PROSPECTUS 26 May 2020

BBS-BIOACTIVE BONE SUBSTITUTES OYJ

Rights Issue

Up to 1,301,205 shares

Subscription price EUR 4.20 or SEK 44.42 per share

BBS-Bioactive Bone Substitutes Oyj ("**Company**" or "**BBS**"), a public limited liability company registered in Finland, is offering up to 1,301,205 new shares (the "**Offer Shares**") in a rights issue, against consideration, based on the shareholders' preferential subscription right at the subscription price of EUR 4.20 or SEK 44.42 per Offer Share (the "**Subscription Price**") in accordance with the terms of the Offering (the "**Offering**") set out below. The Offer Shares shall be paid in euros in Finland or in Swedish crowns in Sweden. The Offer Shares shall represent 20.0 percent of all of the Company's shares (the "**Shares**") after the Offering, should the Offering be subscribed for in its entirety.

BBS will give all shareholders registered in BBS's shareholder register maintained by Euroclear Finland Ltd ("**Euroclear Finland**") or Euroclear Sweden Ltd ("**Euroclear Sweden**") one (1) book-entry subscription right (the "**Subscription Right**") per each share held on the Offering record date of 28 May 2020 (the "**Record Date**"). Four (4) Subscription Rights entitles the holder to subscribe for one (1) Offer Share. Fractions of the Offer Shares are not assigned. The Subscription Rights shall be registered to the shareholders' book-entry accounts in the book-entry system maintained by Euroclear Finland approximately on 29 May 2020 and in the book-entry system maintained by Euroclear Sweden approximately on 1 June 2020. The Subscription Rights can be freely assigned and they will be traded on First North Growth Market Finland ("**First North Finland**") which is maintained by Nasdaq Helsinki Oy ("**Nasdaq Helsinki**") (trading code BONEHU0120, ISIN code: FI4000440219) and First North Growth Market Sweden ("**First North Sweden**") which is maintained by Nasdaq Stockholm AB ("**Nasdaq Stockholm**") (trading code BONES TR, ISIN code: SE0014428876) between 2 June 2020 and 12 June 2020. The subscription period of the Offer Shares will begin on 2 June 2020 at 10:00 Finnish time (9:00 Swedish time) and end on 18 June 2020 at 17:00 Finnish time (16:00 Swedish time) in Finland and on 16 June 2020 at 17:00 Finnish time (16:00 Swedish time) in Sweden. Instructions concerning the use of Subscription Rights and subscribing Offer Shares have been presented in Section *"Instructions for investors"*. Any unused Subscription Rights will expire and have no value on 18 June 2020 at 17:00 Finnish time (16:00 Swedish time) in Finland and on 16 June 2020 at 17:00 Finnish time (16:00 Swedish time) in Sweden. See *"Terms and conditions of the Offering terms - Exercising Subscription Rights"*.

The Offer Shares subscribed for during the Offering will be issued as book entries in the book-entry system of Euroclear Finland and delivered to the investors through the book-entry systems of Euroclear Finland and Euroclear Sweden. After the subscription, temporary shares corresponding to the Offer Shares subscribed for based on the Subscription Rights (the "**Temporary Shares**") will be entered in the subscriber's book-entry account. Trading in the Temporary Shares will commence on First North Finland (trading code BONEHN0120, ISIN code: FI4000440201) and on First North Sweden (trading code BONES BTA, ISIN code: SE0014428884) as their own special share class approximately on 2 June 2020. The Temporary Shares will be combined with the Company's current shares after the Offer Shares have been registered in the Trade Register. The combining will occur in the book-entry system maintained by Euroclear Finland approximately on 30 June 2020 and in the book-entry system maintained by Euroclear Sweden approximately on 1 July 2020. The Offer Shares will be subject to trading together with the Company's existing shares approximately on 30 June 2020 on First North Finland and approximately on 1 July 2020 on First North Sweden.

Aalto Capital Partners Oy ("Aalto Capital") is acting as BBS' financial advisor for the Offering. Stockholm Certified Advisers AB is the Company's Certified Adviser. In Finland, the issuer agent for the Offering is Evli Bank Plc and in Sweden the issuer agent and the subscription venue is Hagberg & Aneborn Fondkommission AB.

In certain countries, legislation may restrict the distribution of this Prospectus and the offering of the Subscription Rights and the Offer Shares as well as the sales of the Subscription Rights and the Offer Shares. This Prospectus does not constitute an offer to issue the Subscription Rights or the Offer Shares to anyone in a country where it would be prohibited by local laws or other regulations to offer shares to such a person. This Prospectus or any other material relating to the Offering shall not be delivered to or published in any country without complying with the laws and regulations of such country.

The Offering does not apply to persons resident in Australia, South-Africa, Hong Kong, Japan, Canada, Singapore, New Zealand or the United States or in any other country where it would be prohibited by local laws or other regulations. The Subscription Rights or the Offer Shares have not been registered or will not be registered in accordance with the U.S. Securities Act of 1933, as amended (the "U.S. Securities Act"), or under the securities laws of any state of the United States and, accordingly, may not be offered or sold, directly or indirectly, in or into the United States (as defined in Regulation S), unless registered under the U.S. Securities Act or pursuant to an exemption from the registration requirements of the U.S. Securities Act and in compliance with any applicable state securities laws of the United States.

Nasdaq First North Growth Market is a registered growth market for SMEs, which observes the Directive concerning Securities Markets (EU 2014/65) as it is implemented in the national legislation of Denmark, Finland and Sweden, and it is a stock exchange that is maintained by the Nasdaq Group. Nasdaq First North Growth Market issuers are not subject to the same rules as in regulated markets, as defined in EU legislation (as implemented in national legislation). Instead, Nasdaq First North Growth Market issuers observe rules and regulations that have lower requirement levels, and which have been adapted for small growth companies. For this reason, investing in a Nasdaq First North Growth Market issuer may involve greater risk than investing in issuers that operate in regulated markets. All issuers on First North Growth Market have a Certified Adviser which monitors that the rules are followed. Nasdaq Helsinki Oy and Nasdaq Stockholm AB approve the application for being listed for trading.

Investment in the Offer Shares involves risks. The main risk factors are discussed under the Prospectus section "Risk factors".

The Company's financial advisor in the Offering
Aalto Capital Partners Oy

Certified advisor
Stockholm Certified Advisers AB

Issuer agent in Finland
Evli Bank Plc

The Offering's subscription venue and the issuer agent in Sweden
Hagberg & Aneborn Fondkommission AB

INFORMATION ABOUT THE PROSPECTUS

In this Prospectus "**BBS**", "**Company**" or "**BBS Group**" refers to BBS-Bioactive Bone Substitutes Oyj and its consolidated subsidiaries, except where the context may otherwise require that such term refers only to BBS-Bioactive Bone Substitutes Oyj or its subsidiary. References to the Company's shares, share capital or management refers to BBS-Bioactive Bone Substitutes Oyj's shares, share capital or management.

In connection with the Offering, the Company has prepared a Finnish-language prospectus (the "**Finnish-language Prospectus**") in accordance with the following regulations: Finnish Securities Markets Act (746/2012, as amended, the "**Finnish Securities Markets Act**"), Regulation (EU) 2017/1129 of the European Parliament and of the Council on the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Directive 2003/71/EC (the "**Prospectus Regulation**"), Commission Delegated Regulation (EU) 2019/980 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council as regards the format, content, scrutiny and approval of the prospectus to be published when securities are offered to the public or admitted to trading on a regulated market, and repealing Commission Regulation (EC) No 809/2004 (as amended, Annexes 1 and 11), Commission Delegated Regulation (EU) 2019/979 supplementing Regulation (EU) 2017/1129 of the European Parliament and of the Council with regard to regulatory technical standards on key financial information in the summary of a prospectus, the publication and classification of prospectuses, advertisements for securities, supplements to a prospectus, and the notification portal, and repealing Commission Delegated Regulation (EU) No 382/2014 and Commission Delegated Regulation (EU) 2016/301 and the regulations and guidelines issued by the Finnish Financial Supervisory Authority (the "**Finnish FSA**").

The Prospectus contains also a summary in accordance with Article 7 of the Prospectus Regulation in the required form. The Finnish-language Prospectus has been approved by the Finnish FSA, as competent authority under Prospectus Regulation on 26 May 2020. The Finnish FSA only approves the Finnish-language Prospectus as meeting the standards of completeness, comprehensibility and consistency imposed by the Prospectus Regulation. Such approval should not be considered as an endorse-ment of the issuer that is the subject of the Finnish-language Prospectus. The investors shall make their own evaluation on investment in the securities. The register number of the Finnish FSA's approval of the Finnish-language Prospectus is FIVA 30/02.05.04/2020. In accordance with the Prospectus Regulation, an English-language translation which includes a Swedish-language summary has been prepared. The Finnish FSA notifies the approved Prospectus to the Swedish Financial Supervisory Authority (Swedish: Finansinspektionen) (the "**Swedish FSA**") for use in Sweden. The Company is responsible for the translations of the Prospectus and the documents incorporated by reference thereto.

The Offering will be governed by the laws of Finland and any disputes arising in connection with the Offering will be settled by a court of competent jurisdiction in Finland.

This Prospectus is available at the latest as of 29 May 2020 on the Company's website (https://www.bbs-artebone.fi/investors/share-issue-2020), Aalto Capital Partners Oy's website (www.aaltocapital.com), Evli Bank Plc's website (www.evli.com) and Hagberg & Aneborn Fondkommission AB's website (http://www.hagberganeborn.se/).

NOTICE TO INVESTORS

In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Offering, including the merits and risks involved. No person has been authorised by BBS to give any information or to make any representation other than those contained in this Prospectus. The disclosure of the Prospectus under no circumstances implies that the information contained herein would be current otherwise than the date of this Prospectus nor in any circumstances mean that the disclosure of the Prospectus means that no changes could occur in the Company's business after the date of this Prospectus. However, in case a significant new factor, material mistake or material inaccuracy in the Prospectus arises, after the Finnish FSA has approved the Prospectus but before the closing of the offer period which may effect on evaluation of the securities, the Prospectus will be supplemented in accordance with the Prospectus Regulation. This Prospectus is in force until the Offering ends in accordance with its terms and conditions. After the validity period of the Prospectus, there is no obligation to supplement the Prospectus even if significant new factors, material mistakes or material inaccuracies arise.

Nothing contained in this Prospectus constitutes, or shall be relied upon as, a promise or representation by BBS or its advisors of the future. Unless otherwise stated, the estimates presented on the Company or the industry sector related market developments are based on the Company's management's reasonably manner verified estimates. In certain countries legislation may restrict the distribution of this Prospectus and sale and offering of the Subscription Rights or the Offer Shares. The Company and its advisers require persons into whose possession this Prospectus comes adequately inform themselves of and observe all such restrictions. Neither the Company nor its advisers accept any legal responsibility for any violation of these restrictions, whether or not a prospective subscriber or purchaser of the Offer Shares is aware of such restrictions. This Prospectus does not constitute an offer of, or an invitation to purchase, any of the Subscription Rights or the Offer Shares in any country where such an offer or invitation is against the law. No actions have been taken to register or to permit a public offering of the Subscription Rights or the Offer Shares in any jurisdiction of outside Finland and Sweden.

The Certified Advisor only operates on behalf of the Company in the Offering, and the protection provided by the Certified Advisor only applies to the Company. The Certified Advisor will not regard any other person (whether or not a recipient of this Prospectus) as their respective client in relation to the Offering. The Certified Adviser will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein. Except for obligations and responsibilities, which may be incurred by Certified Adviser under the Finnish law or other countries' compelling law, where the exclusion of liability would be illegal, invalid or unenforceable. Certified Adviser, nor any of their respective affiliates or representatives are not responsible for the information within the Prospectus or any claim or assumption made or presumed to be made based on the Prospectus or regarding the Company, the Offering, the Subscription Rights or the Offer Shares.

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SUMMARY

INTRODUCTION

This summary contains all the sections that must be presented in accordance with the Prospectus Regulation for the security in question and its issuer. This summary should be read as an introduction to the Prospectus. The investor should base his decision to invest in the securities in the Prospectus as a whole.

An investor investing in securities may lose all or part of the invested capital. If an action is brought in court against the information contained in the Prospectus, the plaintiff investor may, under applicable law, be required to bear the costs of translating the Prospectus prior to the commencement of the proceedings. BBS will be civilly liable for this summary only if the summary, read in conjunction with other parts of the Prospectus, is misleading, inaccurate or inconsistent, or if the summary, read in in conjunction with other parts of the Prospectus, does not provide key information to assist investors when considering investing in the securities issued by BBS.

The issuer's contact details are as follows:

Issuer's name:	BBS-Bioactive Bone Substitutes Oyj
Address:	Kiviharjunlenkki 6, 90220 Oulu
Telephone number:	+358 20 792 4700
Company's website address:	www.bbs-artebone.fi
Legal entity identifier ("LEI"):	743700BYSBP0PCR6N767
Name of security:	First North Finland "BONEH", First North Sweden "BONES"
ISIN code:	FI4000260583

The Finnish-language Prospectus has been approved by the Finnish Financial Supervisory Authority, as the competent authority in accordance with the Prospectus Regulation, on 26 May 2020. The Finnish Financial Supervisory Authority approves this Prospectus only to the extent that it meets the requirements for comprehensiveness, comprehensibility and consistency set out in the Prospectus Regulation. This approval by the Financial Supervisory Authority shall not be construed as evidence of the approval of the issuer to which this Prospectus applies. The number of the approval decision by the Finnish Financial Supervisory Authority is FIVA 30/02.05.04/2020.

The contact details of the competent authority, the Finnish Financial Supervisory Authority, are as follows:

Authority:	Finnish Financial Supervisory Authority
Address:	PO Box 103, 00101 Helsinki
Phone number:	+358 9183 51
Email address:	kirjaamo@finanssivalvonta.fi

KEY INFORMATION ABOUT BBS

Who is the issuer of securities?

The issuer's registered business name is BBS-Bioactive Bone Substitutes Oyj, BBS-Bioactive Bone Substitutes Abp in Swedish and BBS-Bioactive Bone Substitutes Plc in English. The Company is a public limited liability company which is subject to Finnish legislation. The Company is domiciled in Oulu, and it has been entered in the Trade Register maintained by the Finnish Patent and Registration Office with the business ID is 0866451-4. The Company's legal entity identifier ("LEI") is 743700BYSBP0PCR6N767.

General

BBS is a biomedical technology company, which develops bioactive medical devices and implants to be used in orthopaedic surgery.

BBS was established in 2003 as a spinoff of a research project at University of Oulu, Finland. The goal for the Company was to develop and commercialise a bone implant product promoting bone healing. The implant is based on reindeer bone proteins, which contains effective bone growth factors for the bone graft markets. The product aims to fill the market gap between the bone graft substitutes, such as demineralised human bone matrix (DBM) and synthetic bone substitute products (TCP, hydroxyapatite), and synthetic protein products.

Shares and ownership

On the date of this Prospectus, the Company's registered share capital was EUR 80,000. The Company has a total of 5,204,820 registered shares. All the Company's shares belong to the same series of shares.

The following table shows the Company's ten largest shareholders and the total number of shares of these shareholders on 15 May 2020.

Shareholder	Number of shares	% of total shares and votes
Finha Capital Oy	865,501	**17 %**
Municipality of Reisjärvi	691,652	**13 %**
EAKR - Aloitusrahasto Oy	596,271	**11 %**
Pekka Jalovaara	532,850	**10 %**
Irma Halonen	295,421	**6 %**
Paananen Ahti	267,879	**5 %**
Panvest Oy	244,142	**5 %**
Innovestor Kasvurahasto I Ky	229,094	**4 %**
Jukka Halonen	153,844	**3 %**
Veronika Halonen	133,166	**3 %**
Others	1,195,000	**23 %**
Total	**5,204,820**	**100 %**

The Company is not aware that it would be, directly or indirectly, owned or controlled by a third party. The Company is not aware of any arrangements which would cause changes to the authority of the Company in the future.

Key management persons and auditor

The Company's Board of Directors consists of Jarmo Halonen (chairman), Hannu Säynäjäkangas, Pekka Jalovaara, Auvo Kaikkonen, Tomi Numminen and Ilkka Kangasniemi. BBS' management team includes Ilkka Kangasniemi (CEO), Hannu Säynäjäkangas (Financial Director), Hanna Tölli (Production Manager, HR Manager), Merja Haikola (Quality Manager, Senior Director), Kenneth Sandström (Product Development Director) and Mikko Viitanen (Quality Assurance). BBS' legal auditor is audit firm Ernst & Young Oy, and the responsible auditor is APA Jari Karppinen.

What is the key financial information concerning the issuer?

The following table presents key figures concerning the BBS Group during the indicated periods. The figures are audited, unless otherwise stated. The audited figures originate from BBS' audited financial statements prepared for the accounting periods that have ended 31 December 2019, 31 December 2018 and 31 December 2017 in accordance with Finnish Accounting Standards. The Company has prepared consolidated financial statements for the accounting periods that ended on 31 December 2019, 31 December 2018 and 31 December 2017.

EUR 1,000	**1 January - 31 December 2019**	**1 January – 31 December 2018**	**1 January – 31 December 2017**
	(Audited, unless otherwise stated)		
Net Sales	0	0	0[1]
EBITDA	-1,311[1]	707[1]	-1,201[1]
EBITDA margin	Neg. [1]	Neg. [1]	Neg. [1]
Operating profit (loss)	-1,536	477	-4,364[1]
Net profit	-1,638	380	-4,466[1]
Equity	3,079	4,417	536[1]
Balance sheet total	9,833	11,156	9,669[1]
Cash flow from operating activities	-1,444	-1,701	-1,077[1]
Cash flows from investing activities	-24	-34	-52[1]
Cash flow from financing activities	299	3,385	1,057[1]
Equity ratio -%	31%[1]	40%[1]	6%[1]

[1] Unaudited.

Notes presented in the auditor's reports

The following auditor's reports, which have been issued for the financial statements of the Company's accounting periods that ended on 31 December 2019, 31 December 2018 and 31 December 2017, differ from the standard format:

Financial statements 2019: Material Uncertainty Related to Going Concern

We want to draw attention to the factors described in the report of the Board of Directors under section "Working capital" and in the notes of the financial statements under section "Other notes" on requirement of working capital. Ability to start production and sales activities and hence also the ability to recover the carrying value of intangible assets by generating profit is dependent on how the company will succeed in raising additional funds. This may indicate a kind of material uncertainty that may cause a reason to doubt the company's ability to continue its operations. We have not qualified our audit opinion for this matter.

Financial statements 2018: Emphasis of a matter

We want to draw attention to the factors described in the report of the Board of Directors under section "Funding and investments" and in the notes of the financial statements under section "Other notes" on requirement of working capital. Ability to start production and sales activities and hence also the ability to recover the carrying value of intangible assets by generating profit is dependent on how the company will succeed in raising additional funds. This may indicate a kind of material uncertainty that may cause a reason to doubt the company's ability to continue its operations. We have not qualified our audit opinion for this matter.

Financial statements 2017: Emphasis of a matter

We want to draw attention to the factors described in the report of the Board of Directors under section "Working capital" and in the notes of the financial statements under section "Other notes" on short-term funding requirements. Ability to start production and sales activities and hence also the ability to recover the carrying value of intangible assets by generating profit is dependent on how the company will succeed in raising additional funds. We have not qualified our audit opinion for this matter.

What are the key risks for the issuer?

- BBS' business operations are currently at a stage of development and there are no guarantees that the business operations may become profitable.
- The Company's working capital on the date of this Prospectus is insufficient to cover the Company's current needs and working capital requirements for the next 12 months from the date of the Prospectus and if the Company is not able to raise at least 1,9 million euros of net proceeds through the Offering, the Company will need additional working capital financing.
- The financial conditions required for the continuation of BBS' business operations depend on obtaining additional financing.
- The CE marking and FDA approval of BBS' product involves such risks that could cause significant additional expenses and delays.
- The production, preservation and reproducibility of production of BBS' extract and implant involve risks which may result in substantial additional costs.
- Even if the extract and implant are placed on the market, BBS may not be able to create the extensive sales network required, and the products may not gain market acceptance at the end user level.
- Pricing and reimbursability of products may not materialise as planned.
- BBS' current intellectual property rights may not be adequate for protecting the Company's products effectively enough.
- BBS may violate the intellectual property rights of third parties, or a claim may be brought against the Company for the violation of intellectual property rights.
- The competitive situation of the industry and the downward pressure it has on prices, and the existence of competitive products may have an adverse effect on BBS' profitability and market shares.
- BBS may be subjected to product liability and product safety claims, which may have an adverse effect on business operations.

KEY INFORMATION ABOUT THE SECURITIES

What are the key features of the securities?

BBS has one series of shares. BBS' shares have been registered in book-entry systems maintained by Euroclear Finland and Euroclear Sweden. The shares' ISIN code is FI4000260583 and their trading code on First North Finland is ”BONEH” and on First North Sweden ”BONES”.

In the Offering, BBS will issue up to 1,301,205 new shares for subscription (the ”Offer Shares”). BBS shall issue its shareholders one (1) book-entry subscription right (First North Finland trading code BONEHU0120, ISIN code FI4000440219 and First North Sweden trading code BONES TR, ISIN code SE0014428876) (the ”Subscription Right”) for each share owned on the record date of the Offering. Four (4) Subscription Rights entitles the holder to subscribe one (1) Offer Share. After making a subscription, temporary issues that correspond to the Offer Shares subscribed with the Subscription Rights (the “Temporary Shares”) shall be entered in the subscriber's book-entry account. Trading with Temporary Shares will begin on First North Finland (trading code BONEHN0120, ISIN code: FI4000440201) and on First North Sweden (trading code BONES BT, ISIN code: SE0014428884) as their own special share class approximately on 2 June 2020. Temporary Shares shall be combined with the Company's current shares after the Offer Shares have been registered in the Trade Register.

The rights to the Offer Shares include, for example the pre-emptive right to subscribe for the Company's new shares, the right to participate in the General Meeting and have the right to vote at the General Meeting, the right to dividend and other non-restricted equity and the right to request shares to be redeemed from a shareholder, who owns more than 90 percent of all shares and votes in the Company, for their fair value as well as other general rights referred to in the Finnish Companies Act. Offer Shares can be freely transferred. Each Offer Share confers one vote at the Company's General Meetings.

The Company's Board of Directors has not defined a dividend policy for the Company. The Company's possible future dividend payments are dependent on the Company's future developments and the Company's future financial position. The Company has never paid dividends and as of 31 December 2019 the Company has no distributable funds. There is no certainty whether the Company will be able to pay dividends for any accounting period.

Where will the securities be traded?

The Company's shares are traded on First North Finland and First North Sweden. The Company plans to apply the Subscription Rights, the Temporary Shares and the Offer Shares for trading on First North Finland and First North Sweden.

Nasdaq First North Growth Market is a registered growth market for SMEs. Nasdaq First North Growth Market issuers are not subject to the same rules as in regulated markets, as defined in EU legislation. Instead, Nasdaq First North Growth Market issuers observe rules and regulations that have lower requirement levels, and which have been adapted for small growth companies.

What are the key risks concerning the securities?

- The full amount of funds may not be raised with the Offering.
- The market price of the Shares and the Subscription Rights may fluctuate significantly, and the market price of the Shares may drop below the Subscription Price.
- The amount of dividend paid by BBS is uncertain and the dividend may not necessarily be paid for any accounting period.
- Future issuances of Shares or special rights entitling to Shares or their trades may have a negative effect on the market price of the Shares and dilute the proportional share of ownership.

KEY INFORMATION CONCERNING THE OFFER OF SECURITIES TO THE PUBLIC

What are the conditions and schedule for investing in securities?

Offering and subscription rights

In accordance with the shareholders' pre-emptive subscription right, the Company is offering up to 1,301,205 new shares in the Company for subscription by the Company's shareholders (the "Offer Shares") (the "Offering").

BBS will give all shareholders registered in BBS's shareholder register maintained by Euroclear Finland Ltd ("Euroclear Finland") or Euroclear Sweden Ltd ("Euroclear Sweden") one (1) book-entry subscription right (the "Subscription Right") per each share held on the Offering record date 28 May 2020 (the "Record Date"). Four (4) Subscription Rights entitles the holder to subscribe for one (1) Offer Share. Fractions of Offer Shares will not be given. The Subscription Rights will be registered in shareholders' book-entry accounts in the book-entry system maintained by Euroclear Finland approximately on 29 May 2020 and in the book-entry system maintained by Euroclear Sweden approximately on 1 June 2020. The Subscription Rights can be freely assigned and they will be traded on First North Finland (trading symbol BONEHU0120, ISIN: FI4000440219) and on First North Sweden (trading symbol BONES TR, ISIN: SE0014428876) between 2 June 2020 and 12 June 2020. If a Company share entitling to a Subscription Right is subject to a pledge or another such restriction, the Subscription Right may not be exercisable without the consent of the pledgee or other rights holder.

Subscription price and subscription period

Subscription Price of Offer Shares is EUR 4.20 or SEK 44.42 per Offer Share (the "Subscription Price").

The subscription period for the Offer Shares (the "Subscription Period") will commence on 2 June 2020 at 10.00 Finnish time (9.00 Swedish time), and is expected to end on 18 June 2020 at 17.00 Finnish time (16.00 Swedish time) in Finland and on 16 June 2020 at 17.00 Finnish time (16.00 Swedish time) in Sweden. The Company may, at its sole discretion, extend the Subscription Period. The Subscription Period may be extended once or several times, however not past 25 June 2020. Any extensions of the Subscription Period will be announced by way of a company release before the end of the Subscription Period.

Cancellation right of subscriptions

Subscriptions placed in the Offering and are binding and irrevocable and may only be cancelled where the Prospectus Regulation provides for a cancellation right.

