,133.87</b>



## Parent company

<b>Breakdown of equity</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Share capital on 1 January	3,748,592.19	9,221,289.08
Reduction of the share capital	0.00	-5,472,696.89
Share capital on 31 December	3,748,592.19	3,748,592.19
Total restricted equity	3,748,592.19	3,748,592.19
Share issues on 1 January	609,647.70	0.00
Additions/reductions during the accounting period	-609,647.70	609,647.70
Share issues on 31 December	0.00	609,647.70
Invested unrestricted equity reserve on 1 January	0.00	12,754,931.68
Reduction of the share capital	0.00	-17,027,303.11
Additions/reductions during the accounting period	9,603,259.65	4,272,371.43
Invested unrestricted equity reserve on 31 December	9,603,259.65	0.00
Profit/loss for the previous accounting periods on 1 January	-2,770,192.26	-23,131,316.83
Reduction of the share capital	0.00	22,500,000.00
Profit/loss for the previous accounting periods on 31 December	-2,770,192.26	-631,316.83
Profit/loss for the accounting period	-5,947,718.62	-2,138,875.43
Total retained earnings for the previous and current accounting period	-8,717,910.88	-2,770,192.26
<b>Total equity, parent</b>	<b>4,633,940.96</b>	<b>1,588,047.63</b>

<b>The number of the company's shares at year end</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
	14,111,858	150,402,068

On 22 April 2021, the Annual General Meeting decided on a reverse split of company shares. As a result of the reverse split, the number of shares was divided by 15. The reverse split has been registered to the Finnish Trade Register on 23 April 2021.

<b>Calculation of distributable capital in accordance with Chapter 13 Section 5 of the Limited Liability Companies Act</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
Total distributable capital	885,348.77	-2,770,192.26
Total unrestricted capital at the end of the accounting period	885,348.77	-2,770,192.26
Invested unrestricted capital reserve (Ltd)	9,603,259.65	0.00
Profit/loss for the previous accounting periods	-2,770,192.26	-631,316.83
Profit/loss for the accounting period	-5,947,718.62	-2,138,875.43

<b>Capital loans</b>	<b>31 December 2021</b>	<b>31 December 2020</b>
<b>Total capital loans</b>	<b>1,912,013.86</b>	<b>1,912,013.86</b>
Capital loans presented as liabilities	1,912,013.86	1,912,013.86

**The main terms of capital loan and the accrued unrecorded interest**

Terms of capital loans, old Limited Liability Companies Act:

The parent company has a capital loan from the State Treasury of EUR 1,381,554.00. Terms of the capital loan:

The capital is payable only, if after payment there is full coverage left for restricted equity and for other non-distributable items according to the approved balance sheet for the most recent accounting period of the company. Interest is payable only if the amount to be paid can be used to the distribution of profits according to the approved balance sheet for the most recent accounting period of the company. The loan period is eight (8) years, and the interest is one (1) per cent lower than the base rate approved by the Ministry of Finance at the time, but at least three (3) per cent. Accrued unrecorded interest until 31 December 2020 was totaling EUR 596,565.78. This amount has been accrued as an expense for year 2021. Overall, a total interest of EUR 691,706.76 has been recorded to year 2021.

Negotiations on the extension of the payment schedule are ongoing.

**Convertible capital loan 2011 (CCL1 and CCL2)**

The parent company has a subordinated convertible capital loan. Based on the capital loan and interest of the loan, a maximum of 10,045,642 new shares of the company may have been subscribed. The decision has been registered on 17 June 2016. A total of 4,321,684 shares have been converted by 31 December 2021.

The main terms of the convertible capital loan 2011 CCL1 and CCL2:

The Loan is subordinated in accordance with Chapter 12 of the Limited Liability Companies Act and is therefore a capital loan. In the event of liquidation and bankruptcy of the parent company, the principal of the Loan and any interest accrued thereon may only be repaid after all the claims of other liabilities have been satisfied. However, such liabilities do not include other capital loans. In cases other than those mentioned above, the principal of the Loan may be otherwise repaid, and interest paid only in so far as the sum total of the unrestricted equity and all the capital loans of the Company (including the Loan) at the time of payment exceed the loss on the balance sheet to be adopted for the latest accounting period of the balance sheet as a separate item. The Loan is recorded in the parent company's balance sheet as a separate item. In connection with the recording of the Loan, the company agrees, by signing this Agreement in consideration of the payment of the subscription, to issue to the Creditor option rights or other special rights entitling to shares referred to in Chapter 10, Section 1 of the Limited Liability Companies Act (624/2006 as amended) ("Companies Act"), which entitle and obligate the Creditor to subscribe for new shares of the Company on the basis of the Special Rights under terms and conditions specified in more detail. The Loan, or if a part of the Loan has been repaid, the remaining amount, shall bear a fixed annual interest of twelve (12) per cent.

By 31 December 2021, the balance sheet includes a convertible loan of EUR 530,459.86. Accrued unrecorded interest until 31 December 2020 was totaling EUR 669,761.47. This amount has been accrued as an expense to year 2021. Overall, a total interest of EUR 783,697.55 has been recorded to year 2021.

Calculation of the adequacy of the company's assets	31 December 2021	31 December 2020
Total equity	6,545,954.82	3,500,061.49
Equity	4,633,940.96	1,588,047.63
+Capital loan	1,912,013.86	1,912,013.86

# Signatures for the Financial Statements and Report by the Board of Directors

Place: Helsinki

Time: 11 March 2022

**Timo Lehtonen**  
CEO

**Tomi Numminen**  
Chairman of the Board

**Sarah Hubar-Fisher**  
Member of the Board

**Michael Piccirillo**  
Member of the Board

**Hans Rosén**  
Member of the Board

**Pekka Simula**  
Member of the Board

## Auditor's note

A report on the performed audit has been issued today.

Place: Helsinki

Time: 11 March 2022

Ernst & Young Oy, Authorized Public Accountant Firm

**Erika Grönlund**  
Authorized Public Accountant (APA)

# Auditor's report

to the Annual General meeting of Bioretec Ltd

(Translation of the Finnish original)

## Report on the Audit of Financial Statements

### Opinion

We have audited the financial statements of Bioretec Oy (business identity code 1474196-9) for the year ended 31 December 2021. The financial statements comprise the balance sheet, income statement, cash flow statement and notes for the group as well as the balance sheet, the income statement and notes for the parent company.

In our opinion, the financial statements give a true and fair view of the group's and 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 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.

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

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

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

### Auditor's responsibilities for the audit of Financial Statements

Our objectives are to obtain reasonable assurance on whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with good auditing practice will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with good auditing practice, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the parent company's or the group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the parent company's or 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 company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events so that the financial statements give a true and fair view.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

## Other reporting requirements

### Other information

The Board of Directors and the Managing Director are responsible for the other information. The other information comprises the report of the Board of Directors.

Our opinion on the financial statements does not cover the other information.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. Our responsibility also includes considering whether the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

In our opinion, the information in the report of the Board of Directors is consistent with the information in the financial statements and the report of the Board of Directors has been prepared in accordance with the applicable laws and regulations.

If, based on the work we have performed, we conclude that there is a material misstatement of the report of the Board of Directors, we are required to report that fact. We have nothing to report in this regard.

Helsinki 11 March 2022

Ernst & Young Oy  
Authorized Public Accountant Firm

Erika Grönlund  
Authorized Public Accountant

# bioretec

*better healing – better life*

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