If the Prospectus is supplemented or corrected in accordance with the Prospectus Regulation due to a significant new fact, material error or material inaccuracy related to the information contained in the Prospectus, which becomes apparent after the Finnish FSA has approved the Prospectus but before trading of the Temporary Shares has started, or in the case for those investors who are not delivered Temporary Shares, the delivery of Offer Shares, the investors who have subscribed for Offer Shares before the supplement or amendment of the Prospectus, have the right, according to the Prospectus Regulation, to cancel their subscription within at least two (2) working days from the publication of the supplement or amendment. If the Prospectus is supplemented, this will be announced by way of company release. The company release will also inform investors of the right to withdraw their subscription in accordance with the Prospectus Regulation.

If the shareholder has sold or otherwise reassigned his/her Subscription Rights, the sale or transfer cannot be cancelled.

Remuneration and costs

In connection with the Offering, the Company anticipates paying a total of approximately 0.7 million euros in remuneration and costs.

The Company, Evli Bank Plc or Hagberg & Aneborn Fondkommission AB will not charge investors subscribing for Offer Shares any fees or payments. Securities dealers and other service providers may however charge investors for fees that are based on the agreement between the service provider and investor.

Dilution of ownership

The offered Offer Shares constitute 25.0 percent of all the Company's shares immediately before the Offering, and 20.0 percent after the Offering, if the Offering is fully subscribed.

If the Offering, and the possible directed issue to be arranged in connection with the Offering, are arranged and fully subscribed, and the subscription price for underwriters in the directed issue is the same as the Company's shares' closing price on First North Finland 25 May 2020 (EUR 7.95), will all the issued shares equate to a total of approximately 20.6 percent of all the Company's shares after the share issues.

Why has this Prospectus been prepared?

BBS has prepared and published this Prospectus in order to execute the Offering.

Purpose of the Offering

The Company estimates that it will spend the net proceeds from its Offering on the working capital and investments needed to implement its business plan, as well as on debt servicing and payments, including, but not limited to, the following:

1. Successful completion of BBS's bone implant ARTEBONE® Paste's ongoing CE marking application process including the Company's ISO 13485 quality system certification that is part of the CE marking. Continuing product development, developing and maintaining the patent portfolio and the final production validations and the resources needed for the official inspections performed by the Notified Body (BSI-NL). Continuation of the FDA certificate application process and the application process related costs including possible functionality tests. (approximately 30% of the funds raised)

2. The commercialization of ARTEBONE® Paste, sales network building and implementation of the Company's sales strategy to initially target the Nordic countries and selected Central European countries after receiving the CE marking. (approximately 25% of the funds raised)

3. Hiring additional staff for the Company's marketing and sales functions to increase sales, as well as for production and manufacturing functions to increase production potential. (approximately 25% of the funds raised)

4. Updating the existing production line to meet the requirements of commercial production by increasing the automation of mechanical production in order to increase the production capacity as well as the production speed. In addition, the funding will be used for production-related materials and logistic costs. (approximately 10% of the funds raised)

5. For payment of EUR 0,4 million loan repayments and interest that are due within the next 12 months. (approximately 10% of the funds raised)

The above presented estimate on the use of proceeds is based on the assumption that the Offering is fully subscribed. The estimated proportions of the use of proceeds may vary depending on the amount of the capital raised and the business development. If the Offering is not fully subscribed, it may not be possible to implement the planned measures in full and austerity measures must be taken, which can potentially cause a delay in starting production, marketing and sales.

Proceeds from the Offering

The Company aims to raise approximately 5.5 million euros through its Offering. If the Offering is fully subscribed, the Company anticipates raising approximately 4.8 million euros in net funds after the estimated costs of the Offering that are payable by the Company have been deducted, i.e. a total of approximately 0.7 million euros.

Subscription undertakings and underwriting commitments

Certain Company's current shareholders have provided subscription undertakings on the basis of which they have committed to subscribe for in total approximately 28.9 percent of the Offer Shares offered in the Offering, i.e. they have committed to participate in the Offering with approximately 1.6 million euros. In addition a consortium of underwriters have committed to subscribe for the Offer Shares on the basis of underwriting commitments after the subscribed Offer Shares in such a way that the commitments of the underwriters concern approximately 63.4 percent of the Offering after the subscriptions of the providers of subscription undertakings, i.e. they have provided the Offering an underwriting totalling approximately 3.5 million euros. Subscription undertakings and underwriting commitments do not apply to 7.7 percent of the Offering, i.e. approximately 0.4 million euros.

Relevant conflicts of interest related to the Offering

Aalto Capital Partners Oy is acting as BBS' financial advisor for the Offering in accordance with the terms of the concluded agreement. The agreement specifies the services that Aalto Capital Partners Oy will offer in connection with the Offering as well as reviews the rights and obligations of parties. Aalto Capital Partners Oy will receive the fee that has been agreed to in advance for these services and a portion of the fees is tied to the amount of earnings generated by the Offering. It is therefore in Aalto Capital Partners Oy's interests for the Offering to be successful.

There is no conflict of interest between the duties of the Board of Directors and the CEO in the Company and their personal interests, or between their personal interests and/or other duties.

Applicable law and settlement of disputes

The Prospectus has been prepared in accordance with Finnish legislation, excluding the provisions concerning the conflict of laws (concerning Finland or any other state), which could lead to the application of any other legislation than Finnish legislation.

SAMMANFATTNING

INTRODUKTION

Denna sammanfattning innehåller alla avsnitt som måste presenteras i enlighet med Prospektförordningen för värdepapperet i fråga och dess emittent. Denna sammanfattning bör läsas som en introduktion till Prospektet. Varje beslut om att investera i värdepapperet bör baseras på en bedömning av Prospektet i dess helhet från investerarens sida.

En investerare som investerar i värdepapper kan förlora hela eller delar av det investerade kapitalet. Om en talan väcks vid domstol mot informationen i Prospektet kan den klagande investeraren enligt tillämplig lag krävas att bära kostnaderna för översättning av Prospektet innan förfarandet inleds. BBS är civilrättsligt ansvarig för denna sammanfattning endast om sammanfattningen, läst i samband med andra delar av Prospektet, är vilseledande, felaktig eller inkonsekvent, eller om sammanfattningen, läst i samband med andra delar av Prospektet, inte innehåller nyckelinformation för att hjälpa investerare när de överväger att investera i de värdepapper som emitterats av BBS.

Kontaktuppgifterna för emittenten är följande:

Emittentens namn:	BBS-Bioactive Bone Substitutes Oyj
Adress:	Kiviharjunlenkki 6, 90220 Oulu
Telefonnummer:	+358 20 792 4700
Bolagets webbplats:	www.bbs-artebone.fi
LEI-kod:	743700BYSBP0PCR6N767
Värdepapperets namn:	First North Finland ”BONEH”, First North Sweden ”BONES”
ISIN-kod:	FI4000260583

Prospektet har godkänts av finska Finansinspektionen, som den behöriga myndigheten i enlighet med Prospektförordningen, den 26 maj 2020. Finska Finansinspektion godkänner detta Prospekt endast i den utsträckning det uppfyller kraven för fullständighet, tydlighet och konsistens som anges i Prospektförordningen. Detta godkännande av Finansinspektionen ska inte tolkas som bevis på godkännandet av den emittent som detta Prospekt gäller. Numret för beslutet om godkännande från Finansinspektionen är FIVA 30/02.05.04/2020.

Kontaktinformationen för den behöriga myndigheten, Finansinspektionen, som godkänner detta Prospekt är följande:

Myndighet:	Finansinspektionen
Adress:	PL 103, 00101 Helsingfors
Telefonnummer:	+358 9183 51
E-post:	kirjaamo@finanssivalvonta.fi

Nyckelinformation om BBS

Vem är emittenten av värdepapperet?

Emittentens registrerade företagsnamn är BBS-Bioactive Bone Substitutes Oyj, BBS-Bioactive Bone Substitutes Abp på svenska och BBS-Bioactive Bone Substitutes Plc på engelska. Bolaget är ett publikt aktiebolag som är etablerat i Finland och regleras av finsk lag. Bolagets hemvist är Uleåborg, och Bolaget är registrerat i handelsregistret som upprätthålls av Patent- och Registerstyrelsen i Finland under företags-ID 0866451-4. Bolagets LEI-kod är 743700BYSBP0PCR6N767.

Översikt

BBS är ett biomedicinskt teknikföretag som utvecklar bioaktiva medicintekniska produkter och implantat för att användas i ortopedisk kirurgi.

BBS grundades 2003 som en spinoff av ett forskningsprojekt vid Uleåborgs universitet. Målet för Bolaget var att utveckla och kommersialisera en benimplantatprodukt som främjar benläkning. Implantatet är baserat på renbenproteiner, som innehåller effektiva bentillväxtfaktorer för bentransplantatmarknaderna. Produkten syftar till att fylla marknadsgapet mellan de osteokonduktiva eller svagt osteoinduktiva bentransplantatsubstanserna,

såsom demineraliserad human benmatris (DBM) och syntetiska benersättningsprodukter (TCP, hydroxyapatit) och de mycket dyra rekombinanta benmorfogenetiska proteinprodukterna.

Aktier och ägande

Vid dagen för detta Prospekt uppgår det fullt betalda aktiekapitalet till EUR 80 000. Totalt 5,204,820 av Bolagets aktier är registrerade. Alla aktier är av samma serie.

Följande tabell visar de tio (10) största aktieägarna i Bolaget per 15 maj 2020.

Aktieägare	Antal aktier	% röster
Finha Capital Oy	865,501	**17 %**
Municipality of Reisjärvi	691,652	**13 %**
EAKR - Aloitusrahasto Oy	596,271	**11 %**
Pekka Jalovaara	532,850	**10 %**
Irma Halonen	295,421	**6 %**
Paananen Ahti	267,879	**5 %**
Panvest Oy	244,142	**5 %**
Innovestor Kasvurahasto I Ky	229,094	**4 %**
Jukka Halonen	153,844	**3 %**
Veronika Halonen	133,166	**3 %**
Övriga	1,195,000	**23 %**
Total	**5,204,820**	**100 %**

Bolaget känner inte till att någon aktieägare har ett bestämmande inflytande i Bolaget. Bolaget känner inte till några arrangemang som kan leda till en förändring av kontroll av Bolaget i framtiden.

Nyckelpersoner och revisor

Bolagets styrelse består av Jarmo Halonen (ordförande), Hannu Säynäjäkangas, Pekka Jalovaara, Auvo Kaikkonen, Tomi Numminen och Ilkka Kangasniemi. BBS ledning består av Ilkka Kangasniemi (VD), Hannu Säynäjäkangas (Finanschef), Hanna Tölli (Produktionschef, HR chef), Merja Haikola (Kvalitetschef, Senior Director), Kenneth Sandström (Produktutvecklingschef) och Mikko Viitanen (Kvalitetssäkring). BBS lagstadgade revisor är revisionsföretaget Ernst & Young Oy, med auktoriserad revisor Jari Karppinen som huvudrevisor.

Vad är den utvalda finansiella informationen för emittenten?

Följande tabell visar nyckeltal för BBS-koncernen under de angivna perioderna. Siffrorna är reviderade om inte annat anges. De reviderade siffrorna har sitt ursprung från BBS:s granskade finansiella rapporter upprättade för de räkenskapsperioder som slutade 31 december 2019, 31 december 2018 och 31 december 2017 i enlighet med finska redovisningsstandarder. Bolaget har upprättat koncernredovisning för de redovisningsperioder som slutade 31 december 2019, 31 december 2018 och 31 december 2017.

	1 januari - 31 december 2019	**1 januari – 31 december 2018**	**1 januari – 31 december 2017**
EUR 1 000		**(Reviderat, om inte annat angets)**	
Nettoomsättning	0	0	0[1]
EBITDA	-1 311[1]	707[1]	-1 201[1]
EBITDA-marginal	Neg.[1]	Neg.[1]	Neg.[1]
Rörelseresultat (förlust)	-1 536	477	-4 364[1]

Nettoförtjänst	-1 638	380	-4 466[1]
Eget kapital	3 079	4 417	536[1]
Balansräkning totalt	9 833	11 156	9 669[1]
Kassaflöde från den löpande verksamheten	-1 444	-1 701	-1 077[1]
Kassaflöden från investeringsaktiviteter	-24	-34	-52[1]
Kassaflöde från finansieringsverksamhet	299	3 385	1 057[1,1]
Soliditet -%	31%[1]	40%[1]	6%[1]

[1] Orevideratat.

Anteckningar presenterade i revisorns rapporter

Följande revisionsberättelser, som har utfärdats för de finansiella rapporterna för bolagets redovisningsperioder som slutade den 31 december 2019, den 31 december 2018 och den 31 december 2017 skiljer sig från standardformatet:

Finansiella rapporter 2019: Betydande osäkerhet angående kontinuiteten i affärsverksamheten
Vi vill fästa er uppmärksamhet på ”Rörelsekapital” -avsnittet i styrelsens rapport och till avsnittet ”Andra noter” i noterna och till de frågor som nämns om företagets behov av rörelsekapital. Början av produktion och försäljning och därmed också förmågan att generera intäkter med balanserade tillgångar är beroende av framgången i att skaffa ytterligare finansiering. Detta indikerar en sådan betydande osäkerhet, vilket kan ge betydande skäl att tvivla på företagets förmåga att fortsätta sin verksamhet. Vårt uttalande har inte ändrats i denna fråga.

Bokslut 2018: Ytterligare information om betoning av en viss punkt
Vi vill fästa er uppmärksamhet på avsnittet ”Finansiering och investeringar” i styrelsens rapport och till avsnittet ”Andra noter” i noterna och till de frågor som nämns om företagets behov av rörelsekapital. Början av produktion och försäljning och därmed också förmågan att generera intäkter med balanserade tillgångar är beroende av framgången i att skaffa ytterligare finansiering. Detta indikerar en sådan betydande osäkerhet, vilket kan ge betydande skäl att tvivla på företagets förmåga att fortsätta sin verksamhet. Vårt uttalande har inte ändrats i denna fråga.

Bokslut 2017: Ytterligare information om betoning av en viss punkt
Vi vill fästa er uppmärksamhet på ”Rörelsekapital” -avsnittet i styrelsens rapport och till avsnittet ”Övriga noter” i noterna och till de frågor som nämns om de kortfristiga finansiella behoven. Början av produktion och försäljning och därmed också förmågan att generera intäkter med balanserade tillgångar är beroende av framgången i att skaffa ytterligare finansiering. Vårt uttalande har inte ändrats i denna fråga.

Vilka är de huvudsakliga riskerna för emittenten?

- BBS affärsverksamhet är för närvarande i ett stadium av utveckling och det finns inga garantier för att affärsverksamheten kan bli lönsam.
- Bolagets rörelsekapital på dagen för detta Prospekt är inte tillräckligt för att täcka Bolagets nuvarande behov och rörelsekapitalkrav för de kommande 12 månaderna från Prospektdatumet och om Bolaget inte kan samla minst 1,9 miljoner euro genom Erbjudandet kommer Bolaget att behöva ytterligare finansiering av rörelsekapital.
- De ekonomiska villkoren som krävs för att fortsätta BBS:s verksamhet är beroende av att få ytterligare finansiering.
- CE-märkning och FDA-godkännande av BBS:s produkt innebär sådana risker som kan orsaka betydande extra kostnader och förseningar.

- Produktion, lagring och reproducerbarhet av produktion av BBS-extrakt och implantat medför risker som kan leda till betydande extra kostnader.
- Även om extraktet och implantatet släpps ut på marknaden kanske BBS inte kan skapa det omfattande säljnätverk som krävs, och produkterna kanske inte får marknadsacceptans på slutanvändarnivå.
- Prissättning och ersättningsnivå för produkter uppgår inte till de nivåer som planerats.
- BBS nuvarande immateriella rättigheter kanske inte är tillräckliga för att skydda Bolagets produkter tillräckligt effektivt.
- BBS kan kränka tredje parts immateriella rättigheter, eller ett krav kan väckas mot Bolaget för brott mot immateriella rättigheter.
- Branschens konkurrenssituation och det nedåtgående trycket på priserna och förekomsten av konkurrerande produkter kan ha en negativ inverkan på BBS:s lönsamhet och marknadsandelar.
- BBS kan bli föremål för produktansvar och produktsäkerhetsanspråk, vilket kan ha en negativ inverkan på affärsverksamheten.

Nyckelinformation om värdepappret

Vilka är de huvudsakliga funktionerna i värdepapperet?

BBS har en serie av aktier. BBS aktier är registrerade i det värdepapperssystem som upprätthålls av Euroclear Finland och Euroclear Sweden. ISIN-koden för aktierna är FI4000260583 och aktiens kortnamn på First North Finland är ”BONEH” och på First North Sweden ”BONES”.

Bolaget erbjuder högst 1,301,205 nya aktier för teckning i Bolaget (”Erbjudandeaktier”). BBS kommer att ge alla aktieägare en (1) teckningsrätt per aktie (First North Finland kortnamn BONEHU0120, ISIN-kod FI4000440219 och First North Sweden kortnamn BONES TR, ISIN-kod SE0014428876) (”Teckningsrätten”) som innehas på Erbjudandets avstämningsdag. Fyra (4) Teckningsrätter ger innehavaren rätt att teckna en (1) Erbjudandeaktie. Efter teckningen kommer temporära aktier (”Temporära Aktier”) som motsvarar de Erbjudandeaktierna som tecknas baserat på teckningsrätter att anges i tecknarens bokföringskonto. Handel med Temporära Aktier kommer att inledas på First North Finland (kortnamn BONEHN0120, ISIN-kod: FI4000440201) och på First North Sweden (kortnamn BONES BTA, ISIN-kod: SE0014428884) som sin egen aktieklass omkring den 2 juni 2020. Temporära Aktierna kommer att läggas samman med Bolagets nuvarande aktier efter det att Erbjudandeaktierna har registrerats i handelsregistret.

Rättigheterna till Erbjudandeaktier inkluderar, men är inte begränsade till, företrädesrätt att teckna nya aktier i Bolaget, rätten att delta och utöva rösträtt, rätten till utdelning och annan obegränsad aktieutdelning och rätten att kräva inlösen av aktierna till verkligt värde från en aktieägare som äger mer än 90 procent av alla aktier och röster i Bolaget samt andra allmänna rättigheter enligt den finska aktiebolagslagen. Erbjudandeaktierna är fritt överlåtbara. Varje Erbjudandeaktie berättigar till en röst vid bolagsstämman.

Bolagets styrelse har inte fastställt en utdelningspolicy för Bolaget. Bolagets eventuella framtida utdelningar är beroende av Bolagets framtida utveckling och finansiella ställning. Bolaget har aldrig betalat utdelning och per den 31 december 2019 har Bolaget inga utdelningsbara medel. Det finns ingen säkerhet om Bolaget kommer att kunna betala utdelning för någon räkenskapsperiod.

Var kommer värdepapperet att handlas?

Bolagets aktier handlas på First North Sweden och First North Finland. Bolaget avser att ansöka om upptagande av Teckningsrätter, Temporära Aktier och Erbjudandeaktier för handel till First North Sweden och First North Finland.

Nasdaq First North Growth Market är en registrerad tillväxtmarknad för små och medelstora företag. Emittenter på Nasdaq First North Growth Market omfattas inte av samma regler som emittenter på en reglerad marknad, enligt definitionen i EU-lagstiftningen. Istället är de föremål för mindre omfattande regler och förordningar som är anpassade till små tillväxtföretag.

Vilka är de huvudsakliga riskerna kopplade till värdepapperet?

- Hela emissionsbeloppet kommer inte in i samband med Erbjudandet.
- Marknadspriset för Aktierna och Teckningsrätter kan variera avsevärt, och marknadspriset för aktierna kan sjunka under Teckningskursen.

- BBS förmåga att betala utdelning är osäker och utdelning kanske inte kommer betalas för någon framtida redovisningsperiod.
- Framtida emissioner av Aktier eller andra värdepapper som berättigar till Aktier eller deras handel kan ha en negativ inverkan på marknadspriset för Aktierna och utspädning av den proportionella andelen ägande.

Nyckelinformation om erbjudandet av värdepapperen till allmänheten

Vilka är villkoren och tidplanen för investeringar i värdepapperet?

Erbjudandet och teckningsrätt

I enlighet med aktieägarnas företrädesrätt erbjuder Bolaget upp till 1,301,205 nya aktier (“Erbjudandeaktier”) i Bolaget för teckning av Bolagets aktieägare (“Erbjudandet”).

BBS kommer att ge alla aktieägare som är registrerade i BBS:s aktieägarregister som upprätthålls av Euroclear Finland Oy ("Euroclear Finland") eller Euroclear Sweden AB ("Euroclear Sweden") en (1) teckningsrätt ("Teckningsrätten") per aktie som innehas på Erbjudandets avstämningsdag 28 maj 2020 (”Avstämningsdag”). Fyra (4) teckningsrätter ger innehavaren rätt att teckna en (1) Erbjudandeaktie. Fraktioner av Erbjudandeaktier kommer inte att hanteras. Teckningsrätter kommer att registreras i aktieägarnas bokföringskonton i det bokföringssystem som upprätthålls av Euroclear Finland ungefär den 29 maj 2020 och i det bokföringssystem som upprätthålls av Euroclear Sweden ungefär den 1 juni 2020. Teckningsrätter är fritt överlåtbara och de kommer att handlas på First North Finland (kortnamn BONEHU0120, ISIN-kod: FI4000440219) och på First North Sweden (kortnamn BONES TR, ISIN-kod: SE0014428876) mellan 2 juni 2020 och 12 juni 2020. Om en aktie som berättigar till Teckningsrätt är föremål för pantsättning eller någon annan sådan begränsning, kan Teckningsrätten inte utfärdas utan pantsättarens eller andra rättighetshavares samtycke.

Teckningskurs och teckningsperiod

Erbjudandeaktierna emitteras till en teckningskurs om EUR 4.20 eller SEK 44.42 per Erbjudandeaktie (“Teckningskurs”).

Teckningsperioden i Erbjudandet ("Teckningsperioden") inleds den 2 juni 2020 kl 10:00 finsk tid (kl 9:00 svensk tid), och förväntas avslutas den 18 juni 2020 kl 17:00 finsk tid (kl 16:00 svensk tid) i Finland och den 16 juni 2020 kl 17:00 finsk tid (kl 16:00 svensk tid) i Sverige. Bolaget kan efter eget val förlänga Teckningsperioden. Teckningsperioden kan förlängas en eller flera gånger, men inte förbi den 25 juni 2020. Alla förlängningar av Teckningsperioden kommer att tillkännages genom ett pressmeddelande före utgången av Teckningsperioden.

Återkallelse av teckningsanmälan

Teckningar som har gjorts inom ramen för Erbjudandet är bindande och kan inte återkallas förutom i de situationer som beskrivs i Prospektförordningen.

Om Prospektet kompletteras eller korrigeras i enlighet med Prospektförordningen på grund av en väsentlig ny aspekt, väsentliga misstag eller grundläggande felaktigheter relaterade till informationen i Prospektet, vilket blir uppenbart efter att Finansinspektionen har godkänt Prospektet men före handel med Temporära Aktier inledas, eller för investerare som inte får Temporära Aktier, när Erbjudandeaktierna levereras, har de investerare som har bundit sig att teckna för Erbjudandeaktier innan komplettering eller korrigering av Prospektet, rätt enligt Prospektförordningen att annullera sin teckning inom minst två (2) bankdagar efter publiceringen av kompletteringen eller korrigeringen av Prospektet. Om Prospektet kompletteras kommer detta att meddelas genom ett pressmeddelande. Bolagets pressmeddelande kommer också att informera investerare om rätten att återkalla sin teckningsanmälan i enlighet med Prospektförordningen.

Om aktieägaren har sålt eller på annat sätt överlåtit sina Teckningsrätter kan försäljningen eller överlåtelsen inte annulleras.

Avgifter och kostnader

I samband med Erbjudandet förväntas Bolaget betala totalt 0.7 millioner euro i emissionsavgifter och -kostnader.

Bolaget, Evli Pankki Oyj eller Hagberg & Aneborn Fondkommission AB debiterar inte investerare som tecknar Erbjudandeaktier några avgifter eller kostnader. Värdepappersmäklare och andra tjänsteleverantörer kan dock ta ut avgifter från investerare som är baserade på avtalet mellan tjänsteleverantören och investeraren.

Utspädning

De erbjudna Erbjudandeaktierna utgör 25,0 procent av alla Bolagets aktier omedelbart före Erbjudandet och 20,0 procent efter Erbjudandet, om Erbjudandet blir fullt tecknat.

Om Erbjudandet, och den möjliga riktade emissionen som ska ordnas i samband med Erbjudandet, arrangeras och tecknas helt, och teckningspriset för garanterna i den riktade emissionen är detsamma som Bolagets akties stängningskurs på First North Finland 25 maj 2020 (EUR 7,95) kommer alla utgivna aktier att motsvara totalt 20,6 procent av alla bolagets aktier efter emissionen.

Varför upprättas detta Prospekt?

BBS har förberett och publicerat detta Prospekt för att genomföra Erbjudandet.

Syftet med Erbjudandet

Bolaget uppskattar att det kommer att spendera nettobehållningen från Erbjudandet på det rörelsekapital och de investeringar som krävs för att genomföra affärsplanen, liksom på skuldreglering och betalningar, inklusive, men inte begränsat till, följande:

1. Framgångsrikt genomförande av CE-märkningsprocessen för BBS:s benimplantat ARTEBONE® Paste, inklusive ISO 13485-certifiering för Bolagets kvalitetsstyrningssystem. Fortsatt produktutveckling, utveckling och underhåll av Bolagets patentportfölj och slutvalideringar av produktion samt de resurser som krävs för den officiella granskningen som utförts av Notified Body (BSI-NL). Fortsättning av ansökningsprocessen för FDA-certifiering och finansieringen av de relaterade kostnaderna för processen inklusive möjliga prestandatester. (cirka 30% av de insamlade medlen).

2. Kommersialiseringen av ARTEBONE® Paste, bygga upp ett säljnätverk samt implementera en säljstrategi riktad mot de nordiska länderna och utvalda Centraleuropeiska länder efter att ha fått CE-märkningen. (cirka 25% av de insamlade medlen)

3. Anställa ytterligare personal till Bolagets marknadsföring- och försäljningsorganisation för att öka produktens försäljning, samt investera i produktion och tillverkning för att öka produktionspotentialen. (cirka 25% av de insamlade medlen)

4. Den nuvarande produktionslinjen kommer att uppdateras för att möta kraven på kommersiell produktion genom automatisering och mekanisk produktion, för att öka produktionskapaciteten och produktionshastigheten. Utöver detta kommer medel att användas för kostnader för material och logistik i samband med produktion. (cirka 10% av de insamlade medlen)

5. Återbetalningar av lån och räntebetalningar på 0,4 miljoner euro som ska betalas under nästa tolvmånadersperiod. (cirka 10% av de insamlade medlen)

Ovannämnda uppskattning av användningen av medel är baserad på antagandet om maximala medel som samlas in i Erbjudandet. Den uppskattade andelen av de medel som avsatts för ovan nämnda ändamål kan variera baserat på det insamlade kapitalet och hur Bolagets affärsverksamhet utvecklas. Om Erbjudandet inte tecknas i sin helhet kan de planerade förfarandena möjligen inte genomföras fullt ut och besparingsförfaranden måste genomföras, vilket kan orsaka förseningar i inledningen av produktion, marknadsföring och försäljning.

Likvid från Erbjudandet

Bolaget avser anskaffa cirka 5,5 miljoner euro genom Erbjudandet. Om Erbjudandet fulltecknas, räknar Bolaget med att få cirka 4,8 miljoner euro i nettolikvid efter att de beräknade kostnaderna för Erbjudandet som ska betalas av Bolaget har dragits av, dvs. totalt cirka 0,7 miljoner euro.

Teckningsförbindelser och garantiåtaganden

Vissa av Bolagets nuvarande aktieägare har lämnat teckningsåtaganden på grundval av vilka de har förbundit sig att teckna sammanlagt cirka 28,9 procent av Erbjudandeaktier i Erbjudandet, det vill säga de har åtagit sig att delta i Erbjudandet med cirka 1,6 miljoner euro. Därutöver har ett konsortium av emissionsgaranter förbundit sig att teckna Erbjudandeaktier efter tecknade Erbjudandeaktier motsvarande cirka 63,4 procent av Erbjudandet

efter teckningar från de som lämnat teckningsåtaganden. Totalt uppgår teckningsåtaganden och emissionsgarantier därmed till cirka 3,3 miljoner euro. Teckningsförbindelser och garantiåtaganden gäller därför inte cirka 7,7 procent av Erbjudandet, dvs cirka 0,4 miljoner euro.

Intressekonflikter kopplade till Erbjudandet

Aalto Capital Partners Oy agerar som BBS:s finansiella rådgivare för Erbjudandet i enlighet med villkoren i det ingående avtalet. Avtalet specificerar de tjänster som Aalto Capital Partners Oy kommer att erbjuda i samband med Erbjudandet samt granskar parternas rättigheter och skyldigheter. Aalto Capital Partners Oy kommer att erhålla den avgift som i förväg har avtalats om för dessa tjänster och en del av avgifterna är bunden till det intäkter som genereras av Erbjudandet. Det ligger därför i Aalto Capital Partners Oys intresse att Erbjudandet ska bli framgångsrikt.

Det finns ingen intressekonflikt mellan styrelsens och verkställande direktörens uppgifter i Bolaget och deras personliga intressen eller mellan deras personliga intressen och / eller andra uppgifter.

Tillämplig lag och tvistlösning

Prospektet styrs och tolkas i enlighet med Finlands lagar, med undantag för det reglerande valet av lag (som rör Finland eller annan jurisdiktion) som kan leda till tillämpning av annan lag än finsk lag.

RISK FACTORS

Those contemplating investing in the Offer Shares are encouraged to carefully familiarise in all the information provided in this Prospectus, particularly in the risk factors specified below in this Prospectus. Aspects that may potentially influence investment decisions are also reviewed elsewhere in the Prospectus. If one or more of the described risk factors is realised, it may have a negative effect on the Company's business operations, financial position and operating profit and/or the value of the Company's securities. The following description of risk factors is based on aspects that were known and assessed at the time of preparing the Prospectus, due to which the description of the risk factors may not necessarily be exhaustive. Other risks and factors of uncertainty, which the Company is not yet aware of or which it currently considers to be irrelevant, may have a material negative effect on the Company's business operations, operating profit and financial position. The value of the Company's securities may decrease as a result of these risks being realised, and investors may lose their investment either partially or in full.

The risks presented hereinafter have been divided into the following categories according to their characteristics:

1. *Risks associated with the coronavirus*
2. *Risks associated with BBS' stage of development, financial position and financing*
3. *Risks associated with BBS' product development and product approval*
4. *Risks associated with the manufacturing and commercialisation of BBS' products*
5. *Other risks associated with BBS' business operations*
6. *Risks associated with BBS' industry and relevant regulations*
7. *Risks associated with the Company's Shares and the Offering*

In each category, the risk which is assessed to be the most significant on the basis of the overall assessment of criteria specified in the Prospectus Regulation shall be presented first. However, the order of presentation following the first risk factor of each category shall not describe the likelihood of such risk factors occurrence or the potential impact of their realisation. The risk factors' order of presentation shall not describe the significance of risks in each risk category compared to the risks of other risk categories.

Risks associated with the coronavirus

The coronavirus pandemic has suspended many clinical researches.

The Company does not have ongoing clinical studies and no such studies are planned to be started in the next few months. With the prospect of the pandemic continuing for the foreseeable future, potentially for years, the risk to obtain permits for clinical trials which are subject to Government decrees will increase. In this case, the Company's product development will face significant delays, which the Company will be unable to influence and as a result of which the Company would not be able to launch new products. The development of the Company's turnover would rely on the turnover potentially received in the future from the first product ARTEBONE® Paste for an uncertain period of time. If ARTEBONE® Paste did not generate turnover in the future or the amount of turnover would be less than the amount of Company's operating expences, loan payments and depreciations, the Company's operations would continue to be unprofitable. As long as the Company is operating at a loss, the Company needs additional financing to continue and develop its operations. If the necessary additional financing is not obtained, the Company will not to be able to develop its operations as planned and it may also find itself in an insolvency situation. The interruption of clinical trials thus increases the risks associated with the Company's overall development phase and adequacy of funding, the realization of which may have a significant negative effect on the Company's business operations, operating profit, financial position and/or the value of securities.

The travel restriction prevents authorities from auditing BBS' quality system.

The travel restriction, which is in force until further notice, prevents the officers of the Notified Body from visiting Finland and BBS' facilities. The certification of the quality system, which must be carried out as part of the Company's product approval procedure, shall thus be delayed for the term of the travel restriction. Authorities can partially complete their duties with the help of the quality system documentation to be supplied. The

remaining audit visits shall be carried out once it is possible for the officers of the Notified Body to travel to Finland.

If the travel restriction continues until September or even longer, the delay in quality system inspection visits will delay the Company's first product ARTEBONE® Paste CE marking process for which an application has not been submitted by the date of the Prospectus. The delay in CE marking process, in turn, delays ARTEBONE® Paste's launch, which in turn delays the expected turnover from its sales, which means that the Company will continue to operate at a loss. As long as the Company is operating at a loss, the Company needs additional financing to continue and develop its operations. If the necessary additional financing is not obtained, the Company will not be able to develop its operations as planned and it may also find itself in an insolvency situation. The certification of the Company's quality system and thus the possible delay in the ARTEBONE® Paste's CE marking process thus increase the risk related to the Company's general development phase and the adequacy of financing, the realization of which may have a significant negative effect on the Company's business operations, operating profit, financial position and/or the value of securities.

Risks associated with BBS' stage of development, financial position and financing

BBS' business operations are at a developing stage and there are no guarantees that the business operations will become profitable.

The Company does not currently have any products in the commercial production or in marketing phase, nor has the Company generated positive operating profits historically. BBS has not accumulated any revenues during its operating history. BBS' loss for the accounting period ending on 31 December 2019 was 1.64 million euros. The Company's auditor's report for the financial year 2019 contains additional information on the material uncertainties related to going concern *(*see *"Business results, financial position and future prospects - Reminders presented in the auditor's report").*

It is possible that BBS will not generate significant revenues in the coming years, however launching the Company's marketing and products' R&D projects will result in considerable expenses. Therefore, it is likely that BBS' business operations will incur substantial losses in the coming years as well. In order to make the Company's business profitable, as well as the future prospects of the Company's business, depend essentially on whether the Company is capable of making its products into marketable ones, is the Company able to enter commercial and other forms of cooperation agreements, and obtain the necessary regulatory approvals. Additionally, obtaining the necessary funding will have a significant impact on the Company's financial position and the Company's ability to implement and follow the Company's business plan. Many of the factors affecting the BBS' operating profit, such as cooperative agreements to be entered with third parties and grants and subsidies to be received, are largely beyond the control of the Company. There are no guarantees that BBS' business operations will become profitable in the future. As long as the Company is operating at a loss, the Company needs additional funding to continue and develop its operations. If the necessary additional financing is not obtained, the Company will not be able to develop its operations as planned and it may also find itself in an insolvency situation. The realisation of the risks described above can have a significant adverse effect on the Company's business operations, operating profit and financial position and/or the value of securities.

The Company's working capital on the date of this Prospectus is insufficient to cover the Company's current needs and working capital requirements for the next 12 months from the date of the Prospectus and if the Company is not able to raise at least 1,9 million euros of net proceeds through the Offering, the Company will need additional working capital financing.

On the date of this Prospectus, the Company's current level of working capital is not sufficient for the Company's needs for the next 12 months (see "*Operating profit, financial position and future prospects – Working capital statement*").

The launch of production and the creation of marketing channels according to the Company's business plan will require a considerable amount of working capital (see Prospectus sections: "*Business description*", "*Reasons for the Offering and use of proceeds*" and "*Working capital statement*"). The financial conditions necessary for continuing BBS' business operations depend on, among other things, whether the Company is able to meet its future financing needs with funds that will be available to the Company by means of issuing new shares inter alia in the Offering.

The Company estimates it will need approximately 1.9 million euros of financing for working capital during the aforementioned period. If the amount of net proceeds from the Offering is less than 1.9 million euros, the Company needs additional working capital financing, which it plans to acquire to the extent necessary with debt and equity financing.

If the Company fails to raise the objective amount of working capital, this can have a negative impact on the Company's business operations, operating profit, financial position and/or value of securities. The Company may then also be in an insolvency situation.

The financial conditions required for the continuation of BBS' business operations depend on obtaining additional financing.

The Company will need more equity and/or debt financing in order to implement its business plan. There is no assurance that the Company is capable of ensuring enough funding to be able to continue its planned activities. The situation of the financial markets and its effect on the willingness of investors to take risks pose a serious risk that the Company will not be able to obtain new funding in the future. A general decline in the availability of financing and an increase in financing costs can have an adverse effect on the Company's possibilities for obtaining additional funding in the future.

If future cash flow from the operations of BBS is not enough to cover the Company's expenses and the Company is not able to obtain additional funding at the right time or under suitable terms to fund its business operations, this may have a material adverse effect on the Company's operations and it may require the Company to limit or suspend its activities or it may result in the Company's insolvency and ultimately liquidation or bankruptcy. As a result, the shareholders could lose their investment in the Company.

Income from capitalised development costs and intangible rights may be less than expected.

The Company capitalises expenditures used for developing products and technologies, and personnel costs and procurements to the extent they are expected to generate income in the future. The total amount of capitalised development costs on the Company's balance sheet on 31 December 2019 was 7,532,827 euros, of which 6,369,319 for the Native Project, including 781,281 euros for machinery and equipment and for a follow-on clinical project 1,163,508. These items will be depreciated over a period of ten (10) years on a straight line method. Unfavourable changes to expected future profitability can result in changes to depreciation sequencing or recognition of impairment losses. If the Company needs to change depreciation sequencing or recognise impairment losses, this may have a material adverse effect on the Company's business operations, operating profit, financial position and/or value of securities.

Ability to use confirmed losses may be uncertain.

BBS' business has incurred substantial losses over its history; it has 7.41 million euros in tax losses as of 31 December 2019. The losses are mainly the result of R&D activity conducted by companies.

The use of tax losses requires future taxable income that covers the losses. However, there is no assurance that the Company will generate sufficient taxable income in the future to utilize some or all of its tax losses. This may have a material adverse effect on the Company's business operations, operating profit, financial position and/or value of securities.

Risks associated with BBS' product development and product approval

Risks associated with the CE marking and FDA approval of BBS' product, which may result in substantial additional costs.

In all product approval processes, decision making power lies with the authorities. Due to the possibility of interpreting the requirements of the authorities, it is possible that the Company interpretes the requirements differently from the deciding authority. An authority's interpretation that deviates from the Company's view may result in the denial of entire product development sections, the entire product, or the product classification as a medical device. In year 2019, the authority suspended the Company's application for ARTEBONE® Paste on the basis of shortcomings to existing animal testing data.

On the basis of the new animal testing results, the Company believes that the processing of a new application is possible. However, the authority has the right to interpret the results, which is why there is a risk that the authorities will still not consider the result to be sufficient.

If the Company is not able to develop ARTEBONE® Paste into marketable product, or to obtain the necessary regulatory approvals to place the product on the market, the Company may be required to conduct additional tests at additional costs or to limit or suspend its operations. Delays in the CE marking process delay the launch of ARTEBONE® Paste, which in turn delays the generation of turnover from its sales, which means that the Company continues to operate at a loss. As long as the Company's operations are unprofitable, the Company needs additional funding to continue and develop its operations. If the necessary additional financing is not obtained, the Company will not be able to develop its operations as planned and it may also find itself in an insolvency situation. The possible delay in ARTEBONE® Paste's CE marking process will then increase the risks associated with the Company's overall development phase and adequacy of funding, the realization of which may have a material adverse effect on the Company's business operations, operating profit, financial position and/or value of securities.

BBS' product development and the clinical trials to be conducted in connection with it are dependent on third parties.

The Company is dependent on third parties such as hospitals, other pharmaceutical companies, researchers as well as members and consultants of clinical research organisations in its product development and clinical studies. There is no certainty that these third parties will act with care or stay on schedule when conducting product development work and studies, and they may not have the necessary financial resources to continue operations, as a result of which the Company's clinical trials may be delayed or fail. Furthermore, the Company cannot control how much time and resources the third parties use on the Company's R&D programs. The Company's product development work may be delayed, or the Company may incur other setbacks if third parties do not properly perform their contractual obligations, meet the requirements of laws and authorities concerning the performance of clinical trials or other trials and studies related to drug development, or stick to agreed deadlines. The failure or delay of clinical trials delays the Company's product development, the launch of new products and thus any future revenue from sales of products of the Company, which may cause a material adverse effect on the Company's operations, operating profit and financial position and/or the value of securities.

Risks associated with the manufacturing and commercialisation of BBS' products

The production, preservation and reproducibility of production of BBS' extract and implant involve risks which may result in substantial additional costs.

BBS' extract is manufactured through chemical or biotechnological processes from biological starting material. Products that are produced through these kinds of processes involve risks regarding their preservation, production reproducibility and the preservation, availability and safety of bones and chemicals used as starting material. Products that are produced by means of biotechnology involve production risks because biotechnological production methods are often based on biotechnological unit operations executed at different production phases and subsequent analyses, in which there may be variations between production batches. Likewise, the final yield from each production batch may vary, thereby affecting the costs of the final product and hence its profitability or a production batch may need to be rejected due to detected impurities or departure due to a later identified safety risk in the starting material. There are also risks associated with the transport of products. If one or more of the aforementioned risks materialise, BBS may have to produce new batches, which results in substantial additional costs and delays, which may have a material adverse effect on the Company's operations, operating profit and financial position and/or the value of securities.

BBS' commercial production is dependent on third parties.

The development and manufacturing of the Company's products is partly dependent on raw materials, components and services provided by third parties. The Company has a valid contract for the supply of reindeer bone and provision of quality assurance services and laboratory services with third parties. Additionally, the Company is currently negotiating the supply of tricalcium phosphate (TCP), which is required for the development and production of products. There are several suppliers of TCP on the market.

There may be restrictions or interruptions in the supply of raw materials, components and services that are needed in the development and production of products. If the availability of materials, components or services would decline for any reason, it could slow down the Company's product development, manufacturing and commercialization process or at worst prevent it altogether. Even though certain commercially available raw materials and components and subcontracting services provided by third parties are important to the

manufacturing of BBS' products and for its operations and earnings, the Company's management believes that these kinds of raw materials, components and subcontractors can be replaced; this may, however, result in delays and additional costs to the Company.

However, in the event of an interruption in the provision of raw materials, components or services provided to BBS by third parties, it could cause additional costs for the Company as well as delay the launch of the Company's products on the market and thus any future turnover from sales of the products to the Company. Additional costs and the postponement of any potential future revenue from sales of the Company's products would have a material adverse effect on the Company's operations, operating profit and financial position and/or the value of securities.

Even if the extract and implant are placed on the market, BBS may not be able to create the extensive sales network required, and the products may not gain market acceptance at the end user level.

BBS' possibility to receive sales and cash flows depends largely on how the Company and its future selected partners succeed in bringing the products developed by the Company to the market and getting market acceptance for them. One factor affecting this is how physicians and patents respond to the Company's products. Market acceptance is influenced by the following, among other things: product safety, results obtained in studies during the development of the products, reputation of companies, existence of competing products, quality-to-price ratio of the products, and support to be received from public authorities by means of a marketing and distribution network, among other things. All factors which prevent the Company's products from gaining market acceptance or restrict it are likely to adversely affect the potential future revenue from the Company's products. Therefore, the realization of such factors could have a material adverse effect on the Company's operations, operating profit and financial position and/or the value of securities.

Pricing and reimbursability of products may not materialise as planned.

Successful pricing of products will play a crucial role in the future commercial success and profitability of the Company's products. Furthermore, the reimbursability of the drugs in public and private health care systems will have a significant effect on the prices of the product and thereby on the Company's profitability. In the EU area each state decides on its own reimbursement policy but there is no reimbursement scheme in North America. There is a growing desire to reduce the costs of the public health care system. The entities that maintain reimbursement systems are seeking to reduce costs of health care as far as possible by influencing the pricing of medicines and health care services. The future reimbursement situation of new health care products and services is uncertain, and there are no guarantees that the Company's future products will be reimbursable or will get a level of reimbursement that would ensure the profitability of the Company's products. If the Company's future products do not receive reimbursement at all or to a sufficient extent for their profitable sales, it is not profitable for the Company to manufacture and sell such products, in which case the products do not generate turnover and the product development costs used for their development cannot be covered. This may have a material adverse effect on the Company's operations, operating profit and financial position and/or the value of securities.

Other risks related to BBS's business

BBS is dependent on its ability to recruit and retain the necessary executives and employees.

BBS's current business and development work are based on the experience and know-how of the experts, management and other personnel working in the Company. The BBS depends on its ability to recruit and retain the necessary key personnel and employees, and the future development of the Company is influenced by the know-how experience and dedication of its key personnel and employees. There is no guarantee that BBS will be able to retain the necessary key personnel and employees or that it will be able to recruit new skilled personnel. The Company's small size, low visibility, limited financial resources and competition for the best employees can make it difficult to recruit and retain the necessary key people and employees, which may have a material adverse effect on the Company's operations, operating profit and financial position and/or the value of securities.

BBS' current intellectual property rights may not be adequate for protecting the Company's products effectively enough.

Competitors of the Company may simultaneously develop product concepts similar to BBS and it is possible that a competitor has pending patent applications, or they may have been granted or will be granted patents and

other exclusive rights related to product concepts, technologies, methods and intended uses, which may prevent the patenting of products, technologies, methods and intended uses developed by the Company or compete with them. Additionally it is possible that the Company is not aware of pending patent applications or granted patents that concern the products it has developed. Patents or other exclusive rights granted to BBS may be challenged, invalidated or infringed in the future.

There is no assurance that the Company's current patents are sufficient to protect the intellectual property rights of the Company effectively enough and to provide the Company with commercial benefit. In the event of potential claims of patent infringement or invalidity directed at the Company by third parties, the Company may lose some of its essential patents. Furthermore, defending against possible claims of patent infringement or claims related to processing of a patent application raised against the Company, and patent litigation and suchlike procedures launched to defend the Company's own patents require resources, take time and may result in substantial costs to the Company.

The Company is also dependent on trade secrets and the know-how of its management and employees. There is no assurance that the Company's employees, consultants, advisors or other entities aware of trade secrets do not violate their obligation to not disclose trade secrets and know-how, or that the Company's competitors do not become aware of the trade secrets and know-how in a way which the Company cannot effectively protect itself against.

Failure to obtain, manage and protect intellectual property rights may have a material adverse effect on the Company's operations, operating profit and financial position and/or the value of securities.

BBS may violate the intellectual property rights of third parties and claims for violations of intellectual property rights may be made against the Company.

There are no guarantees whether the Company's current products, technologies, methods or their current or future application violate the patents or other proprietary rights of third parties. In this case, the Company may be the subject of legal proceedings and the R&D operations as well as the commercialisation of the products of the Company and its partners may be denied, which could lead to the termination or cancellation of agreements concluded with partners. If a claim made by a third party against the Company for the violation of intellectual property rights is successful, the Company and its partners may have to acquire licenses to the relevant patents or other intellectual property rights or develop or acquire alternative technologies, which would likely cause additional costs for the Company. Alternative technologies or necessary licenses may not be available, which may delay the Company's product development work and the commercialisation processes of medical device or drug concepts. The realisation of the risks described above can have a material adverse effect on the Company's operations, operating profit and financial position and/or the value of securities.

Risks associated with BBS' industry and relevant regulations

The competitive situation of the industry and the downward pressure it has on prices, and the existence of competitive products may have an adverse effect on BBS' profitability and market shares in the future.

On the date of the Prospectus, the Company does not yet have any approved products on the market and thus no turnover. Other companies in the sector may develop products that compete with BBS' products and are intended for treating the same indications and diagnoses as products BBS have developed. The existence of competing products may weaken the Company's potential future profitability and reduce its potential future market share. Additionally, the development of competing products may lead to a situation in which a competitor develops an exclusive position in certain areas, which further weakens the Company's potential future position in the market. Due to the competitive situation, there is downward pressure on prices of medical devices and drugs. Pricing of future products will have a major impact on the commercial success of the Company and its financial profitability. If the Company fails in pricing its products, if competition reduces the potential future market share of the Company's products, or if competition forces prices of the Company's products down, the materialisation of the aforementioned risks may have a material adverse effect on the Company's operations, operating profit and financial position and/or the value of securities.

BBS may be subjected to product liability and product safety claims, which may have an adverse effect on business operations.

The risk that medical devices and medicines become the subject of product liability claims or product safety claims is typically substantial. In the future, BBS' products may become the subject of product liability and/or product safety litigation in which the subject of the proceedings would be whether the Company's products have adverse effects on their users.

During clinical trials, claims concerning product liability and safety can be brought against the Company's products even before their commercial marketing and sales. Product liability and safety claims may result in significant liabilities to the Company, including the liability to pay compensation, and the obligation to pay punitive damages, and they may result in significant costs to the Company. Litigation requires resources, takes time and is expensive, and there is no assurance that the Company would win such a case, or that a product liability claim against the Company will not lead to the removal of its future products from the market or a modification of their permissible uses.

Any possible product liability and product safety claim costs to be paid by the Company, based on product safety requirements, damages, fines, as well as product recall and product replacement costs can be significant and have a significant negative impact on the Company's business operations, operating profit, financial position and/or the value of securities.

Risks associated with the Company's Shares and the Offering

The full amount of funds may not be raised with the Offering.

There is no certainty that the Offering will be subscribed in full. The Company has received subscription undertakings from current shareholders and underwriting commitments from external investors for a total value of approximately 5.0 million euros, prior to transaction costs, which total approximately 0.7 million euros (see the Prospectus section "*Arrangements relating to the Offering - Subscription undertakings* and *Underwriting commitments*"). Those who have provided subscription undertakings have therefore committed to subscribe a total of approximately 28.9 percent of the Offering. A consortium of underwriters have committed to subscribe for the Offer Shares after the shares subscribed according to the subscription undertakings, in such a way that the commitment of the underwriters concerns a total of approximately 63.4 percent of the Offering, in other words they have provided an underwriting commitment of approximately 3.5 million euros for the Offering.

If a significantly lower amount of funds are raised with the Offering than expected, this would affect the Company's opportunities to use the revenue in a planned manner, which may cause delay to the beginning of the manufacturing, marketing and sales. For this reason, the market price of the Shares could drop below the Subscription Prince of the Offering. In these conditions, investors who have participated in the Offering by subscribing Offer Shares, may suffer a direct unrealised loss as a result of their investment.

An active public market may not develop for the Company's Subscription Rights and Shares.

The Company intends to apply for the listing of the Subscription Rights and the Offer Shares on First North Finland and First North Sweden. Trading with the Subscription Rights will begin on First North Finland and First North Sweden 2 June 2020 and end 12 June 2020. The liquidity of the Company's Subscription Rights and Shares is not certain.

The Subscription Rights will lapse with no value if they are not used during the Subscription Period.

The Subscription Period shall begin on 2 June 2020 and end in Sweden on 16 June 2020 and in Finland on 18 June 2020. The end date of the Subscription Period is also the last day that the Subscription Rights are valid. If a holder of Subscription Rights chooses to use their Subscription Rights, they must provide their instructions concerning the Offering to their account manager or the subscription location within the Subscription Period as well as observe any special deadlines possibly set out by the account managers. At the end of the Subscription period, all the unused Subscription Rights will lapse with no value.

The market price of the Shares and the Subscription Rights may vary significantly, and the market price of the Shares may drop below the Subscription Price.

The market price of the Shares and the Subscription Rights may vary, which may be due to e.g. actual or assumed fluctuations in the Company's operating profit, information concerning innovations, new products or services introduced by the Company or its competitors, changes to assessments performed by financial analysts,

conditions or trends in the Company's product market, exchange rates, development of regulations, general market conditions or other factors. In addition to this, price and volume variations have occasionally occurred in the financial market, which are not associated with the development or prospects of an individual company's business operations. The previously mentioned changes and market variations may lead to the increased volatility of the Shares' market price, and the price of the Company's Shares could drop below the Subscription Price. If the Company's share price falls below the Subscription Price, investors who have participated in the Offering by subscribing for the Offer Shares may suffer an immediate unrealised loss as a result of their investment.

Dilution of shareholding.

If the Company's shareholders decide not to subscribe for the Offer Shares in the Offering, it will reduce their relative percentage of Shares and voting power following the Offering.

As a result of the Offering, the Company's number of shares can increase from 5,204,820 shares to up to 6,506,025 shares. The offered Offer Shares equate to 25.0 percent of all of the Company's shares immediately before the Offering, and 20.0 percent after the Offering, with the presumption that the Offering is fully subscribed.

The underwriters have the right to choose to use their underwriting fee for setting off the subscription price of the Company's new shares in a directed share issue, which is arranged if necessary for the underwriters after the Offering. In this case the subscription remuneration will amount to twelve (12) percent of the amount of the given underwriting commitment, i.e. in terms of all of the underwriting commitments, up to approximately 0.4 million euros. See more information in the Prospectus Section "*Arrangements relating to the Offering - Potential directed share issue to be organised in connection with the Offering*". If the Offering and the directed share issue to the underwriters would be fully subscribed, the subscription price would be the same in the directed issue to be arranged for the underwriters as the Company's closing share price on First North Finland on 25 May 2020 (EUR 7.95), and all the underwriters would use their underwriting fee to set off subscription price of the new shares in the directed issue, the number of the Company's shares may rise with another 52,288 shares. These shares offered in the directed issue to be arranged for the underwriters would correspond to approximately 1.0 percent of all the Company's shares before the Offering and approximately 0.8 percent of the Company's shares after the Offering and the directed share issue mentioned above, assuming that both share issues are fully subscribed.

If the Offering, and the directed share issue to possibly be arranged in connection with the Offering is arranged and fully subscribed, and the subscription price in the directed share issue to the underwriters is the same as the Company's closing share price on First North Finland on 25 May 2020 (EUR 7.95), all the new shares to be issued correspond to approximately 20.6 percent of all the Company's shares after the share issues.

Subscriptions can only be cancelled in certain limited situations.

The subscriptions of the Offer Shares are binding, and they cannot be cancelled, revoked or changed after completing a subscription other than in certain limited situations referred to in Section "*Terms and conditions of the Offering - Supplements to the Prospectus and the right to cancel subscriptions*".

Concentration of share ownership.

The ownership of the Company is concentrated on the date of this Prospectus as well as possibly immediately after the Offering. The largest shareholders of the Company can exercise substantial influence in the Company. On the date of this Prospectus the nine largest shareholders, Finha Capital Oy, Municipality of Reisjärvi, EAKR-Aloitusrahasto Oy, Innovestor Kasvurahasto Ky, Pekka Jalovaara, Irma Halonen, Ahti Paananen, Panvest Oy, Innovestor Growth Fund I Ky, Halonen Jukka and Halonen Veronika own a total of approximately 77 percent of the Company's Shares and voting rights. Assuming that the Offering is subscribed in full and the abovementioned shareholders do not participate in the Offering, after the Offering the total ownership and voting rights in the Company will be about 61 percent. The aforementioned shareholders may exercise significant decision-making power in the Company's Annual General Meetings in the selection of members of the Company's Board of Directors, dividend payment and other matters governed by the General Meeting.

The amount of the dividend paid by BBS is uncertain and it is possible that no dividend will be paid for any accounting period.

BBS' ability to pay a dividend to its shareholders in the future depends on many factors, such as the Company's earnings, financial position and capital needs, as well as provisions in the Finnish Companies Act on the distribution of profits. BBS has not made a profit throughout its history. Turning the Company's business into a profitable one depends on many factors such as obtaining financing and getting sales started (see "*Operating profit, financial position and future prospects – Future prospects*"). One of the conditions for paying a dividend is that the Company must have distributable assets pursuant to the Finnish Companies Act. Additionally, the payment of dividends shall not jeopardise the Company's solvency pursuant to the Finnish Companies Act. One of the responsibilities of the Board of Directors of BBS is to ensure the solvency and liquidity of the Company before deciding on payment of a dividend. The Company's Board of Directors has not defined a dividend payment policy for the Company (see "*Company, shares and share capital – Dividend and dividend payment policy*"). The Company has never paid a dividend. There is no assurance that the Company will be able to pay a dividend for any accounting period. The Company did not have distributable assets on 31 December 2019.

All foreign shareholders may not be able to use their Subscription Rights.

Certain shareholders, who live or have a registered address in certain countries outside Finland and Sweden, may not be able to use their Subscription Rights, because the Shares have not been registered in accordance with the said country's legislation concerning securities or in another equivalent manner, unless the applicable legislation concerning registration and other similar requirements has an applicable exception that applies to the situation. See also Section "*Shareholders' rights*".

Holders of Shares in the Company registered in custodial nominee accounts may not be able to exercise their voting rights.

Beneficial owners of Shares in the Company whose Shares are registered in a custodial nominee account will not be able to exercise their voting right unless their ownership is re-registered in their names with Euroclear Finland prior to the general meeting of shareholders of the Company. The same applies to those shareholders whose Shares are registered with Euroclear Sweden. There can be no assurance that beneficial owners of Shares in the Company will receive the notice for a general meeting of shareholders in time to instruct their nominees to either effect a re-registration of their Shares or otherwise exercise their voting right in the manner desired by such beneficial owners. There can further be no assurance that the nominees in fact do carry out all necessary measures to enable such investors to attend a general meeting of shareholders, even where properly instructed by such investors.

Future issuances of Shares or special rights entitling to Shares or their trades may have a negative effect on the market price of the Shares and dilute the proportional share of ownership.

In the future BBS will likely require additional equity financing by means of new share issues or other equity instruments. The substantial issues or sales of Shares or special rights entitling to Shares in the future or the understanding that such issues or sales could take place in the future, may have an adverse effect on the Shares' market price as well as the Company's ability to acquire equity financing. In addition to this, future rights issues, or directed issues of Shares or special rights entitling to Shares, will dilute the shareholders' relative share ownership and voting power, if the shareholder decides not to subscribe for the Shares or special rights entitling to Shares, or if the shareholder is not entitled to subscribe them.

Currency exchange rate changes can have an adverse effect on investors who have participated in the Offering in Sweden.

BBS' reporting currency is the euro. On the other hand, the shares issued in First North Sweden, including the Offer Shares, are traded and settled in Swedish crowns. Furthermore, the Company's possible dividends will be denominated and paid in euros. However, as regards to Shares held on book-entry accounts in the system of Euroclear Sweden, investors would receive the dividends in Swedish crowns after currency conversion from euro. Consequently, the market price of the Shares and the dividends received in Swedish crowns are affected by the changes in the exchange rate of the Swedish crown and euro. Therefore, as the Swedish crown is not fixed against the euro, any change in the exchange rate between the Swedish crown and euro may affect the shareholder's return on investment in shares in the Company. The value of dividends and other distributions received in Swedish crowns and the value of Shares in the Company quoted on First North Sweden in Swedish crowns could increase or decline as a result. This may have a material adverse effect on the market price of the Company's

shares traded on First North Sweden and the future cash flows from dividends of the investors with Shares registered with Euroclear Sweden.

There is no certainty as to whether all the underwriters and shareholders who have given subscription undertakings fulfil their obligations towards the Company.

The Company has received subscription undertakings from current shareholders and underwriting commitments from external investors for a total value of approximately 5.0 million euros (see the Prospectus section "*Arrangements relating to the Offering - Subscription undertakings* and *Underwriting commitments*"). The parties that have given subscription undertakings and underwriting commitments have thus undertaken to subscribe for approximately 92.3 percent of the Offering. The Company has not received or requested collateral from parties that have committed to subscribe for the Offer Shares in the Offering on the basis of the subscription undertakings and underwriting commitments. Although the Company trusts the parties that have provided the subscription undertakings and underwriting commitments, there is no certainty as to whether all such parties will meet their obligations towards the Company. In case all such parties will not meet their obligations towards the Company, the Company may need to collect its receivables in court which will cause costs to the Company and delay in receiving the payments. In such case the Company may also receive less funds compared to a situation where the parties that have given subscription undertakings and underwriting commitments would have met their obligations in accordance with their contracts.

IMPORTANT INFORMATION REGARDING PROSPECTUS

Forward-looking statements

Certain statements contained in this Prospectus, such as those found within the sections entitled "*Summary*", "*Risk Factors*", "*Business performance, financial situation and future prospects*", are based on the views and understandings of the Company's management, as well as on the Company's management's assumptions that have been made on the basis of the information that it is currently aware of and thus can be forward-looking statements. Such forward-looking statements contain known and unknown risks, uncertainties, as well as other important factors, therefore the Company's profits, activities, achievements, and outcome of its field of operations may notably differ from the profits, activities, achievements, or outcomes of its field of operations that are presented either expressly or indirectly in these kinds of forward-looking statements.

Forward-looking statements do not represent a guarantee of the Company's future operational or financial performance. It is not the Company's intention or obligation to update the forward-looking statements contained in this Prospectus, unless required by legislation that applies to it.

Financial information

The Company prepares its financial statements in accordance with the Finnish Accounting Act (31.12.1997/1336, incl. subsequent amendments), the Finnish Accounting Ordinance (31.12.1997/1337, incl. subsequent amendments), small undertaking regulations included in the Government Decree on the information presented in the financial statements of a small undertaking and micro-undertaking (31.12.2015/1753, incl. subsequent amendments) as well as in accordance with the general guidelines and official opinions of the Accounting Board operating under the auspices of the Ministry of Economic Affairs and Employment ("Finnish Accounting Standards"). BBS' financial statements for the accounting periods that ended on 31 December 2019, 31 December 2018 and 31 December 2017 were audited by auditing firm Ernst & Young Oy, with APA Jari Karppinen as the auditor-in-charge for the accounting period of 2019 and APA Juhani Rönkkö for the accounting periods of 2018 and 2017. The Company's official financial statements as well as its official auditor's reports are in Finnish.

Availability of the Prospectus

No later than by 29 May 2020 the Prospectus will be available on the Company's website (https://www.bbs-artebone.fi/investors/share-issue-2020) and Aalto Capital Partners Oy's website (www.aaltocapital.com), Evli Bank Plc's website (www.evli.com) as well as Hagberg & Aneborn Fondkommission AB's website (http://www.hagberganeborn.se/).

Certain other information

The figures presented in this Prospectus, including financial data, have been rounded. Consequently, the sums of the columns or rows of certain tables do not correspond exactly to the total sum shown for those columns or rows. Additionally, certain percentages presented in this Prospectus represent calculations that are based on unrounded figures, which therefore do not necessarily correspond exactly to the percentages that would have been obtained had the calculations been based on rounded figures.

Unless otherwise indicated in this Prospectus, all references to the terms "€", "EUR" or "euro" refer to the unit of currency that was adopted during the third stage of the European Economic and Monetary Union, which resulted from the Treaty establishing the European Economic Community. All monetary figures mentioned in this Prospectus are in euros, unless otherwise indicated. Unless indicated otherwise in the Prospectus, the Company's share capital, number of shares, and figures pertaining to voting rights have been calculated from the information registered on the date of this Prospectus with the Trade Register, which is maintained by the Finnish Patent and Registration Office.

General data about the market, economy, and field of operation

This Prospectus contains data about the market and field of operation in which BBS is active, the size of the market, as well BBS' possible competitive position. Whenever the data contained in this Prospectus originates from third-party sources, the sources are cited. Information on market growth, market size and BBS' possible

future market position and targeted market position in relation to the competitors listed in this Prospectus relates to BBS' overall assessment based on both internal and external sources. Unless otherwise stated, the information concerning the markets is based on the Company's analysis and internal market information (Marketing studies done in 2013 and 2016 by Paul Watkins and in 2017 by Heikki Laurila, situation analysis by Ilkka Kangasniemi in 2020). The sources, which act as the basis for BBS' assessment include information from medical research publications and market surveys as well as recent news articles. Even though the Company has duly reproduced the data obtained from third-party sources, the Company has not verified the accuracy of this data, market data, or other data on which third parties have based their research. Insofar as the Company is aware of and has been able to verify the data published by such third parties, it has not omitted anything that could make the data it has reproduced imprecise or misleading. Furthermore, market research is often based on data and assumptions that can be imprecise or unsuitable, and the methodology used is inherently future-related and speculative. Forward-looking information is not a guarantee of future results or developments and actual results may differ essentially from forward-looking-information. This Prospectus also contains evaluations concerning the Company's market position, which cannot be gathered from publications by individuals or organisations that conduct market research or from other independent sources. In many cases, the data in question is not publicly available from sources such as trade associations, public authorities, or other organisations or institutions. The Company believes that the internal data contained in this Prospectus regarding market data and data derived from it will help investors get a better picture of the field of operation in which the Company is active, as well as the Company's position within it. Although the Company believes that its internal market estimates are correct, no outside expert has inspected or verified them, and the Company cannot guarantee that an outside expert would arrive at the same results using different methods. Aalto Capital Partners Oy does not accept liability for the accuracy of any such information and prospective investors are advised to use such information with caution.

Information on the website is not part of this Prospectus

The Finnish-language Prospectus will be published on the Company's website at http://www.bbs-artebone.fi/sijoittajille/osakeanti-2020/. Any other information or document on the Company's website or any other website other than this Prospectus, possible supplements to the Prospectus and the material included within it as references are nevertheless not part of this Prospectus, and potential investors should not base their decision to invest in the Offer Shares on such information.

ALTERNATIVE PERFORMANCE MEASURES

BBS presents in this Prospectus certain performance measures of historical financial performance and financial position, which in accordance with the "Alternative Performance Measures" guidance issued by the European Securities and Markets Authority (ESMA) are considered alternative performance measures. BBS presents alternative performance measures as additional information to financial measures presented in the income statement and balance sheet prepared in accordance with the Finnish Accounting Standards. In the Company's view, alternative performance measures provide the management, investors, securities market analysts and other parties with significant additional information related to the Company's results of operations and financial position and are widely used by analysts, investors and other parties. Alternative performance measures should not be viewed in isolation or as a substitute to the financial measures according to the Finnish Accounting Standards. All companies do not calculate alternative performance measures in a uniform way, and therefore the alternative performance measures presented in this Prospectus may not be comparable with similarly named measures presented by other companies. The alternative performance measures presented in this Prospectus are unaudited. BBS believes the following alternative performance measures are helpful in analysing the Company's business:

1) EBITDA
2) EBITDA margin
3) Equity ratio

Earnings Before Interest, Taxes, Depreciation and Amortisation (EBITDA) = Operating profit (loss) + Depreciation and amortisation

EBITDA margin = EBITDA / Net sales.

Equity ratio = Total equity / (Total assets - Advances received).

CERTAIN IMPORTANT DATES RELATED TO THE OFFERING

Finland

Record Date in Euroclear Finland	28 May 2020
Subscription Period commences	2 June 2020
Trading in the Temporary Shares and Subscription Rights commences on First North Finland	2 June 2020
Last day of trading in the Subscription Rights on First North Finland	12 June 2020
Subscription period ends in Finland	18 June 2020
Results of the Offering are announced (estimated)	24 June 2020
Offer Shares registered with the Trade Register (estimated)	29 June 2020
Last day of trading in the Temporary Shares on First North Finland (estimated)	29 June 2020
Offer Shares delivered to the book-entry accounts of subscribers in Euroclear Finland (estimated)	30 June 2020

Sweden

Record Date in Euroclear Sweden	28 May 2020
Subscription Period commences	2 June 2020
Trading in the Temporary Shares and Subscription Rights commences on First North Sweden	2 June 2020
Last day of trading in the Subscription Rights on First North Sweden	12 June 2020
Subscription period ends in Sweden	16 June 2020
Results of the Offering are announced (estimated)	24 June 2020
Offer Shares registered with the Trade Register (estimated)	29 June 2020
Last day of trading in the Temporary Shares on First North Sweden (estimated)	25 June 2020
Offer Shares delivered to the book-entry accounts of subscribers in Euroclear Sweden (estimated)	1 July 2020

RESPONSIBILITY STATEMENT

The Company is responsible for the information presented in this Prospectus. The Company declares that to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

In Oulu, 26 May 2020

BBS-BIOACTIVE BONE SUBSTITUTES OYJ

Board of Directors

REASONS FOR THE OFFERING AND USE OF PROCEEDS

BBS aims to raise approximately 5.5 million euros through the Offering. The costs and fees of the Offering are estimated to be approximately 0.7 million euros and therefore the Company expects to receive approximately 4.8 million euros in net proceeds through the Offering if the Offering is fully subscribed. The Company estimates that it will use the net proceeds from the Offering to provide working capital for the business plan implementation, investments and loan management and repayments, including but not limited to the following items:

1. Successful completion of BBS's bone implant ARTEBONE® Paste's ongoing CE marking application process including the Company's ISO 13485 quality system certification that is part of the CE marking. Continuing product development, developing and maintaining the patent portfolio and the final production validations and the resources needed for the official inspections performed by the Notified Body (BSI-NL). Continuation of the FDA certificate application process and the application process related costs including possible functionality tests. (approximately 30% of the funds raised)

2. The commercialization of ARTEBONE® Paste, sales network building and implementation of the Company's sales strategy to initially target the Nordic countries and selected Central European countries after receiving the CE marking. (approximately 25% of the funds raised)

3. Hiring additional staff for the Company's marketing and sales functions to increase sales, as well as for production and manufacturing functions to increase production potential. (approximately 25% of the funds raised)

4. Updating the existing production line to meet the requirements of commercial production by increasing the automation of mechanical production in order to increase the production capacity as well as the production speed. In addition, the funding will be used for production-related materials and logistic costs. (approximately 10% of the funds raised)

5. For payment of EUR 0.4 million loan repayments and interest that are due within the next 12 months. (approximately 10% of the funds raised)

The above presented estimate on the use of proceeds is based on the assumption that the Offering is fully subscribed. The estimated proportions of the use of proceeds may vary depending on the amount of the capital raised and the business development. If the Offering is not fully subscribed, it may not be possible to implement the planned measures in full and austerity measures must be taken, which can potentially cause a delay in starting production, marketing and sales.

TERMS AND CONDITIONS OF THE OFFERING

Authorisation for the Offering and Board resolution on the Offering

On 5 April 2019, the Annual General Meeting of the Company resolved that the Board of Directors is authorized to decide on share issues. The maximum number of new shares that can be issued on the basis of the authorization is 1,500,000. The authorization is valid until the next Annual General Meeting, however no longer than 30 June 2020. At the time of this Prospectus, there are 1,385,700 shares left from the authorization.

On 26 May 2020, the Company's Board of Directors resolved on issuing the Offer Shares by adopting the terms and conditions of the Offering set out below.

The Offering and subscription right

In accordance with the shareholders' pre-emptive subscription right, the Company is offering up to 1,301,205 new shares in the Company for subscription by the Company's shareholders (the "Offer Shares") (the "Offering").

BBS will give all shareholders registered in BBS's shareholder register maintained by Euroclear Finland Ltd ("Euroclear Finland") or Euroclear Sweden Ltd ("Euroclear Sweden") one (1) book-entry subscription right (the "Subscription Right") per each share held on the Offering record date 28 May 2020 (the "Record Date"). Four (4) Subscription Rights entitles the holder to subscribe for one (1) Offer Share. Fractions of Offer Shares will not be given. The Subscription Rights will be registered in shareholders' book-entry accounts in the book-entry system maintained by Euroclear Finland approximately on 29 May 2020 and in the book-entry system maintained by Euroclear Sweden approximately on 1 June 2020. The Subscription Rights can be freely assigned and they will be traded on First North Finland (trading symbol BONEHU0120, ISIN: FI4000440219) and on First North Sweden (trading symbol BONES TR, ISIN: SE0014428876) between 2 June 2020 and 12 June 2020. If a Company share entitling to a Subscription Right is subject to a pledge or another such restriction, the Subscription Right may not be exercisable without the consent of the pledgee or other rights holder.

The right to subscribe for unsubscribed Offer Shares without Subscription Rights

The Board of Directors of the Company shall resolve on offering any unsubscribed Offer Shares secondarily to shareholders and other investors who have submitted a subscription application concerning the Offer Shares during the Subscription Period without Subscription Rights. See subsequently "*Subscription for Offer Shares without Subscription Rights*" and "*Allocation*".

Subscription Price

Subscription Price of Offer Shares is EUR 4.20 or SEK 44.42 per Offer Share (the "Subscription Price"). The Subscription Price for the Offer Shares will be recorded in the reserve for invested unrestricted equity. The Subscription Price includes a normal pre-emptive subscription right issue discount. The Subscription Price is approximately 47.6 percent lower compared with volume weighted average price of the Company's share on First North Finland between 28 April and 19 May 2020.

Subscription Period

The subscription period for the Offer Shares (the "Subscription Period") will commence on 2 June 2020 at 10.00 Finnish time (9.00 Swedish time), and is expected to end on 18 June 2020 at 17.00 Finnish time (16.00 Swedish time) in Finland and on 16 June 2020 at 17.00 Finnish time (16.00 Swedish time) in Sweden.

The Company may, at its sole discretion, extend the Subscription Period. The Subscription Period may be extended once or several times, however not past 25 June 2020. Any extensions of the Subscription Period will be announced by way of a company release before the end of the Subscription Period.

If the Subscription Period is extended, the allocation date, the payment due dates and the dates of delivery of Offer Shares will be changed accordingly.

Subscription locations, account operators, custodians and nominees may require their customers to submit subscription orders on a certain day prior to the end of trading on the Subscription Rights or before the Subscription Period ends.

Subscription locations

The following function as subscription locations:

a) In Finland, account operators and custodians.

b) In Sweden

Hagberg & Aneborn Fondkommission AB
Valhallavägen 124
SE-114 41 Stockholm
Tel: +46 8 408 933 50
Fax: +46 8 408 933 51
Email: info@hagberganeborn.se

Exercising Subscription Rights

A shareholder may participate in the Offering by subscribing for the Offer Shares through the Subscription Rights in his/her/its book-entry account and by paying the Subscription Price. In order to participate in the Offering, a shareholder shall make a subscription according to the instructions given by his/her/its custodian or account operator.

The holders of purchased Subscription Rights shall submit their subscription order according to the instructions issued by their custodian or account operator.

Such shareholders and other investors participating in the Offering whose Company shares or the Subscription Rights are registered in the name of a nominee shall submit their subscription order according to the instructions given by their nominee.

The subscription orders must be submitted separately for each book-entry account.

Deficient or erroneous subscription orders may be rejected. If the Subscription Price is not paid according to these terms and conditions or the payment is insufficient, the subscription order may be rejected. In such a situation, the Subscription Price paid will be refunded to the subscriber approximately three (3) local banking days from the date when the subscriptions have been accepted. No interest will be paid for such payment.

Any subscriptions made are binding, and they cannot be changed or cancelled except in accordance with the subsequent section "*Supplements to Prospectus and cancellations of subscriptions*".

Unexercised Subscription Rights will expire and have no value when the Subscription Period ends on 18 June 2020 at 17.00 Finnish time (16.00 Swedish time) in Finland and on 16 June 2020 at 17.00 Finnish time (16.00 Swedish time) in Sweden. No separate notification will take place when Subscription Rights are deleted.

Subscription for Offer Shares without Subscription Rights

The subscription of the Offer Shares without the Subscription Rights by a shareholder and/or another investor is performed by submitting a subscription order and by simultaneously paying the Subscription Price in accordance with the instructions provided by the subscriber's account operator, custodian or, in the case of investors entered into the nominee register, the nominee. Only one (1) subscription order without subscription rights can be done. If multiple subscription orders are given, only the last one is taken into account. An incomplete or incorrect subscription order may be ignored. The subscription order is binding.

The custodian, account operator or nominee of the shareholder and/or investor, whose subscribed Offer Shares are delivered through the book-entry system maintained by Euroclear Finland, shall receive the subscription order and the payment no later than on 18 June 2020 or at an earlier time according to the instructions given by the custodian, account operator or nominee.

The custodian, account operator or nominee of the shareholder and/or investor, whose subscribed Offer Shares are delivered through the book-entry system maintained by Euroclear Sweden shall receive the subscription order and the payment no later than on 16 June 2020 or at an earlier time according to the instructions given by the custodian, account operator or nominee.

Specific instructions for Sweden

Directly registered shareholders

Shareholders or representatives of shareholders who, on the record date of 28 May 2020, are registered in the share register maintained by Euroclear Sweden on behalf of the Company will receive a pre-printed issue statement with an attached payment form, a separate application form for subscription with the Subscription Rights, an application form for subscription without the Subscription Rights and a letter to shareholders.

Those parties included in the separate list of pledge holders etc. maintained in connection with the share register will not receive any information but will be informed separately. No securities notification will be issued reporting the registration of the Subscription Rights in the shareholder's securities account.

Subscription with subscription rights

Subscription for the Offer Shares with the Subscription Rights may take place between 2 June 2020 and 16 June 2020 by simultaneously submitting a cash payment for the Offer Shares. Please note that it may take up to three (3) banking days before the payment is received by the destination account. Subscription and payment must take place in accordance with one of the two alternatives set out below.

1. Issue statement – pre-printed payment form from Euroclear Sweden

In cases when all the Subscription Rights are exercised to subscribe for the Offer Shares, the pre-printed payment form from Euroclear Sweden must be used as a basis for an application to subscribe through payment. The special application form should therefore not be used. No additions or amendments may be made in the printed text of the payment form. Applications are binding.

2. Special application form

The special application form is to be used for subscription of Offer Shares in cases when the number of Subscription Rights exercised is different from those stated in the pre-printed payment form from Euroclear Sweden. Applications for subscription through payment are to be made in accordance with the instructions stipulated on the special application form. The pre-printed payment form from Euroclear Sweden should therefore not be used. A special application form can also be ordered from Hagberg & Aneborn Fondkommission AB by telephone or e-mail as specified below.

The special application form shall be submitted to Hagberg & Aneborn Fondkommission AB no later than 16.00 Swedish time on 16 June 2020. Any application forms that are sent by conventional mail should therefore be sent well in advance of the final subscription date. Only one application form per person or legal entity will be considered. If more than one application form is submitted, then only the last form received will be considered. Incomplete or incorrectly completed special application forms may also be disregarded. Applications are binding. The completed special application form should be sent or submitted to:

Hagberg & Aneborn Fondkommission AB
Matter: BBS
Valhallavägen 124
SE-114 41 Stockholm
Tel: +46 8 408 933 50

Fax: +46 8 408 933 51
Email: info@hagberganeborn.se (scanned application forms)

Nominee-registered shareholders

Shareholders whose holdings of shares in BBS are nominee-registered at a bank or other nominee will not receive any issue statement. The application for subscription and payment should be carried out in accordance with the instructions from each nominee.

Approval and payment of subscriptions

The Company's Board of Directors will approve all the subscriptions made on the basis of the Subscription Rights and in accordance with the terms and conditions of this Offering and the applicable laws and regulations approximately on 24 June 2020. In addition, the Company's Board of Directors will approve the subscriptions made without the Subscription Rights and in accordance with the terms and conditions of the Offering applicable laws and regulations pursuant to the allocation principles presented below in the section "*Allocation*". The Board of Directors may, based on its own consideration, resolve to reject a subscription made by an investor in the Offering inter alia,

a) if the Board of Directors considers that the subscription breaches an applicable law or regulation; or

b) there is reason to believe that it would require other measures from the Company than publication of the Prospectus in order for the transfer of the Offer Shares to the investor to be permitted.

The Subscription Price of the Offer Shares subscribed for in the Offering must be paid in full in euro in Finland or Swedish krona in Sweden in connection with the submission of the subscription order according to the instructions given by the subscription location, the custodian or the account operator.

Current shareholder Finha Capital Oy who has granted a loan to the Company may, however, pay their subscription
according to the terms of their subscription undertaking by setting off the subscription price receivable against the
principal amount of the loan granted to the Company and the accrued interest.

A subscription is considered made when the subscription order has arrived at the subscription location, the account operator or custodian in question and the Subscription Price has been paid in full. By subscribing, the subscriber authorises his / her account operator to disclose the necessary personal data, the number of his / her book-entry account and the details of the subscription to the parties involved in the order or the execution of the order to allocate and settle the shares.

Allocation

If all the Offer Shares have not been subscribed on the basis of the Subscription Rights, BBS's Board of Directors will decide on the allocation of the Offer Shares subscribed for without the Subscription Rights as follows:

a) First to those who also have subscribed for the Offer Shares on the basis of the Subscription Rights. If the subscribers in question oversubscribe the Offering, the allocation to such subscribers will be determined in a book-entry account-specific manner in proportion to the number of the Subscription Rights used for the subscription for the Offer Shares and, if this is not possible, by drawing lots; and

b) Secondly to those who have subscribed for the Offer Shares only without the Subscription Rights, and if the subscribers in question oversubscribe the Offering, the allocation to such subscribers will be determined in a book-entry account-specific manner in proportion to the number of the Offer Shares which the subscribers have subscribed for and, if this is not possible, by drawing lots.

BBS will confirm the approval of the subscription of the Offer Shares subscribed for without the Subscription Rights, if approved, for all investors who have submitted a subscription order to subscribe for the Offer Shares

without the Subscription Rights. Investors who subscribe for the Offer Shares without Subscription Rights through their account operators receive information regarding their subscription according to the routines of the account operator.

If the Offer Shares subscribed for without the Subscription Rights are not allocated in the number referred to in the subscription order, the paid Subscription Price corresponding to the Offer Shares not obtained will be refunded to the subscriber approximately on 25 June 2020. Payment will be done to the subscriber's bank account stated on the subscription form. No interest will be paid on such a payment.

Announcement of outcome of the Offering

Provided that no changes are made to the Subscription Period, the Company will announce the outcome of the Offering approximately on 24 June 2020 by way of a company release.

Registration and delivery of the Offer Shares

The Offer Shares subscribed for in the Offering will be issued as book entries in the book-entry system of Euroclear Finland and delivered to the investors through the book-entry systems of Euroclear Finland and Euroclear Sweden.

After the subscription, temporary shares corresponding to the Offer Shares subscribed for based on the Subscription Rights (the "Temporary Shares") will be entered in the subscriber's book-entry account. In Finland, this is estimated to be the next day, in accordance with Euroclear Finland's clearing timetable. In Sweden the Temporary Shares (BTA) are registered with Euroclear Sweden as soon as possible, which is normally a few banking days after payment. Thereafter, the subscriber will receive a securities advice note confirming the booking of BTA on the subscriber's securities account. Trading in the Temporary Shares will commence on First North Finland (trading symbol BONEHN0120, ISIN: FI4000440201) and on First North Sweden (trading symbol BONES BTA, ISIN: SE0014428884) as their own special share class approximately on 2 June 2020. The Temporary Shares will be combined with current shares after the Offer Shares have been registered in the Trade Register. The delivery and combination will take place approximately on 30 June 2020, in the book-entry system maintained by Euroclear Finland, and the Offer Shares will be subject to trading together with the Company's existing shares approximately on 30 June 2020 on First North Finland. The delivery and combination will take place approximately on 1 July 2020, in the book-entry system maintained by Euroclear Sweden, and the Offer Shares will be subject to trading together with the Company's existing shares approximately on 1 July 2020 on First North Sweden.

The Offer Shares subscribed for without the Subscription Rights will be delivered at the same time as the ones that have been subscribed for with the Subscription Rights, and no Temporary Shares will be delivered in respect to these.

Dilution of the shareholding

As a result of the Offering, the number of the Company's shares may rise from 5,204,820 to a maximum of 6,506,025 shares. The Offer Shares correspond to approximately 25.0 percent of all the Company's shares immediately before the Offering and about 20.0 percent of the Company shares after the Offering, assuming that the Offering is fully subscribed.

The underwriters are entitled to use their underwriting fee for setting off the subscription price of the Company's new shares in a directed issue, to be arranged for the underwriters, if necessary, after the Offering. In such case, the underwriting fee is twelve (12) percent of the given underwriting guarantee, meaning a maximum of approximately EUR 0.4 million. Additional information is presented in Prospectus' section "*Arrangements related to the Offering - Directed share issue that is potentially arranged in connection with the Offering*". If the Offering and the directed share issue to the underwriters would be fully subscribed, the subscription price would be the same in the directed issue to be arranged for the underwriters as the Company's closing share price on First North Finland on 25 May 2020 (EUR 7.95), and all the underwriters would use their underwriting fee to set off subscription price of the new shares in the directed issue, the number of the Company's shares may rise with another 52,288 shares. These shares offered in the directed issue to be arranged for the underwriters would

correspond to approximately 1.0 percent of all the Company's shares before the Offering and approximately 0.8 percent of the Company's shares after the Offering and the directed share issue mentioned above, assuming that both share issues are fully subscribed.

If the Offering, and the directed share issue to possibly be arranged in connection with the Offering is arranged and fully subscribed, and the subscription price in the directed share issue to the underwriters is the same as the Company's closing share price on First North Finland on 25 May 2020 (EUR 7.95), all the new shares to be issued correspond to approximately 20.6 percent of all the Company's shares after the share issues.

Of the maximum of 1,385,700 shares that the Board of Directors of the Company has received an authorisation to issue, a maximum of 1,301,205 shares will be issued in the Offering, which means at least 84,495 shares will be left of the authorisation.

Company's net value per share 31 December 2019 was 0.71 euros. The subscription price of Offer Shares is 4.20 euros per Offer Share.

Shareholder rights

The Offer Shares will confer all shareholder rights from their registration with the Trade Register and delivery to the investors. Each Share in the Company confers one vote at the Company's General Meetings.

Supplements to Prospectus and cancellations of subscriptions

Subscriptions placed in the Offering and are binding and irrevocable and may only be cancelled where the Prospectus Regulation provides for a cancellation right.

If the Prospectus is supplemented or corrected in accordance with the Prospectus Regulation due to a significant new fact, material error or material inaccuracy related to the information contained in the Prospectus, which becomes apparent after the Finnish FSA has approved the Prospectus but before trading of the Temporary Shares has started, or in the case for those investors who are not delivered Temporary Shares, the delivery of Offer Shares, the investors who have subscribed for Offer Shares before the supplement or amendment of the Prospectus, have the right, according to the Prospectus Regulation, to cancel their subscription within at least two (2) working days from the publication of the supplement or amendment. If the Prospectus is supplemented, this will be announced by way of company release. The company release will also inform investors of the right to withdraw their subscription in accordance with the Prospectus Regulation.

If an investor wishes to cancel his or her subscription in accordance with the above-mentioned right of withdrawal, the cancellation of the subscription must be done in writing to the place of subscription where the subscription has been made within the time limit set for cancellation. However, subscriptions placed on the website of Hagberg & Aneborn Fondkommission AB cannot be cancelled on the website but should be cancelled by contacting Hagberg & Aneborn Fondkommission AB at info@hagberganeborn.se or by telephone +46 8 408 933 50. Information on cancellation right will also be provided in the Prospectus supplement to be published.

The possible cancellation of a subscription concerns the entire subscription. If an investor has cancelled his or her subscription, the amount paid by the investor for the Offer Shares will be returned to the investor's bank account stated in connection with the subscription. The money is refunded approximately within five (5) banking days of the cancellation. If an investor's bank account is in a different bank than that subscription place, the refund will be paid to a Finnish bank account in accordance with the payment schedule of the financial institutions, approximately no later than two (2) banking days thereafter. No interest will be paid on the refunded amount.

If the shareholder has sold or otherwise reassigned his/her Subscription Rights, the sale or transfer cannot be cancelled.

Governing law

The Offering and the Offer Shares shall be governed by Finnish law. The courts of Finland have exclusive jurisdiction to settle any dispute which may arise out of or in connection with the Offering.

Other matters

The Company's Board of Directors may make decisions on other matters related to the Offering.

INSTRUCTIONS TO INVESTORS

Entry of the Offer Shares in the book-entry system

The Offer Shares will be registered and issued in the book-entry system of Euroclear Finland and delivered to the investors through the book-entry systems of Euroclear Finland and Euroclear Sweden.

Investors, whose Offer Shares are delivered through Euroclear Finland, have to have a book-entry account with a Finnish account operator and investors, whose Offer Shares are delivered through Euroclear Sweden, have to have a book-entry account number with an account operator of the book-entry system of Euroclear Sweden. The book-entry account number should be given to the subscription office when placing the subscription. The account must be in the name of the investor.

Subscriptions by legal entities

A legal entity subscribing for Offer Shares may be requested by the Company or Evli Bank Plc or Hagberg & Aneborn Fondkommission AB, in their sole discretion, to provide evidence on the entity's authorisation to subscribe for Offer Shares on the authorisation of the representative of the entity to represent the entity.

Subscription through an agent

Investors subscribing for Offer Shares may do so through an agent. In such case, the agent shall provide evidence of its authorisation to represent the investor by producing a power of attorney in form and substance satisfactory to the Company and Evli Bank Plc or Hagberg & Aneborn Fondkommission AB.

No fees are charged to investors

No fees are charged by the Company, Evli Bank Plc or Hagberg & Aneborn Fondkommission AB to the investors subscribing for Offer Shares.

However, brokers and other service providers engaged by an investor may charge the investor as agreed between the investor and that service provider.

Taxation

For an explanation of certain matters relating to the taxation of investments in Offer Shares, see "*Tax Considerations*".

ARRANGEMENTS RELATING TO THE OFFERING

Financial advisor

Aalto Capital Partners Oy is acting as BBS' financial advisor for the Offering in accordance with the terms of the concluded agreement. The agreement specifies the services that Aalto Capital Partners Oy will offer in connection with the Offering as well as reviews the rights and obligations of parties. In the agreement concerning financial advice, the Company has agreed to release Aalto Capital Partners Oy from certain obligations and has committed to pay for the expenses resulting from the Offering.

Aalto Capital Partners Oy will receive the fee that has been agreed to in advance for these services and a portion of the fees is tied to the amount of earnings generated by the Offering. It is therefore in Aalto Capital Partners Oy's interests for the Offering to be successful.

Certified advisor

Stockholm Certified Advisers AB shall operate as the Company's certified advisor.

Issuer agents

Evli Bank Plc is acting as the Company's issuer agent in relation to Euroclear Finland and Hagberg & Aneborn Fondkommission AB in relation to Euroclear Sweden.

Market making

On the date of the Prospectus, the Company has not made an agreement regarding market making.

Subscription undertakings

The current shareholders of the Company have provided subscription undertakings, on the basis of which the current shareholders have committed to subscribe for approximately 28.9 percent of the Offer Shares offered in the Offering, i.e. they have committed to participate in the Offering with approximately 1.6 million euros. The Company has received the following subscription undertakings to subscribe for Offer Shares in connection with the Offering:

Shareholder subscribing for Offer Shares	Subscription undertaking (shares)	Subscription undertaking (euros)
Jukka Halonen, Irma Halonen ja Finha Capital Oy (together)	119,047	499,997.40
Jyrki Halonen	59,523	249,996.60
Jarmo Halonen	35,714	149,998.80
EAKR-Aloitusrahasto Oy	28,571	119,998.20
Ahti Paananen	66,969	281,269.80
Panvest Oy	61,035	256,347.00
Tapio Tuominen	4,761	19,996.20
Total	**375,620**	**1,577,604.00**

The subscription undertakings are conditional to the Company's Board of Directors' decision on the Offering made at the latest on 30 June 2020. Further, the subscription undertaking by EAKR-Aloitusrahasto Oy is conditional to that the company's Board of Directors accepts the subscription undertaking in its meeting to be held on 27 May 2020. Finha Capital Oy may pay their subscription by setting off the subscription price receivable against the principal amount of the loan granted to the Company and the accrued interest. The Company has not received or requested collaterals from the parties that have committed to subscribe for the Offer Shares in

the Offering on the basis of subscription undertakings. All the subscription undertakings have been concluded on 20 May 2020.

Underwriting commitments

A consortium of underwriters have committed to subscribe for the Offer Shares on the basis of underwriting commitments after the subscribed Offer Shares in such a way that the underwriting commitments of the underwriters concern approximately 63.4 percent of the Offering after the subscriptions by the providers of subscription undertakings, i.e. they have provided the Offering with an underwriting totalling approximately 3.5 million euros. The Company has received the following underwriting commitments to subscribe for Offer Shares in connection with the Offering:

Underwriter subscribing for Offer Shares	Underwriting commitment (shares)	Underwriting commitment (euros)
Troll Capital Oy	100,000	420,000.00
Loipposet Oy	119,047	499,997.40
Råsunda Förvaltning AB	35,714	149,998.80
Niclas Löwgren	12,000	50,400.00
Fredrik Attefall	23,000	96,600.00
Dividend Sweden AB	57,200	240,240.00
BGL Management AB	5,700	23,940.00
Pronator Invest AB	5,700	23,940.00
Martin Öhrn	11,000	46,200.00
Rikard Aktharzand	34,000	142,800.00
Thomas Gidlund	11,000	46,200.00
Corale AB	5,615	23,583.00
D-Beta One EQ Ltd	1,.477	65,003.40
SC-Sigma Global Partners LP	8,333	34,998.60
Gerhard Dal	114,000	478,800.00
Formue Nord Markedsneutral A/S	164,285	689,997.00
Stockholm Capital Management AB	17,722	74,432.40
Per Vasilis	45,000	189,000.00
Jens Miöen	23.000	96,600.00
Peter Bahrke	17,000	71,400.00
Total	**824,793**	**3,464,130.60**

The underwriting commitments given by Troll Capital Oy and Loipposet Oy can be used if the Offering is not fully subscribed by other subscribers. The allocation between these underwriters is made in proportion to their underwriting commitments given.

The underwriting commitments received from other underwriters are so-called bottom up underwritings. If the Offering is not subscribed to 80 percent by other subscribers than the underwriters (excluding Troll Capital Oy and Loipposet Oy), the Company's Board of Directors has the right, but not the obligation, to allocate an amount of Offer Shares, to the providers of underwriting commitments in accordance with the terms of the underwriting agreements, that is equal to the amount that the total amount of subscriptions of other subscribers than the providers of underwriting commitments has come short from the above mentioned amount, however up to the

maximum amount of the underwriting. The allocation between the underwriters is made in proportion to the underwriting commitments given.

The underwriters are paid a fee which is twelve (12) percent for Troll Capital Oy and Loipposet Oy and for other underwriters ten (10) percent of the amount of the provided underwriting commitment. The payment of fee to the provider of the underwriting commitment is always subject to the fact that the provider of the underwriting commitment subscribes and pays for any number of Offer Shares that have been allocated in the Offering. The underwriters are entitled to use their underwriting fee for setting off the subscription price of the Company's new shares in a directed issue to be arranged for the underwriters, if necessary, after the Offering. In such cases, the underwriting fee is twelve (12) percent of the given underwriting commitment, meaning for all underwriting commitments a maximum underwriting fee of approximately 0.4 million euros. See also the section "*Arrangements related to the Offering – Directed share issue that is potentially arranged in connection with the Offering*" in the Prospectus. Underwriting commitments are conditional to the Company's Board of Directors decision on the Offering at the latest 30 June 2020. All underwriting commitments have been signed on 20 May 2020.

Directed share issue that is potentially arranged in connection with the Offering

The providers of the underwriting commitment are entitled to use their underwriting fee to subscribe for new shares in a directed issue, which can be arranged to the providers of underwriting commitments after the Offering. See also the section "*Arrangements related to the Offering – Underwriting commitments*" in the Prospectus. In this case, the underwriting fee is twelve (12) percent of the amount of the underwriting commitment, meaning a maximum of approximately EUR 0.4 million. The subscription price in the directed issue is defined as the volume weighted average price on First North Finland during the Subscription Period.

The Company has chosen to ensure that at least EUR 5.0 million is raised before the reduction of the estimated expenses of the Offering, totaling approximately EUR 0.7 million, by obtaining subscription undertakings and underwriting commitments. A condition for obtaining underwriting commitments was that the providers of underwriting commitments are entitled to receive an underwriting fee as shares in the Company. The Company's Board of Directors considers this to constitute weighty financial grounds according to 9:4 § of the Finnish Companies Act to arrange a directed issue to the providers of underwriting commitments. The Board of Directors shall decide on a possible directed issue approximately on 24 June 2020, while resolving on approval of the subscriptions received in the Offering.

CAPITAL STRUCTURE AND INDEBTEDNESS

BBS' capital structure and indebtedness on 31 March 2020 are presented in the following table. The Company has prepared consolidated financial statements. The table should be read together with the Prospectus' section "*Selected Financial Information*" and the Company's financial statements that have been incorporated by reference to the Prospectus. Figures are prepared for this Prospectus and are not audited. Loans are interest bearing unless stated otherwise.

Capital structure **EUR 1,000**	**31 March 2020** **Unaudited**
Short-term interest bearing loans	
Guaranteed loans	307
Secured loans	
Not guaranteed/secured	200
Short-term total	**507**
Long-term interest bearing loans	
Guaranteed loans	5,836
Secured loans	
Not guaranteed/secured	176
Long-term total	**6,012**
Short-term and long-term total	**6,519**
Equity	
Share capital	80
Share premium	1,395
Invested non-restricted equity fund	11,638
Retained earnings	-10,034
Profit (loss) for the financial year	-304
Total equity	**2,775**

Net indebtedness **EUR 1,000**	**31 March 2020** **Unaudited**
A) Cash	395
B) Other liquid assets	
C) Marketable securities	
D) Liquidity A+B+C	**395**
E) Short-term receivables	
F) Short-term receivables from credit institutions	
G) Part of long-term loans considered short-term	307
H) Other short-term financial liabilities	200
I) Short-term financial liabilities F+G+H	**507**
J) Short-term net deb I-E-D	**112**
K) Long-term loans from credit institutions	6,012
L) Bonds and notes	
M) Other long-term loans	
N) Long-term financial liabilities K+L+M	**6,012**

O) Net indebtedness J+N	**6,124**

The Company has no bank loans. BBS' R&D is funded through shareholders' equity investments, low interest rate R&D loans, subordinated R&D capital loans and grants. The R&D loans' interest rate is defined as the base interest rate minus 3%, however the minimum interest rate is set at 1%. Subordinated R&D capital loans' interest rate is defined as the base interest rate minus 1%, however the minimum interest rate is set at 3%. The accrued unpaid interest from subordinated capital loans totals at 81 thousand euros. The repayment of the subordinated capital loans is due to begin 20 October 2009, however the Company has no distributable funds. Capital loans are described in detail within the Prospectus' section "*Capital loans*".

The Company's loan from Finnvera Oyj totaled at 277,690 euros (31 December 2019) and the loan's interest rate is EB6 + 3.76%. The Company's subsidiary Bio Bones Oy has 641,668 euros in loans at an interest rate of EB6 + 3.68%. After the accounting period of 2019, the Company has raised a 200,000 euro short-term loan, which has an annual interest rate of 6%.

MATURITY OF LOANS (EUR 1,000)	**31 March 2020**
Maturity within 1 year	507
Maturity within 1-5 years	3,017
Maturity after 5 years	2,995
Total	**6,519**

Loans of the Company's subsidiary Bio Bones Oy

The Company's subsidiary Bio Bones Oy has 642 thousand euros in loans (31 December 2019). Bio Bones' loans have an interest rate of EB6 + 2.9% and real estate mortgages of EUR 500 thousand have been pledged as a collateral for the loan.

Off-balance-sheet liabilities

LIABILITIES (EUR 1,000)	**31 March 2020**
Collateral on own commitments	0
Business mortgages	300
Other collaterals, subsidiary	0
Leasing and other rental liabilities	26
Short term unsecured loan (drawn on 28 March 2020)	200
Subsidiary Bio Bones Oy's real estate mortgage	500
Capital loan's unpaid interests	81
TOTAL	**1,107**

Working capital statement

BBS estimates that on the date of this Prospectus its current working capital is insufficient to satisfy the Company's needs for the next 12 months. The reason for this have been the expenses estimated to incur from the Company's operations as well as the loans with a maturity date within the next 12 months. Based on the estimate on the Company's operating costs and repayment schedule of its loans, the Company believes that 1.9 million euros will be sufficient to cover the working capital deficit for at least 12 months following the date of this Prospectus. Company's existing working capital is estimated to be sufficient until 25 June 2020.

The Company is executing the Offering inter alia for the purposes of ensuring sufficient working capital. The Company estimates that, if the Offering is executed as planned and the net proceeds are at least 1.9 million euros, the proceeds together with Company's cash and bank receivables ensures the Company's sufficient working capital for its current financing needs and cover the 2.0 million euro working capital needs for the at least 12 month following the date of this Prospectus.

If the net proceeds from the Offering is lower than 1.9 million euros, the Company may need additional funding in the next 12 months, which the Company plans to procure at sufficient amount utilizing the means of debt or equity financing. If additional financing is not obtained, the Company can face payment difficulties.

DIVIDENDS AND DIVIDEND POLICY

The Company's Board of Directors has not defined a dividend policy for the Company. The Company's possible future dividend payments are dependent on the Company's future developments and the Company's future financial position. The Company has never paid dividends.

Provided that the dividend is paid, all the Company's Shares are entitled to the same dividend per share. The Offer Shares will possess the same rights as the other shares of the Company and are entitled to the possible future dividends, if the Company pays dividends, after the Offer Shares are registered with the Trade Register and entered into the Company's register of shareholders.

The Company did not have distributable assets on 31 December 2019.

MARKET OVERVIEW

Introduction

BBS-Bioactive Bone Substitutes Oyj (BBS) is a biotechnology company positioned within the orthopaedics market and segmented in the orthobiologic products.

Orthopaedics addresses the treatment of musculoskeletal disorders, injuries and diseases such as arthritis, osteoporosis, fractures, back pain, scoliosis and soft tissue disorders. Especially bone defects and disturbances in bone union and healing due to different reasons, such as various injuries or illnesses, are common bone problems in orthopaedics. These problems can occur with for example trauma and prosthesis surgery and bone disease. Orthopaedic diseases are the second largest cause of disability and they have the fourth biggest impact on public health worldwide[1]. Certain bone healing problems and defects will require either bone transplantation (autografting, allografting) or bone substitutes implant and as a result, bone tissue is the second most transplanted type of tissue in the world[2].

BBS' core competence is in development and manufacturing of easy and ready-to-use osteopromotive orthobiologic bone substitute implants. The bone graft substitutes are intended to be used instead of own-bone- and bank-bone grafts for the treatment of various forms of injuries and diseases that affect bone tissue. Orthobiologics are biological materials used to improve the healing of bones, injured muscles, tendons and joint and etc. ligaments. Orthobiologic products support tissue healing by harnessing regenerative potential in cellular scale and accelerating healing by adapting biology or biochemistry to replace musculoskeletal tissues. Orthobiologics have application across joint reconstruction, trauma, soft tissue and spine surgery.

Different bone grafting methods

Autograft and Allograft

Traditionally bone transplants come from patient's own bone usually harvested from iliac crest (autograft), commercially available bone products from donors (allograft) or from bone banks which store bone taken during bone surgeries (allograft). Historically autograft has been the criterion standard. The use of previously mentioned substitutes is restricted by the limited availability of autologous bone, bank bone and allograft products. In addition to the limitations in availability, the need for multiple surgical operations increases the risk of infections and transmission of diseases and at the same time additional operations needed to harvest the bone grafts increase the total cost of the procedures. Due to the aforementioned reasons, the demand of alternatives and replacements of autologous bone grafts is increasing and, as a result, the use of bone graft substitutes has increased steadily in recent years. In addition, the new generation of orthopaedic surgeons is moving to the use of substitutes, due to the advantages of the shorter operation times, the avoidance of the increased risk of morbidity and complications inflicted upon the patient and the avoidance of additional surgical operations required in traditional bone graft solutions is significant not only for the well-being of the patient but also for the society.

Bone graft substitutes

The increasing demand for biocompatible bone grafts substitutes has raised the interest and efforts of companies to develop comprehensive orthobiologic platforms. Biocompatible bone graft substitutes do not face rejection reaction from the host; hence, their development has been the recent main trend in the market[3].

The main available alternatives for autografts and allografts are synthetic mineral-based bone substitutes and Demineralised Bone Matrix (DBM) products, both of which are moderately priced. However, they are not always effective enough for sufficient bone healing. The products leading the market have been based on technology of producing recombinant bone morphogenetic proteins (rhBMP) which are quite expensive compared to those

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[1] SS. Lim, et al. A comparative risk assessment of burden of disease and injury attributable to 67 risk factors and risk factor clusters in 21 regions, 1990-2010: a systematic analysis for the Global Burden of Disease Study 2010. Lancet. 2012

[2] H. Shergafi, et al. Bone transplantation and immune response. Journal of Orthopaedic Surgery. 2009.

[3] Allied Market Research Report: Bone Grafts and Substitutes Market by Product (Allografts, Bone Grafts Substitutes, and Cell-based Matrices), by Application (Spinal Fusion, Long Bone, Foot & Ankle, Craniomaxillofacial, Joint Reconstruction, and Dental Bone Grafting) - Global Opportunity Analysis and Industry Forecast, 2014 - 2022

previously mentioned. In addition, they also have possible side effects and such as overgrowth and malign degeneration[4].

Market lacks a bone void filler that outperforms the synthetic materials and DBMs but would still be substantially more cost effective than synthetic growth factor BMP products. In addition to higher prices, the growth factor BMP products, which have been market leaders, have sustained serious adverse effect problems and their sales have decreased significantly. This creates more space in the market for BBS' product ARTEBONE®, a bone graft substitute which is especially used by the new orthopedic generation and intended for bone defects and healing problems.

Markets

Total market size

The worldwide orthopaedic market's total sales according to Orthoworlds (The Orthopaedic Industry Annual Report 2019) was 51 billion USD in year 2018 of which the worldwide orthobiologic product sales was 5.09 billion USD, and with an estimated annual growth rate at approximately 3.5 - 3.7 percent[5]. The bone substitutes market (allograft and synthetic products) was valued at approximately 2.3 – 2.7 billion USD in year 2015[6] and this represents the current serviceable market for BBS. In addition to the existing bone substitutes market, a latent market also exists for bone graft substitutes, as approximately 2/3 of all relevant operations are made with autograft. Therefore, the potential bone graft substitute market, estimated by BBS, the current market could triple up to 7.5 billion USD. Young generation orthopaedic surgeons are gladly and readily moving from autografts to the use of bone graft substitutes, which is one of the main force driving the market.

Competition landscape within the market

The orthopaedic market is especially concentrated. Larger players generate significant gross margins (typically over 80%) through their control of the clinician interface. Smaller companies tend to be the locations of significant product research and development and larger players often buy these companies to strengthen their offerings[7].

Companies' market shares in orthobiologics in 2018 are shown in the following graph[5].

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[4] Tannoury CA et al. Complications with the use of bone morphogenetic protein 2 (BMP-2) in spine surgery. The Spine Journal 14(3). 2013.

[5] The Orthopaedic Industry Annual Report, Orthoworld May 2019

[6] Transparency Market Research Bone Grafts and Substitutes Market - Global Industry Analysis, Size, Share, Growth, Trends and Forecast, 2015 – 2023, Global Industry Analysts – Bone Graft Substitutes – A Global Strategic Business Report, Allied Market Research - Bone Grafts and Substitutes Market by Product (Allografts, Bone Grafts Substitutes, and Cell-based Matrices), by Application (Spinal Fusion, Long Bone, Foot & Ankle, Craniomaxillofacial, Joint Reconstruction, and Dental Bone Grafting) - Global Opportunity Analysis and Industry Forecast, 2014 – 2022, Grand View Research - Bone Grafts And Substitutes Market Analysis By Material (Natural - Autografts, Allografts; Synthetic - Ceramic, Composite, Polymer, Bone Morphogenetic Proteins (BMP)), By Application (Craniomaxillofacial, Dental, Foot & Ankle, Joint Reconstruction, Long Bone, Spinal Fusion) Forecasts To 2024

[7] The Orthopaedic Industry Annual Report, Orthoworld March 2015

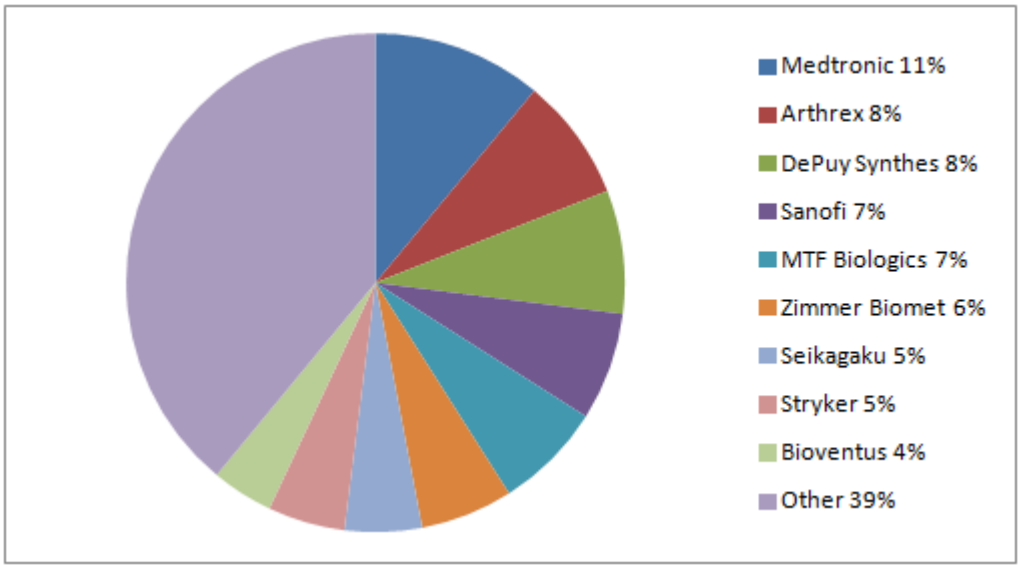

Figure: Companies' market shares in orthobiologics in 2018 (The Orthopaedic Industry Annual Report, Orthoworld, May 2019)

In addition, a handful of companies, including LifeNet Health, Heraeus, AlloSource, RTI Surgical, NuVasive and Wright Medical, control a substantial market share of the remaining 39% of the orthobiologics market.[5] As smaller companies develop and prove the efficacy of the novel orthobiologics, it's expected that the industry's top companies will invest in acquisitions or collaborations. Mergers and acquisitions do happen within the market such as when Zimmer announced it would buy Biomet in 2014. The merger took place in 2015[8].

All larger players within the market tend to specialise in a particular market segment, even if they have a large offering portfolio which covers a wide range of market areas. No single market player has achieved a leading position in more than one market segment[5].

In Company's opinion, the key factors which enable the underlying market's biggest players' market dominance are:

- Well established and stable sales and distribution channels/sales forces.
- Long term relationships with surgeons and healthcare professionals.
- Clinical results
- Competitive pricing
- Quantity and other discount models

Market disruption caused by the coronavirus situation

On the basis of information from the Company's partner contact, and on the basis of Finnish news and foreign publications[9], it is apparent that the turnover of orthopaedic companies has decreased significantly during Q2 and somewhat during Q1 too. This is mainly due to the deferrals of non-urgent medical procedures due to the preparatory actions of healthcare services which have been caused by the virus. For this reason, the turnover of orthopaedic companies is expected to decrease in 2020 by 10-18%. On the other hand, it is likely that the deferrals of non-urgent procedures will cause high patient numbers at the end of the year and will thus, quickly return the companies' turnovers to a pre-virus level. The long-term negative effects include the temporarily reduced ability of poorly performing companies to invest in new innovations. This may have a slowing effect on BBS' partner negotiations. On the other hand, it is increasingly more important for companies to obtain new competitive operators for themselves in the challenging competition situation.

Due to losses suffered by states, health care systems will be subject to even greater savings targets. For this reason, products and services that create savings without a decrease in the level of care are now in a much better competition situation. ARTEBONE® has precisely these product characteristics.

[8] The Orthopaedic Industry Annual Report, Orthoworld March 2016

[9] xCOVID-19: Orthopedic Procedure Deferrals Will Lead to Revenue Declines, Business Critical | March 22, 2020

Global Bone Grafts and Substitutes market

The global Bone Substitutes market was valued at 2.3 – 2.7 billion USD in year 2015. According to a study by GlobalData, the market was expected to reach over 3.2 billion USD by the year 2028 with an annual growth of 4.2%.[14] This year, this anticipated value is anticipated to undergo a significant drop.

The adaptation of new operation techniques and the demand of minimally invasive surgery coupled with the rising number of orthopaedic surgeries caused by the ageing population are the main factors driving the growth of global bone substitutes market[10]. Moreover, the availability of advanced products in varied shapes and sizes providing high osteoconductive and osteoinductive properties are factors that drive the bone substitutes demand and usage globally[16].

Bone graft substitutes are used in orthopaedic surgeries for various applications. The increasing geriatric population contributes to occurrence of orthopaedic problems, which are for example connected with osteoporosis and the weakening of bones related with osteoporosis. According to the United Nations, Department of Economic and Social Affairs, Population Division, in year 2013 the number of people above age 60 reached 841 million and the number is expected to reach 2 billion by the year 2050. With the rise in the elderly population, the number of orthopaedic surgeries is expected to grow considerably in the near future. The aging population and the growing amount of orthopaedic surgeries and operations, therefore, are expected to have a positive effect on the overall bone graft market and the market's growth[17]. However, of the limiting factors for the growth of the bone graft market is the risk of disease transmission. In addition to the risk of disease transmission, the high cost of some of the products and the stringent official regulation are also limiting the market growth[11].

Bone graft segment is predicted to grow considerably in the near future[15]. Allografts (bone banks etc.) are commonly used biomaterials worldwide[12]. Allografts are acquired from hospitals' bone banks, but also as commercial products based on donations by will. Products based on demineralised bone are a type of allografts, which have a somewhat better osteoinductive potential than other allografts. Recombinant BMP products was the market leader within the market, however due to possible severe side effects related to products, the sales of BMP-products have declined in the last few years[14]. Synthetic bone graft substitutes such as ceramic combination products and polymers, are more cost efficient and due to their cost efficiency challenge the market position of allografts. Furthermore, the lack of microbe contamination risk is another advantage of synthetic bone grafts.

Market trends within the bone graft market

The sales of the bone graft substitutes are showing steady annual growth and one of the possible reasons are the young generation of orthopaedic surgeons' preference towards the usage of substitutes, which shortens the operation theatre time and lowers the number of complications. One of the market's growth areas include the early intervention products, especially in major joints such as the human knee and products that are less complex and expensive. These products are expected to have a positive effect on the increase of sales[13]. The recent overall market growth, however, have been negatively affected by the severe side effects emerged in the market leading products BMP-2 and BMP-7, which has resulted in the decrease in sales. However, despite of the recent decrease in the sales of synthetic growth factor products[17] and the resulting slowing of overall market growth, the steady growth of the bone graft market is expected to continue due to several factors, including:

- The rapid increase of the population over 45 years old[11]
- People are more active and have longer life expectancies[11]
- Wider access to information, particularly through online sources (Company's opinion)
- Newer generations of orthopaedic surgeons are more prone and acceptable in the usage of orthobiologics[11]
- The increased demand for cost/benefit-ratio of health care costs[13]
- The increase in standard of life and improvements in health care infrastructure in developing countries, such as in: Brazil, Russia, India, China, South Africa, Mexico, Indonesia, Nigeria and Turkey[13]

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[10] Tannoury CA et al. Complications with the use of bone morphogenetic protein 2 (BMP-2) in spine surgery. The Spine Journal 14(3). 2013.

[11] Allied Market Research Report: Bone Grafts And Substitutes Market Size, Share & Trends Analysis Report By Material Type (Allograft, Synthetic), By Application Type (Spinal Fusion, Craniomaxillofacial, Long Bone), By Region, And Segment Forecasts, 2019 - 2026

[12] MedMarket Diligence report, 2009

[13] The orthopaedic industry annual report 2019

- New technologies and procedures that expand and/or create new market opportunities and niches[13]

In addition to the presented growth drivers, the players within the market and the overall market environment is affected by factors such as:

- Companies with orthobiologic products are challenged by the US regulatory environment, which requests for broader clinical and economic data.[13]
- The responsibility of the development of novel technologies and possible risks related to the development are expected be transferred to the smaller market participants.[13]

The geographical segmentation of the bone graft market

In year 2018, the USA, Europe and Japan accounted for approximately 86% of the global orthopaedic market. 62% of all sales occurred in the US, approximately 24% in Europe and approximately 9% in Asia-Pacific region[5]. According to a study by GlobalData, the global market of bone grafts and substitutes was expected to reach over 3.2 billion USD by the year 2028. According to a study by GlobalData, the use of bone grafts increases fastest in Asia being 5.4% from 2018 to 2028 whereas in North America and Europe the growth rate is more steady being 2.7-2.9%.[14]

From the presented geographical market areas, the United States represent the largest market, which is due to the increase in number of elderly people, the increase in bone disorders among the elderly and the favourable reimbursement policies for orthopaedic procedures. Figure below presents the main geographical market areas for orthopedic in year 2018.[5]

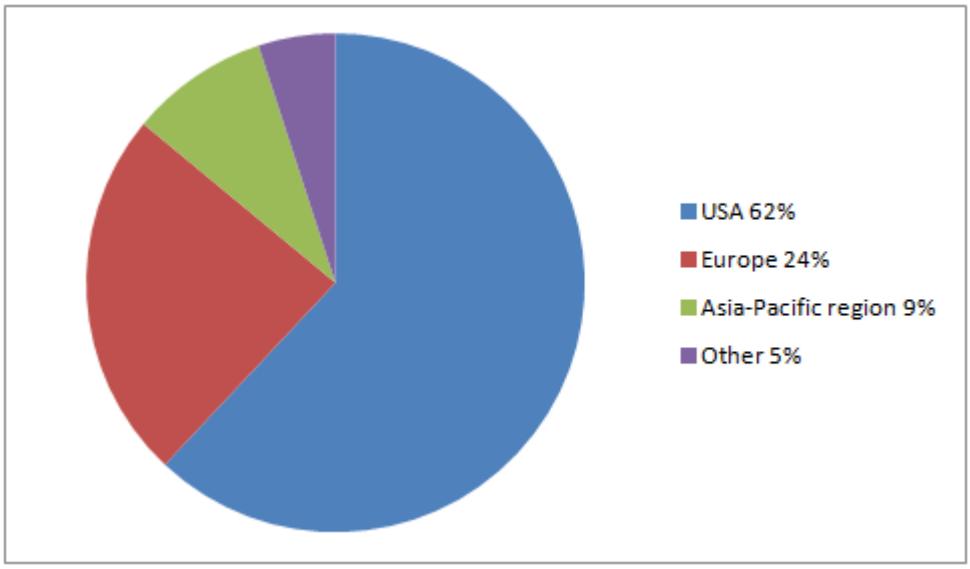


Figure: The main geographical market areas for orthopedic in year 2018 (The Orthopaedic Industry Annual Report, Orthoworld, May 2019)

[14] Bone Grafts and Substitutes, Global Outlook, 2015-2028

BUSINESS DESCRIPTION

Overview

BBS-Bioactive Bone Substitutes Oyj (BBS) is a biomedical technology company, which develops bioactive medical devices and implants to be used in orthopaedic surgery.

BBS was established in 2003 as a spinoff of a research project at University of Oulu, Finland. The goal for the Company was to develop and commercialise a bone implant product promoting bone healing. The implant is based on reindeer bone proteins, which contains effective bone growth factors for the bone graft markets.. The product aims to fill the market gap between bone graft substitutes, such as demineralised human bone matrix (DBM) and synthetic bone substitute products (TCP, hydroxyapatite), and synthetic protein products.

Vision

The vision of BBS is to become one of the leading international enterprises in the field of bioactive bone implants.

Mission

BBS aims to become one of the leading players in the field of bioactive implants. The Company is committed to deliver shareholder value from the early development and commercialisation of unique products within the rapidly expanding global bone substitute market.

Our aim is to offer medical products for the new generation of orthopedics for the treatment of bone damage in orthopaedic surgeries; in a sector, where R&D work requires perseverance and courage to be innovative. The Company's workers are top experts, and they are innovative and committed to their work.

Core competence, strategy, business model and Company's planned market positioning

So far, the core competence of BBS has been in R&D and manufacturing of bone graft substitute implants based on reindeer bone protein extract. BBS has developed a bone implant, which can be used in bone healing and in bone defect treatment. All main product development stages of the first product, ARTEBONE® Paste, including clinical trials, have been completed. The application of the CE marking for this product is in process. The CE marking enables the sales in the European market. In addition, the sales permit for the product in the USA will be applied. BBS' manufacturing line was audited by FIMEA and the authorisation for the commercial production of BBS' reindeer bone protein extract was issued in September 2015. FIMEA inspects the production every other year. As part of CE-marking, Company's quality management system requires ISO 13485 certification. The funding of this is one purpose of this Offering. The manufacturing facility is completely owned by BBS and is located in Reisjärvi, Finland. The Company has with respect to its manufacturing facility the capacity to increase its production to hundreds of thousands of implants, which corresponds well to the market demand.

BBS will initially focus on indication areas in extremities, scapula and pelvis area, which shall be later extended to cover other indications such as the spine. After the successful business achieved through BBS' own implant, the Company may also license and sell bone extract as a raw material.

Strategy

The Company's strategy is to commercialise the protein extract drug by using it to develop its own bone substitute products, market them to local markets, and to other markets via their distributors and partners. The second strategic foundation is to offer the protein extract to the Company's partners as raw material for their own products and support partners in their product development work and marketing.

The short-term strategy (2 years) is to successfully obtain CE and FDA certifications, begin building the market and launch the product in the local markets and elsewhere in the EU.

The CE marking application process has been initiated and the objective is to complete it in early 2021. After the successful CE certification, BBS will be able to implement its sales strategy. The Nordic market and the chosen European markets will serve as the initial geographical market area for BBS, which is then, according to BBS' business plans, followed by the US (successful FDA approval is the prerequisite for entering the US market) and finally global key markets.

The long-term strategy (5 years) is to strongly focus on the development and marketing of its own, and its partners, new product concepts, which aim to maximise the coverage of the protein extract's overall market area. At the same time, the Company shall develop strategic partnerships with other operators in the field.

Market strategy

BBS' marketing strategy is based on the Key Opinion Leader (KOL) operating model, which refers to the generation of demand through the influence of opinions that takes place through top experts. The main target group for influence and also marketing includes trauma surgeons and orthopaedic surgeons. The key factors of the operating model are clinical product testing, scientific publications, lectures, digital easy-access information and doctor-to-doctor communications. Assessments that take place at hospitals and in health care are essential in marketing.

Above all, the marketing of the ARTEBONE® product involves the distribution of information. Purchase decisions can only be established through good treatment responses and the approval of the new product concept.

The Company also places significant effort on the motivation of its distribution chain's sales personnel. Without activated sales personnel, the product will easily slip among the numerous products in the distribution chain.

The sales strategy in the Nordic countries and Baltic area is based on direct sales to hospitals via its own sales organisation. Elsewhere in Europe, the strategy is based on sales to key hospitals via distributors. Elsewhere in the world, BBS aims to operate as a partner for other manufacturer's operating in the field. The efficient and impressive distribution of information is essential everywhere.

BBS aims to initially enter the market with the ARTEBONE® Paste implant. Another foundation for sales is aimed to be achieved through the development of partners' own products. The protein extract can be combined with various implants in which the bone growth wants to be accelerated. In this case, BBS operates as the contractual manufacture of the protein extract and as marketing support for its partners. This could bring added value to implant manufacturers' products by increasing the bioactivity in their implant, which improves the performance of partners' own products. The Company is undergoing evaluation processes with its partner candidates. These processes could lead to marketing agreements for the sales of the company's own products as well as development and marketing agreements for partners' products.

- On the date of the Prospectus, the Company doesn't have any salespeople, but it will recruit salespeople according to the commercialisation plan, based on BBS' management's assessments. In this way, the Company receives direct feedback from the customers. During successful market entry, BBS aims to expand to the other markets and indication areas through planned product modifications.
- The FDA 510(k) approval process is continued slightly behind the CE marking process. The aim is to gain FDA approval approx. a year after the CE marking. The sales of ARTEBONE® within the US market begins through selected partners once the marketing authorisation has been gained from the FDA. Such partners are the existing operators within the market which already have established existing distribution channels. BBS' own sales network is not perceived to be a realistic option at this stage within the US market.

Pricing Strategy

Product 1 ARTEBONE® Paste: According to the market surveys conducted by BBS, competing products and treatments are sold in the EU for a price range varying between 500 – 5,000 euros. ARTEBONE®'s end user pricing is set between the range of 1,300 – 2,500 euros per implant, whereas one implant is for one implant procedure.

Based on the Company's own surveys, despite of ARTEBONE® Paste's significant advantages over existing DBM products, ARTEBONE® will be priced very competitively. In addition to competitive pricing, the price variations of ARTEBONE will remain low varying slightly country by country depending on differences in national reimbursement policies.

Product 2 Extract as a raw material: Extract raw material can be offered to the selected partners as a component for their products. The buyer is responsible for the required regulatory approvals. As an example of a co-operation agreement is the deal between Wyeth and Medtronic where Wyeth manufactures and sells their rhMBP-2 to Medtronic at 50% of Medtronic's end user value. In cases where protein extract is sold as a raw material, turnover would only be formed from the sales of the extract, in which case the marketing cost is mostly eliminated from the cost structure.

Distribution strategy

Geographically speaking, the Company's first target market will be Nordic and Central European countries. BBS will use a distribution strategy, where the Company's own product specialists will contact and visit the key customers and influencers, and train the customers to use ARTEBONE® technology, whilst other markets will be served by well know bone graft specialized distributors. This method allows BBS to avoid the high sales investments typically associated with the implant business.

The first countries to be targeted are Nordic countries, Italy (and Slovenia), Germany, Austria, Switzerland, France (and Belgium), the Netherlands and the UK. After reaching success in these aforementioned countries, new additional geographical areas will be added continuously.

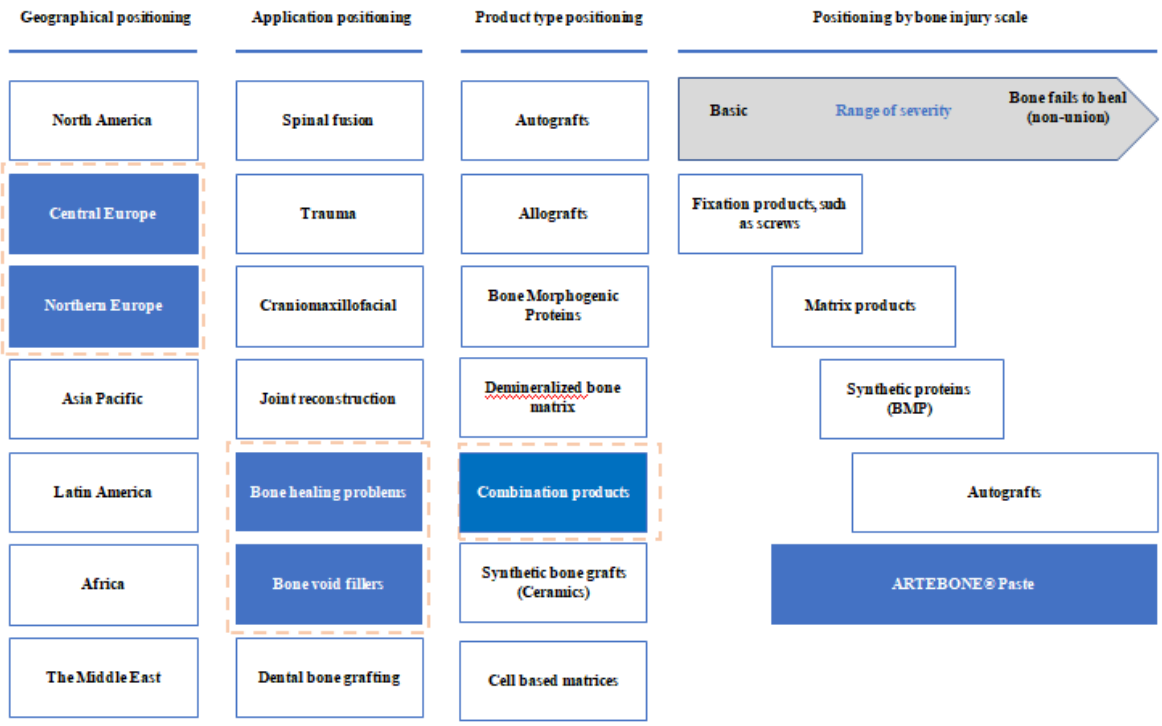
Business model and earning logic

The Company's model is to develop, manufacture, market and sell its own products as well as develop products with its partners, to whom the Company will supply protein extract. The Company's turnover is generated by direct sales to local market hospitals, sales made via distributor chains, licensing fees and royalties as well as payments for product development services.

Bone graft market's market segmentation and the Company's possible positioning within the market

The bone graft market is segmented as described in the picture below. The areas within the graph, which are coloured in blue describe BBS' chosen target markets for next two to three years from the date of this Prospectus.

Segmentation in the bone graft market and BBS' planned positioning within for next 2-3 years



Geographical positioning: The selection process of the target market region in Nordic countries and Central Europe is influenced by factors such as GDP, health care spending per capita and present market size. In general, high levels of health care spending makes the market more favourable for the bone graft product.

Application positioning: The clinical investigation has been performed in ankle and subtalar fusions. However, ARTEBONE® can be applied to the indication areas for bone voids and healing problems occurring in extremities, scapula and pelvis.

Product type positioning: ARTEBONE® Paste is a product which consists of reindeer bone protein extract classified as medical substance and synthetic ceramic. Therefore, it is a so-called borderline product or combination product.

Positioning by the scale of bone injuries: ARTEBONE® Paste is suitable for applications for minor and moderate size bone defects and all kinds of bone healing problems. ARTEBONE® can be applied in basic procedures as well as in severe problems such as incurable cases (non-unions).

Company's history

The history of BBS reaches back to 30 years, when research on bone grafting and bone substitutes started in the Universities of Oulu and Tampere. The Company's product development started as a university project in Oulu in 1990s. It noted that protein fraction extracted from bovine bones was able to induce bone formation in animal tests.

Since 1997 professor Pekka Jalovaara has overseen the project and in year 2003, BBS-Bioactive Bone Substitutes was established by Pekka Jalovaara and Tuomo Halonen, the founder of the Company Elecster. Jalovaara has been the CEO of BBS since the Company's founding and have been responsible for research as well as the funding. Currently, Jalovaara operates as the Company's advisor. The objective of the established Company was to develop and commercialise a bone substitute product.

One of BBS' bone graft substitutes' main components is the bone protein extract manufactured from reindeer bones. As a raw material, reindeer is ideal since reindeer shed and grow antlers at a pace that corresponds to up to 30% of their body weight, and this excellent bone-growing ability is also reflected in the entire reindeer skeleton. During BBS' early, ground-breaking scientific research, the reindeer bone protein extract manufactured by the Company was compared to many similar extracts from other animal species (e.g. sheep, bovine and pig) The scientific studies carried out by BBS indicate that the bioactivity of the manufactured reindeer bone protein extract was greater than in the extracts of other animals.

It was evident that the reindeer protein extract's high bioactivity could be utilised in bone healing. A product development project was initiated by the Company in order to utilise the potential observed in scientific studies of the reindeer bone protein extract. The Company's product development project aimed for the development of bone substitute implant based on bone extract from reindeer bones with similar properties as in demineralised bone matrix (DBM) products.

The following table shows the most important historical steps of R&D and production.

Marketing and launching of product	*2015 –*	• *CE marking application is aimed to be submitted in the end of May 2020* • *The results of animal study supporting the application are expected in the end of June 2020* • *FDA 510(k) pre-submission package preparation* • *Building of direct sales channel in Europe* • *Product launch*
Production and manufacturing approval	*2015-2019*	• *Production line for reindeer bone protein extract established* • *License for manufacturing obtained from FIMEA (reinspection at regular intervals every other year)* • *Production line for ARTEBONE® Paste developed and tested* • *ISO 13485 quality system updated, pending certification.*
Clinical trial	*2013 – 2020*	• *34 patients who underwent an ankle fusion procedures due to posttraumatic osteoarthritis* • *ARTEBONE® Paste works as well as equivalent autograft therapy*
Production line for clinical trials	*2009 – 2012*	• *Patented production line for clinical trials*
Pre-clinical development work	*2007 – 2014*	• *Preclinical trials for ARTEBONE®* • *Preclinical trials for bone protein extract*

Company founded	*2003*	• *Establishment of BBS-Bioactive Bone Substitutes Company*
R&D & prototyping	*1997 – 2010*	• *Development of the ARTEBONE® implant* • *Building of small scale manufacturing facilities for preclinical trials* • *R&D project at the University of Oulu (Bone Transplantation Research Group)*
Academic research and innovation	*1980 - 90s*	• *Scientific research at the Universities of Tampere and Oulu*

From scientific research to high-technology medical products

Pioneering research studies performed on various animal sources of bone growth factors started in the mid-1990s under the leadership of Professor Pekka Jalovaara at the University of Oulu. The research led to the surprising discovery of the unique and potent bone growth-forming capability inherent in reindeer bone. BBS-Bioactive Bone Substitutes was officially established in 2003 to advance the scientific research towards product development. The main targets for the product development was to refinement of the process technology, enforce the required quality requirement and clearing the regulatory requirements for the commercialisation of a bioactive material from natural sources for orthopedic implant market.

The performance of BBS' protein extract and ARTEBONE® Paste has been proven in several publications (four doctoral theses and more than 20 scientific publications).

Based on the scientific research conducted by the Company, BBS had successfully demonstrated the proof of concept for an innovative bone graft substitute product based on reindeer bone protein extract, and the method for making the product. After the successful proof of concept, BBS focused on developing a large-scale manufacturing process that would meet the stringent criteria for the quality and consistency of manufacturing ARTEBONE® Paste implant and of the bioactive extract containing the natural spectrum of bone proteins necessary for optimal bone regeneration[15,16]. In addition, BBS has secured exclusive rights with Finland's largest abattoir in order to access a supply of reindeer bone raw material. In 2019, BBS completed the manufacturing facilities for the commercial production of ARTEBONE® Paste.

BBS' head office is currently located in Oulu. The Company has received the manufacturing authorisation for reindeer bone protein extract granted by the Finnish Medicines Agency FIMEA in September 2015. The authorities inspect the production facility regularly about every other year. The last accepted inspection was performed in 2018. The production site in Reisjärvi contains the manufacturing lines, clean rooms and quality systems and controls, which fulfils the requirements for manufacturing of medical device product.

[15] Pekkarinen T. *et al.* New bone formation induced by injection of native reindeer bone morphogenetic protein extract. Scand J Surg 92: 227-230. 2003

[16] Pekkarinen T *et al.* Reindeer BMP extract in the healing of critical-size bone defects in the radius of the rabbit. Acta Orthop 77(6): 952-959. 2009

TECHNOLOGY AND PRODUCTS

The Company's substance is based on novel bioactive and natural ARTEBONE® bone graft substitute products for clinical use which are based on the reindeer bone protein extract and TCP or similar bone filler materials. The reindeer bone protein extract is a Demineralised Bone Matrix (DBM)-like product which is further processed. The extract contains a purer spectrum of natural bone growth factors and other proteins than DBM products. The combination of the extract with optimised bone graft substitute materials is BBS' solution for an ideal bone void filler. The products are suitable for use in orthopaedic indications and later on for e.g. spinal indications.

Technology

All existing forms of therapy and materials have their limitations. In comparison to them, ARTEBONE® offers the market a clear step forward.

- Although autografts offer a support structure (osteoconductivity) for the growth of bones, its ability to form bone tissue (osteoinduction) varies[17].
- Synthetic bone graft substitutes are also osteoconductive and their osteoinductive capacity is limited.[18]
- Demineralised bone matrix materials on the other hand vary greatly in their osteoinductive capacity and carry a limited risk of disease transmission from the product.
- While synthetic bone growth factors such as BMP-2 and BMP-7 are highly osteoinductive, they can be associated with side effects often found with potent drug-like molecules.

The Company's ARTEBONE® Paste has been engineered to deliver a broad spectrum of osteoinductive growth factors together with an osteoconductive matrix (TCP) for optimal bone regeneration. Bone growth is stimulated by the release of growth factors in a process known as osteoinduction. These factors provide the signal to mesenchymal cells to start the process of differentiation of stem cells into bone-forming (osteoblast) cells. A suitable physical environment is needed to provide the passive trellis structure, which acts as a support matrix for new bone formation. This support matrix property is called osteoconduction. In the ARTEBONE® Paste implant it is carried out by the TCP granules.

The ARTEBONE® bone protein extract and the ARTEBONE® Paste are manufactured by using the company's proprietary patented manufacturing process that is based on ten years of pioneering research in product development and large-scale production. The technology has been developed by BBS' research team who have expertise in bone surgery, biochemistry, molecular biology and bioprocessing. ARTEBONE® Paste solves the problems in bone healing by providing clinicians and patients a reliable, safe, and high-performing bone graft substitute, capable of stimulating the production of new bone for the effective repair of bone defects, fractures and fusions. Unlike synthetic materials, ARTEBONE® Paste has been shown to be effective in stimulation of bone healing. Unlike synthetic materials, ARTEBONE® Paste has shown to stimulate bone formation effectively. DBM products can not reach ARTEBONE's superior manufacturing quality and batch-to-batch consistency[19]. Because bone protein extract in ARTEBONE® is obtained from a natural animal source there is no risk of transmitting human disease pathogens that could escape the monitoring and surveillance controls used by human based DBM suppliers.

Safety

The bone protein extract and ARTEBONE® Paste have been extensively evaluated in formal animal studies under GLP conditions normally reserved for new medicinal substances and medical devices. The results so far have demonstrated a high degree of safety and no toxicity has been detected. ARTEBONE® Paste has been evaluated in a formal study performed in humans to document the safety and performance features of the product.

Human DBM products are all derived from human donor bone and thus carry a risk of transmission of communicable human diseases. On the other hand, the bone protein extract in ARTEBONE® is obtained from

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[17] Bae et al. Intervariability and intravariability of bone morphogenetic proteins in commercially available demineralized bone matrix products. Spine (Phila Pa 1976) 20;31(12):1299-306; 2006

[18] Metsger et al. Tricalcium Phosphate Ceramic – A Resorbable Bone Implant: Review and Current Status. J Am Dental Ass. 105(6): 1035-1038, 1982

[19] Bae et al. Variability across ten production lots of a single demineralized bone matrix product. J Bone Joint Surg Am. 92(2):427-35, 2010

semi-domestic animal sources and thus is incapable of transmitting a human disease pathogen such as HIV, hepatitis B or C, or a *Treponema pallidum* organism.

A comprehensive risk assessment was performed in conformance with ISO 22442-1 on TSE (Transmissible Spongiform Encephalopathy) related risks with the use of the reindeer derived bone protein extract incorporated in the ARTEBONE® device. The assessment has considered the animal tissue, collection, handling, controls, TSE-infectivity distribution in tissues, TSE-infectivity clearance capacity of the processing steps, geographical risk assessment and epidemiology were taken into consideration. The risk assessment concludes that there is negligible risk for transmission of a TSE agent from the processed reindeer bone, considering that there is no evidence of natural or experimental transmission of a TSE agent to or from reindeer (*Rangifer tarandus tarandus*), and no evidence to date of human susceptibility to a CWD agent. Reindeer harvested from Northern Finland (source of the reindeer bone tissue) are processed as food for human consumption. Reindeer husbandry and slaughtering are strictly monitored and regulated by a host of EC and Finnish regulations. The TSE risk assessment report includes a Quality Overall Summary prepared by an independent expert (Dr. Vanopdenbosch, Doctor of veterinary medicine, Master in zootechnics, Head of Dept. of Virology and Agrochemical Research Centre, Brussels, Belgium). It also concludes that TSE risks from reindeer bone sources controlled and processed according to the ARTEBONE® manufacturing process of BBS can be considered as negligible. It is therefore justified to conclude that the risks associated with the reindeer bone protein extract are negligible and acceptable when weighed against the benefits to the patient.

The possible immunogenicity of the bone protein extract of reindeer origin has been tested in preclinical trials and a clinical trial, without any notable signs of reaction.

In addition, ARTEBONE® Paste has passed all the necessary preclinical safety and performance trials as a medical device.

Batch-to-batch consistency

Reliability means manufacturing consistency or in other word the batch-to-batch variability of osteopromotive growth factors within the end product. In order to manufacture one batch of ARTEBONE® extract, a batch consisting of bones of approximately 70 young reindeer is used resulting in high batch-to-batch consistency and reliability, whereas the batch-to-batch variation in DBM products is usually high because each batch of DBM is manufactured from only one donor.

Products

BBS' product candidates and potential indication areas

Product 1. ARTEBONE® Paste: The first product developed by the Company is a paste in ready-to-use syringe. The main constituents of the paste are TCP granules which perform and form the supporting structure for the growing bone and the protein extract, which acts as an active component completing the paste's likeness of bone.

The product is intended for the treatment of bone damage and changes in the extremities, pelvis and shoulder blades. ARTEBONE® Paste is able to generate bone tissue in the damaged area as effectively as the patient's autograft, making it an alternative form of treatment to the method that has been considered a standard.

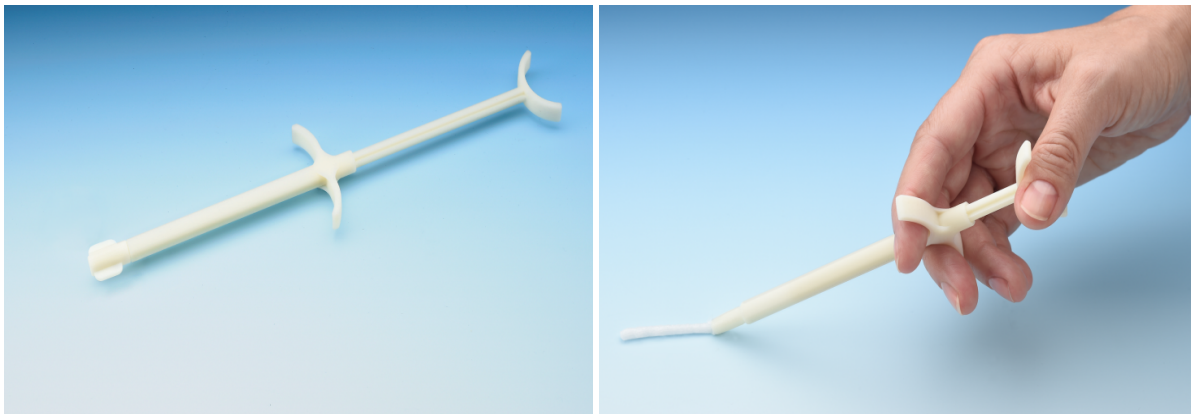
Product 2. ARTEBONE® reindeer bone protein extract: The bone extract may also be sold to other companies as a part of their own products. Numerous implant products are used in orthopaedics, and in connection with them, there is often a need for better osteoinduction. They may be permanent or biodegradable products, which intended uses comprehensively cover the sector of orthopaedics. In addition to the extract, the Company sells scientific and technical results material and product development.

Products 3-5. Other product forms used in orthopaedic surgeries:

- ARTEBONE® Blocks, which are used for the treatment of specifically shaped bone defects in places where it is necessary to retain the volume of the treated area, e.g. in spinal fusions and osteotomy.
- The gel-like ARTEBONE® product, which is used to fill the gaps and voids around implants, is used to accelerate the implant's integration process with the surrounding bone, e.g. in connection with the use of screws and prosthetics.

- Cements which are used in areas where there is the need to glue bone segments together for the duration of the healing process and in which bone growth wants to be accelerated. These are, for example, trauma-related fractures.

BBS' orthopaedic bone implant - ARTEBONE® Paste



ARTEBONE® Paste is an injectable paste in an immediately ready-to-use syringe. The main components for the paste are TCP-granules, which acts as a scaffold for the newly grown bone tissue and BBS' reindeer bone protein extract, which performs as the active component stimulating bone growth.

ARTEBONE® Paste's benefits for different users:

Surgeons:

- one treatment per product
- injectable
- optimal performance at a competitive price
- controlled and predictable end result
- safe, no human disease transmission risk
- an alternative to bank bone or autograft
- is considerably cheaper compared to synthetic BMP products
- reduces operating time and costs
- controlled product quality, excellent batch-to-batch consistency
- immediately ready-to-use, good shelf life, remains ready-to-use sufficiently long to be stored in the operating room

Payers:

- substantial cost savings (improved patient recovery) are also possible for hospitals that have a reimbursement system in place
- cost savings for insurance companies and/or third-party payers due to the decreasing operation costs, patient recovery time is improved and reduces the time spent in hospitals
- decreases the total treatment cost due to the reduction of surgical operation's theatre time
- compared to autografts decreases the occurrence of complications caused by bone harvesting

ARTEBONE® Paste's competitive landscape

ARTEBONE® Paste and its raw material, the reindeer bone protein extract will compete closely in three subsegments of the bone graft market. These three market segments are the demineralised bone matrix (DBM) segment, the synthetic protein (BMP) market segment and the segment of the synthetic substances. Due to adverse effects, the market share of recombinant BMPs (Infuse, InductOs, Osigraft) have decreased, which provides new and additional opportunities for the ARTEBONE® product. Therefore, by considering the key drivers in the current orthobiologic market, it is the view of BBS' management that BBS' ARTEBONE® and reindeer bone protein extract together could provide added value to the market. ARTEBONE®'s comparison against other bone graft substitutes, based on BBS' research and the information collected from product brochures and web pages is presented in the following table.

Product	Performance	Safety	Raw material availability	Price per unit	Market popularity
Autograft	✓✓✓	✓✓	*Autografts can be harvested from the majority of the patients. Availability is determined by patient's overall bone quality.*	*An autograft itself is free but requires an additional surgical procedure.*	*Is currently used in approximately 2/3 of operations where bone grafts are required. The popularity of Autografts is declining due to patients' increased recovery times and possible adverse events caused by the second surgical operation and the limitations in the availability of harvestable quality bone.*
Allografts	✓✓	✓✓	*Availability of Allografts are limited by the amount of suitable and compatible donors.*	*Commonly cost approximately between 300 – 600 USD*	*Allografts are commonly used on the market. Possible risk exists of human disease transmission from donor to patient.*
Bone Morphogenic Proteins (BMP)	✓✓✓	✓	*No limitations in availability.*	*The majority of BMP products are priced approximately between 3,500 – 5,500 USD.*	*Former market leading product type. The sales of BMP products have decreased due to possible side effects.*
Demineralised bone matrix (DBM)	✓✓	✓✓✓	*DBM products are limited by the availability of suitable donors. One unit of DBM is one donor.*	*Commonly cost approximately between 600 – 900 USD*	*Market popularity is increasing, but batch-to-batch inconsistency occurs due to the natural variations in donor bone quality.*
Synthetic bone grafts (ceramic)	✓	✓✓✓	*No limitations in availability.*	*Commonly priced between the range of approximately 900 – 1,300 USD.*	*Market popularity is increasing.*
Stem cells	-	✓✓	*No limitations in availability.*	*The price is expected to be high.*	*The market popularity is currently marginal.*
BBS ARTEBONE®	✓✓✓	✓✓✓	*No limitations in availability.*	*Preliminary price range for is set between 1,300 – 2,500 EUR*	*ARTEBONE's possible market demand is expected to be high.*

ARTEBONE® Paste's strengths and competitive advantages

ARTEBONE® Paste is the next generation's medical device on bone graft substitute market.

- The only medical device on the bone graft market, which combines bone healing stimulating bone protein extract with bone growth conducting TCP achieving optimal performance.
- Superior capability in stimulating bone healing compared to competing solutions (based on BBS' point of view).
- The device has a potential to replace traditional solutions, which rely on harvesting and using patient's own or donor-bone.

The device is immediately ready-to-use reducing surgeons' operating time

- ARTEBONE® Paste does not require mixing nor additional preparations in the operation room during the surgery.
- The device is user friendly and has no variability in performance due to on-site preparation. Reduces operating time, costs and improves surgical operations' results.

Higher degree of safety when compared to the existing market alternatives

- ARTEBONE® products require one surgery, whereas traditional own bone solutions require two. This minimises possible complications caused by bone harvesting operation and enhances the patient's recovery process.

- ARTEBONE® product has not been found to involve the risk of human disease transmission.

Competitive pricing against when compared to comparable bone graft substitutes

- The ARTEBONE® Paste implant's preliminary price is between EUR 1,300 – 2,500 per device. Despite of superior performance, ARTEBONE® is priced in-line with DBM and mineral-based synthetic products.
- Synthetic BMP products are priced between 3,500 – 5,500 USD. For example, the price for the BMP-7 product Osigraft is 4,400 euros and for the BMP-2 product InductOs 3,085 euros, respectively, according to the service catalogue of the Hospital District of Helsinki and Uusimaa[20].

Optimal performance whereas existing products display variations or unreliability.

- ARTEBONE® Paste provides superior performance (determined by previous animal tests carried out by BBS, future publication, see chapter Technology and Products- Products- Regulatory Status -Performance and efficiency trials) compared to Demineralised Bone Matrix (DBM) and mineral-based synthetic solutions[21].
- Synthetic solutions are not always effective enough for stimulating sufficient bone healing.
- ARTEBONE® products have potential to produce more reliable and consistent results compared to DBM products.

Batch-to-batch consistency exceeding comparable products.

- BBS' production facility, validated manufacturing processes and certified quality management system with supplier agreements ensures the quality of the device and batch-to-batch consistency.
- Unlike reindeer bone protein extract, a batch of allograft or DBM must, due to regulations, originate from one human donor (one donor is one batch) and therefore it is impossible to ensure batch-to-batch consistency of DBMs, due to the natural variations between the donor-bone quality.

Own production facility and unlimited supply of raw material ensures production quality.

- BBS' facility in Reisjärvi is capable of large-scale production enabling fast market entry as well as production and batch consistency.
- The bone protein extract manufacturing is certified by FIMEA and the auditing process for the Company's quality management system's ISO 13485 certification required for the manufacturing of the ARTEBONE® Paste is ongoing. The facility's annual production potential is sufficient to meet the demand of global market for the first few years and further scale-up to the annual production of approx. one million products is possible. The protein extract used in ARTEBONE® Paste is extracted from reindeer bones through BBS' proprietary patented manufacturing process. The raw material selection and manufacturing process provide a nearly unlimited supply of natural raw material and ensure cost effectiveness.
- Raw material supply reliability is secured through an exclusive agreement. Finland's largest reindeer abattoir exclusively supplies BBS' facility in Reisjärvi with the frozen deliveries of the bones of reindeer it has slaughtered. Bones are a side product of the abattoirs, so the reindeer are not slaughtered only for the Company's purposes.

ARTEBONE® implant has a wide range of applicable indication areas

- ARTEBONE® Paste will initially be introduced to bone graft substitute market.
- The primary aim is to treat bone defects and bone-healing problems in extremities, such as the foot and ankle, pelvis and scapula.
- In the future ARTEBONE® Paste can be expanded to cover other indication areas, such as dentistry, maxillofacial surgery and the spine.

Intellectual property rights

BBS' technological know-how is protected by a strong internationally valid patent portfolio covering the key markets in Europe, USA, Canada, Eurasia and Asia.

The Company also has separate patents on bone morphogenetic proteins (BMP-3, BMP-4 and BMP-6). More information is presented on the BBS' patent portfolio in the table below.

[20] http://www.hus.fi/hustietoa/talous/Hinnoittelu/Documents/HUS%20Palveluhinnasto%202017,%20osa%202%20Suoriteperusteiset%20hinnat.pdf

[21] Tölli H, Thesis: Reindeer – Derived Bone Protein Extract in the healing of bone defects Evaluation of various carrier materials and delivery systems, University of Oulu 2011

	Europe							Eurasia		Asia	North America	
Description of Patent	DE	FR	UK	IT	ES	SE	CH	RU	KAZ	India	CA	US
Method and Preparation: A method for preparing a bone protein preparation and a bone protein preparation.	✓	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓*
rRdBMP-3c: Bone morphogenetic protein 3 and osteogenic devices and pharmaceutical products containing morphogenetic protein 3.	✓	✓	✓	✓	✓					✓		✓
rRdBMP-4: Bone morphogenetic protein 4 and osteogenic devices and pharmaceutical products containing morphogenetic protein 4.	✓	✓	✓							✓		✓
rRdBMP-6: Bone morphogenetic proteins containing a heparin binding site and osteogenic devices and pharmaceutical products containing morphogenetic protein 6.	✓	✓	✓							✓		✓

*The patent for the product has been accepted. The patent concerning the manufacturing of the product is still pending.

Regulatory status

All the preclinical studies for ARTEBONE® Paste required for CE marking have been completed. In addition to this, according to the clinical research report completed in February 2020, the ARTEBONE® Paste performs equally well as autografts.

Preclinical and clinical studies

Safety evaluation studies with the reindeer bone protein extract

Lyophilised reindeer bone protein extract is a novel, innovative and main constituent of the ARTEBONE® implant. The following studies have been performed:

- Systemic toxicity studies
- acute i.v. toxicity study in rats
- i.v. (intravenous) toxicity study in dogs
- 7-day repeated dose i.v. toxicity pilot study in rats
- 14-day repeated dose studies in rats
- 14-day repeated dose studies in dogs

In addition, kinetic i.v. studies with radiolabelled reindeer bone protein extract were carried out. These studies cover extensively the systemic safety aspect of the reindeer bone protein extract, and from the human risk assessment point of view they did not reveal any severe or unexpected findings.

Viral clearance study (Texcell, Evry, France)

The conclusion of the study was that the chemicals used in BBS' protein extract manufacturing process eliminate viruses very efficiently. Therefore, the risk for viral transmission is negligible.

Biocompatibility studies with ARTEBONE® Paste

Biocompatibility studies with ARTEBONE® Paste include the following studies:

- cytotoxicity test
- intracutaneous reactivity test in rabbits

- sensitisation test (the Guinea pig maximation test)
- acute toxicity test in mice
- genotoxicity test (the Ames test)
- genotoxicity test (the in vitro mammalian cell gene mutation assay)
- genotoxicity test (the mouse micronucleus test in vivo)
- bone implantation studies in rabbits with 4 and 12 weeks follow-up times
- intramuscular implantation studies in rabbits with 12 weeks follow-up times

The results of these biocompatibility studies indicated that ARTEBONE® Paste is not genotoxic nor sensitising. ARTEBONE® Paste does not cause intracutaneous irritation or acute systemic toxicity either.

Bone implantation studies conducted with the ARTEBONE® Paste revealed no signs of inflammatory or immunological reactions or necrosis. This was also the case in the intramuscular implantation studies which were conducted purely to reveal biocompatibility and possible reactions. These findings indicate that ARTEBONE® Paste has a good local tolerance and osseous integration.

Evaluation of immunological risk

Regarding immunogenicity, as with all therapeutic proteins there is a potential for immune responses to be generated against the protein extract components of ARTEBONE® Paste. However, this often causes no detectable clinical effects. In clinical trials carried out for the ARTEBONE® Paste, there were no indications of any immunological reactions in any patients.

During the trial, blood samples were also taken from the patients, and they were used to measure changes in the level of antibodies. They were not observed to have an effect on the patient's ankle fusion results. Future trials will aim to clarify whether ARTEBONE® Paste can be safely used in patients several times.

Performance and efficiency trials

The osteopromotive performance of a bone graft material is entirely dependent on the quantity and bioactivity of the bone growth factors in the material. Human allograft material and demineralised bone matrix (DBM) products are not osteoinductive or only poorly osteoinductive because they come from single human donors who vary widely in age and health. In addition, many of these products have been shown to completely lack some of the known growth factors required for optimal bone regeneration.

In order to guarantee a consistent and high level of growth factors in ARTEBONE®-implant, only the bones from young and healthy reindeers are procured for the manufacturing process. The manufacturing process has been designed to retain and extract all of the necessary factors originally present in the bone. Biochemical tests for specific growth factors have shown that BMP-2 is present in three times higher amounts in ARTEBONE® compared to human allograft and DBM products (own analysis by BBS and Bae *et al*. 2006[22]). Because extract delivers a broad spectrum and higher level of growth factors compared with DBM products (in the fracture or fusion site), it results in superior bone regeneration compared to similar products that do not have the same osteopromotive properties. The effect of reindeer bone protein extract has been demonstrated in numerous *in vivo* studies published in peer review publications.

ARTEBONE® Paste is resorbed and replaced with the patients' new bone during the healing process. The sheep studies carried out by BBS (hole defect in femoral condyle, see FIGURE 1 and FIGURE 2) suggests that the reindeer protein extract promotes bone formation compared against controls without extract. This is reflected in the significantly increased areas of osteoids and new bone adjacent to osteoids at three weeks and at significantly less TCP granules left at 8 weeks in the study groups compared against controls without the extract. This suggests an increase in the resorption of TCP granules in the study groups compared to controls in which the extract was not used. The sheep study suggests that the bone protein extract improves the functionality of the TCP and implant entity.

[22] Bae et al. Intervariability and intravariability of bone morphogenetic proteins in commercially available demineralized bone matrix products. Spine (Phila Pa 1976) 20;31(12): Pages 1299-1306; 2006

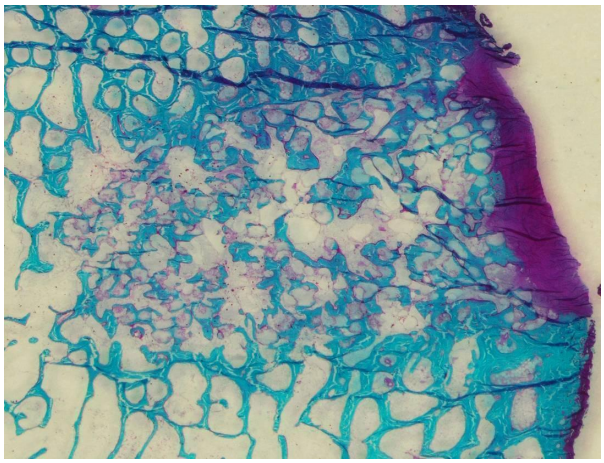


FIGURE 1: Sample, where bone protein extract was used

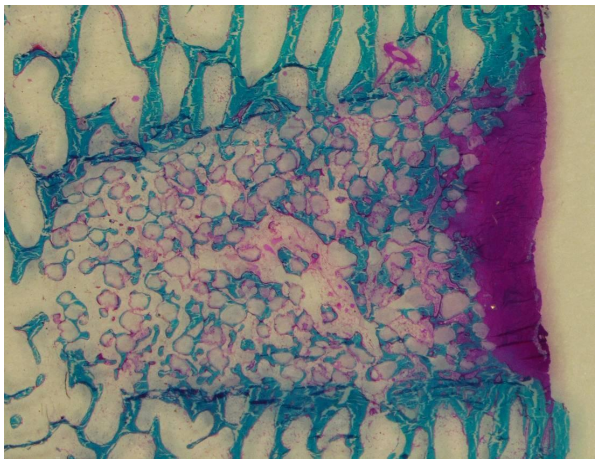


FIGURE 2: Control without bone protein extract

In the spring of 2019, the processing of the CE marking application was suspended due to shortcomings in the content of the previously completed animal trial (Figures 1 and 2). The shortcomings of this animal study was noted to involve GLP factors, as well as the variation between the doses of samples (larger and smaller dose in animal trial than in clinical trial) which lead to the lack of equivalency compared with the samples of the clinical trial, and the insufficiency of reference groups in comparison with authority requirements. Due to the authority decision, a supplementary animal trial was carried out, and the samples were sent on for histological analysis by the end of the year 2019. The results are expected to be ready by the end of June 2020.

Clinical trial

The trial tested the ARTEBONE® Paste as a bone void filler in the fusion of the lower and upper ankle joint, and the results were compared to autografts referred to in literature. Autografts are still considered to be the gold standard for treatments that require a bone void filler. No synthetic material has so far proven to perform as well and in such a way that the product's consistency and safety is also retained.

The clinical trial was a multicentre trial which studied the fusion of the upper and lower ankle joint with the objective of reducing pain caused by post-fracture osteoarthritis. The trial studied safety in particular, i.e. whether ARTEBONE® Paste causes serious unexpected side effects during a 12-month follow-up period. The performance of ARTEBONE® Paste was studied by monitoring the speed of bone formation with computer tomography after six months and radiographically at all follow-up timing points.

The trial was participated in by 34 patients in five different hospitals in Finland and Poland. CT scan results indicated that the joint fusion had progressed by 94.1% in six months post-operation. The result is also clinically very good.

These results are comparable with autograft treatments reported in literature. As a form of treatment, autografts continue to be the gold standard, but they are associated with many complications. Autograft treatment requires the patient to undergo a second surgery, where the bone is harvested from. Therefore, the site from where bone is harvested from will damage an otherwise healthy site and cause additional pain. Since the risk of infection and complications increase, recovery at the harvesting site may be slow and the treatment costs will increase.

The complications reported in this study are in line with the ankle and foot fusion studies referred to in literature.

The following can be concluded:

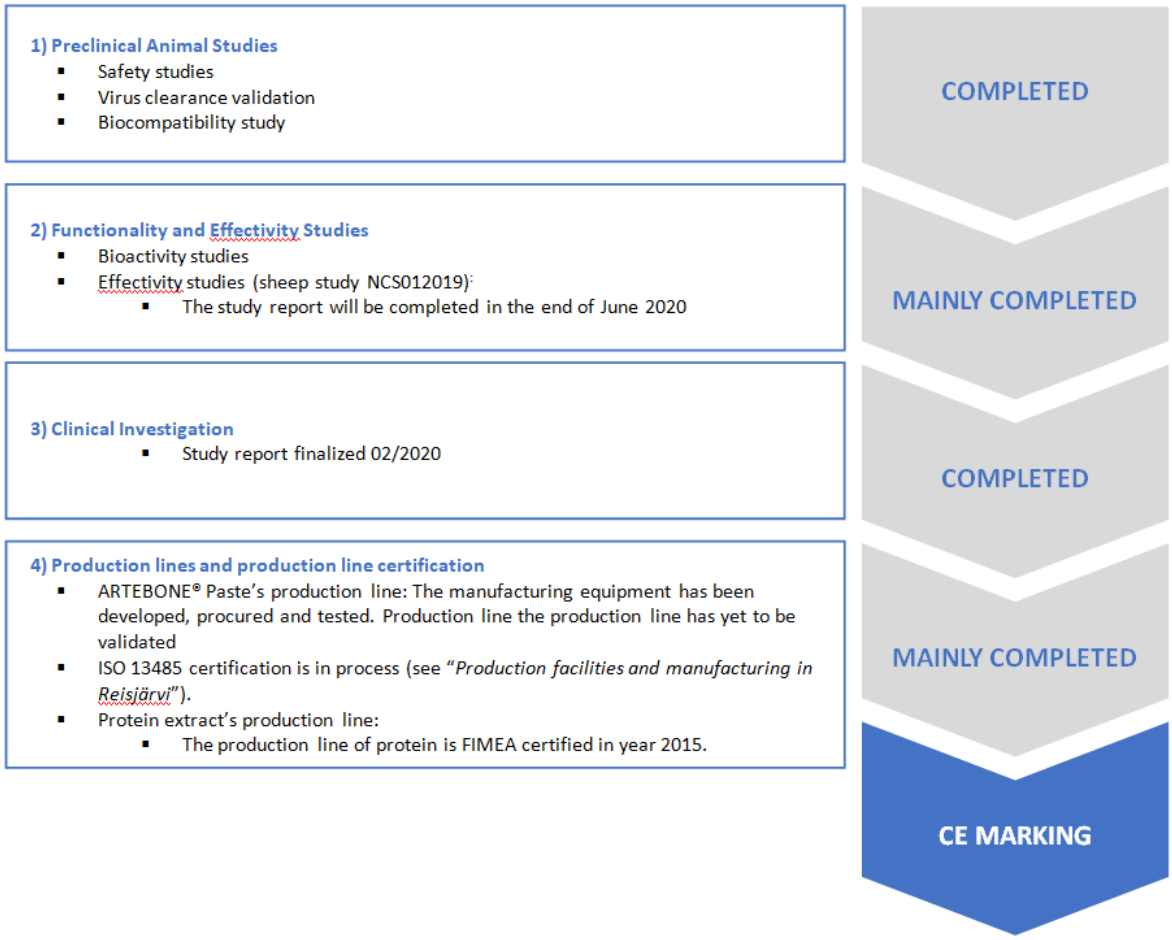
1. The fusion of the lower and upper joint of the ankle was as good with the ARTEBONE product as in case of autograft therapy (Myerson et al. 2019, DiGiovanni et al. 2013).

2. The ARTEBONE® Paste is safe to use and it did not cause any side effects caused by the product. The use of the ARTEBONE® Paste may reduce the risks and complications that have been observed in autograft procedures and with the use of synthetic bone growth factor products.

3. The ARTEBONE® Paste can be used for the treatment of bone trauma and as a bone void filler in the orthopaedic procedures and allografts of extremities, pelvis and shoulder blades.

CE Marking

The CE mark is issued by a Notified Body and it is the prerequisite for initiating the sales of ARTEBONE® Paste within the EU area. The diagram below shows what is required for the CE marking for the ARTEBONE® Paste and at what stage they are in. In addition to the tests described below, the Company's quality management system must also be ISO-certified. The ISO certification's audit process requires more than one inspection by the Notified Body and the ISO certification is the final stage before the CE marking approval. ARTEBONE® Paste's CE marking approval is subject to the ISO 13485 certification's audit process being in process. The production line for the bone protein extract has already been certified by FIMEA in 2015.



BBS has discussed with several authorities (e.g. FIMEA, Notified Body BSI, MHRA, EMA) about the classification of ARTEBONE® Paste. According to FIMEA and VALVIRA, ARTEBONE® Paste is classified as a class of Medical Device Class III and based on the latest clarification from the Notified Body BSI, ARTEBONE® Paste can be approved as Class III Medical Device, provided that the added value of the protein extract can be shown in animal tests.

In 2018, the application for ARTEBONE® Paste's CE marking was submitted to the Notified Body (BSI-UK) that operates in England. Cooperation with them ended due to Brexit.

In the spring of 2019, the processing of the application was suspended due to shortcomings in the content of the previously completed animal trial. The shortcomings of this animal study was noted to involve GLP factors, as well as the variation between the doses of samples (larger and smaller dose in animal trial than in clinical trial) which lead to the lack of equivalency compared with the samples of the clinical trial, and the insufficiency of

reference groups in comparison with authority requirements. Due to the authority decision, a supplementary animal trial was carried out, and the samples were sent on for histological analysis by the end of the year. The results are expected to be ready by the end of June 2020.

The Company has initiated the new application process for CE marking with the Notified Body in Holland (BSI-NL). The Notified Body and the Competent Authority (e.g. FIMEA) will process the application so that the Company is expecting to obtain CE marking in early 2021.

Food and Drug Administration's FDA 510(k) Approval

Food and Drug Administration (FDA) is one of the United States' federal executive departments, which is responsible for protecting and promoting public health through the control and supervision of various areas, such as medical devices.

BBS attempts to apply for the FDA 510(k) approval for ARTEBONE® Paste, which only rarely requires clinical trials. FDA 510(k) is an FDA pre-market notification, which proves that the device or product is at least as safe as and as effective as similar products which already exist on the market. The Company's chosen application strategy is supported by FDA consultants (Hogan and Lowells, Signifix).

In order to apply for the FDA 510(k) approval, the applicant can send a pre-submission package to FDA. BBS has sent the pre-submission package regarding ARTEBONE® device to FDA and received a reply for it. BBS is preparing an edited pre-submission package for re-processing. The aim is to continue with the FDA approval process after submitting ARTEBONE® Paste's CE marking application, however approx. one year later. The tissue compatibility tests performed with ARTEBONE® Paste are designed and performed in accordance with FDA's requirements. On the other hand, functionality tests with big animals (rabbit, sheep or dog) must be performed according to FDA requirements. The animal tests with large animals will be performed according to FDA regulations when the CE marking application for ARTEBONE® Paste has been submitted. These animal tests will be conducted in the USA by the company approved by the authorities. Based on the Company's estimates, the FDA 510(k) approval process will take approximately 2 years including tests with big animals.

Production facilities and manufacturing in Reisjärvi

The production facility for ARTEBONE® Paste and BBS' reindeer bone protein extract located in Reisjärvi, Finland, is completely owned by BBS. BBS' production facilities contain the bioprocess instrumentation, clean rooms (Classes ISO 7-ISO 5), and quality systems and controls consistent with the requirements for manufacturing a medical device product. The manufacturing of the reindeer bone extract has been audited by Finnish Medicines Agency FIMEA in August 2015 and certificate for commercial production for medicinal substance was given in September 2015. The reinspection will be performed about every other year. The manufacturing of the ARTEBONE® Paste implant will in addition require ISO 13485 certification of the Company's quality management system, which shall be part of the CE marking process.

The scaling process of the facility is based on multiplying production lines, because the increase in batch size is risky and may take years of development. The recent clean room area covers 200 m^2 of the total 3 000 m^2 of factory floor space. Thus far, BBS has invested approximately 5 million euros in the manufacturing facility.

Description of the manufacturing process of ARTEBONE®

BBS has developed a process for the demineralisation of bone and preparation of a bone extract. The preparation of the extract starts with cleaning, cutting, and milling of the reindeer long bone obtained from Wildea abattoir in Rovaniemi into bone granules. The bone granules are subsequently subjected to a series of processing steps designed to obtain the non-viable bone extract as a component for ARTEBONE® implant. The preparation of one production batch takes three weeks. However, the preparation of new production batch can be started each week.

In the manufacturing process of the end product (ARTEBONE® Paste) a base paste is prepared to which the lyophilised bone extract and β-tricalcium phosphate (β-TCP) are mixed to form a homogeneous paste. The paste is filled in 3 ml syringes and closed in sterilisation and protective aluminium foil pouches. The final Medical Device is sterilised by E-beam irradiation.

Quality management systems and standards

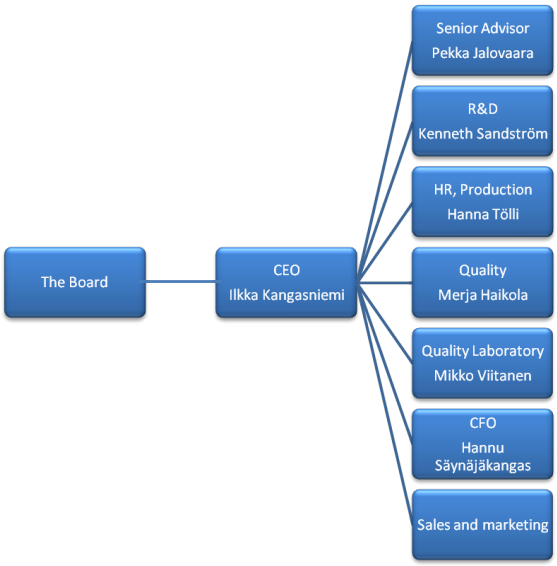
The Quality Management System at BBS is based on standard ISO 13485:2016 (7.5.1.2.2 Installation activities and 7.5.1.2.3 Servicing activities are excluded) as well as on the directive 2001/83/EC (6th November 2001) of the European Parliament and of the Council on the Community code relating to medicinal products for human regulations and on European Union rules for Good Manufacturing Practice (GMP) Part II - Basic Requirements for Active Substances.

In addition, applied requirements of Medical Device Directive (EU 2017/745, 5th April 2017) and US Medical Device Regulations (US 21 CFR Part 820) have been implemented. The standards and regulations for medical devices are implemented to ensure that our products confirm regulatory requirements. Information about new or changed standards, regulations and directives are followed from EU publications, the Finnish Standards Association SFS, etc. The quality system has been updated to meet the most recent requirements in 2019.

GENERAL OVERVIEW ON ORGANISATION

Organisation

Currently BBS is a R&D-focused company. The Company also has its own production facilities. The Company is able to produce the necessary amounts of implants and raw materials on a commercial level, but full-scale production will require additional staff. Sales and marketing is so far in its initial stage. The organisation will grow step by step according to milestones to be achieved.



Personnel

In the financial years that ended on 31 December 2017, 31 December 2018 and 31 December 2019 the Company employed on average 12 employees. On the date of this Prospectus BBS employs 11 people.

The Company's share-based incentive schemes are described in more detail under the section "*Shares and Share Capital – Option rights and other special rights entitling to shares*".

SELECTED FINANCIAL INFORMATION

The following tables include selected financial information and other information on BBS Group's accounting periods that ended on 31 December 2019, 31 December 2018 and 31 December 2017.

The following section is intended to be read in conjunction with BBS' financial statements for the accounting periods that ended on 31 December 2019, 31 December 2018 and 31 December 2017 incorporated by reference to the Prospectus, and the Prospectus Section "*Operating and financial review and prospects*".

BBS' audited financial statements for the accounting periods that ended on 31 December 2019, 31 December 2018 and 31 December 2017 have been prepared according to the Finnish Accounting Standards (FAS). The following summary does not include all financial statement information.

The Company has prepared consolidated financial statements for the financial years that ended on 31 December 2019 and 31 December 2018, from which the latter includes also the group level unaudited comparative information from the financial year that ended on 31 December 2017.

Group's income statement

PROFIT AND LOSS ACCOUNT (EUR 1,000)	1 January –31 December 2019 (Audited)	1 January –31 December 2018 (Audited)	1 January –31 December 2017 (Unaudited)
Other operating income	**53**	**2,262**	**20**
Materials and services			
Materials, supplies and goods			
Purchases during the financial year	-11	-58	-27
External services	-95	-70	-75
Materials and services in total	**-106**	**-128**	**-101**
Personnel expenses			
Wages and salaries	-569	-577	-525
Pension expenses	-83	-84	-61
Other social security expenses	-13	-9	-18
Personnel expenses	**-665**	**-670**	**-603**
Other operating expenses	**-593**	**-757**	**-517**
Depreciation, amortisation and reduction in value			
Depreciation and amortisation according to plan	-225	-229	-213
Impairment of non-current assets	0	0	-2,950
Depreciation and amortisation total	**-225**	**-229**	**-3,163**
OPERATING PROFIT (-LOSS)	**-1,536**	**477**	**-4,364**
Financial income and expenses			
Other interest income and financial income			
From others	0	0	0
Interest and other financial expenses			
To others	-102	-98	-102
Financial income and expenses in total	**-102**	**-98**	**-102**
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	**-1,638**	**380**	**-4,466**
PROFIT (LOSS) FOR THE FINANCIAL YEAR	**-1,638**	**380**	**-4,466**

Group's balance sheets

BALANCE SHEET - ASSETS (EUR 1,000)	1 January –31 December 2019 (Audited)	1 January –31 December 2018 (Audited)	1 January –31 December 2017 (Unaudited)
NON-CURRENT ASSETS			
Intangible assets			
Development expenditure	7,533	7,533	7,533
Other intangible assets	359	433	507
Intangible assets total	**7,892**	**7,966**	**8,040**
Tangible assets			
Ground and water areas			
Owned properties	84	84	14
Buildings and facilities			
Owned buildings and constructions	516	554	596
Machinery and equipment	685	774	853
Tangible assets total	**1,284**	**1,412**	**1,533**
TOTAL NON-CURRENT ASSETS	**9,176**	**9,378**	**9,573**
CURRENT ASSETS			
Debtors			
Current			
Other debtors	141	93	60
Current debtors in total	141	93	60
Total debtors	**141**	**93**	**60**
Cash at bank and in hand	**516**	**1,685**	**35**
TOTAL CURRENT ASSETS	**657**	**1,778**	**95**
TOTAL ASSETS	**9,833**	**11,156**	**9,669**

BALANCE SHEET - EQUITY AND LIABILITIES (EUR 1,000)	1 January –31 December 2019 (Audited)	1 January –31 December 2018 (Audited)	1 January –31 December 2017 (Unaudited)
EQUITY			
Share capital			
Share capital	80	80	80
Total share capital	**80**	**80**	**80**
Share premium	1,395	1,395	1,395
Other reserves			
Invested non-restricted equity fund	11,638	11,338	7,837
Other reserves total	**11,638**	**11,338**	**7,837**
Retained profit (loss)	-8,396	-8,776	-4,310
Profit (loss) for the financial year	-1,638	380	-4,466
TOTAL EQUITY	**3,079**	**4,417**	**536**

LIABILITIES			
Non-current			
Capital loans	176	176	950
Loans from credit institutions	5,191	5,633	6,723
Total non-current liabilities	**5,367**	**5,809**	**7,673**
Current			
Loans from credit institutions	961	522	898
Accounts payable	32	21	124
Other creditors	27	13	101
Accruals and deferred income	366	374	337
Total current liabilities	**1,386**	**930**	**1,460**
TOTAL LIABILITIES	**6,754**	**6,740**	**9,133**
TOTAL EQUITY AND LIABILITIES	**9,833**	**11,156**	**9,669**

Information on the group's cash flow statement

Cash flow statement (EUR 1,000)	**1 January –31 December 2019 (Audited)**	**1 January –31 December 2018 (Audited)**	**1 January –31 December 2017 (Unaudited)**
CASH FLOW FROM OPERATIONS			
Profit (loss) before appropriations and taxes	-1,638	380	-4,427
Adjustments			
Depreciation and amortisation according to plan	225	229	161
Financial income and expenses	102	98	81
Other adjustments	0	-2,224	2,950
Cash flow before change in working capital	**-1,311**	**-1,517**	**-1,235**
Change in working capital			
Changes in short-term non-interest-bearing receivables (Increase (-) / Decrease (+))	-47	-33	-56
Current assets addition (-) / decrease (+)	0	0	0
Change in short-term non-interest-bearing loans (Increase (+) / decrease (-))	18	-45	294
Cash flow from operations before financial items and taxes	**-1,340**	**-1,595**	**-997**
Interest and financial charges paid for business financial charges	-104	-106	-80
Interest received and other financial income from business operations	0	0	0
Cash flow before appropriations and taxes	**-1,444**	**-1,701**	**-1,077**
CASH FLOW FROM OPERATIONS (A)	**-1,444**	**-1,701**	**-1,077**
CASH FLOW FROM INVESTING ACTIVITIES			
Investments in tangible and intangible assets	-24	-34	-52
Investments in shares in subsidiaries	0	0	0
Loans granted	0	0	0
CASH FLOW FROM INVESTMENTS (B)	**-24**	**-34**	**-52**
CASH FLOW FROM FINANCING			
Rights issue	301	3,501	957
Long-term loan withdrawals	0	0	0
Repayment of long-term loans	-2	-16	0

Short-term loans	0	0	100
Repayment of short-term loans	0	100	0
CASH FLOW FROM FINANCING (C)	**299**	**3,385**	**1,057**
CHANGE IN CASH AND CASH EQUIVALENTS (A+B+C) INCREASE (+) / DECREASE (-)	**-1,169**	**1,650**	**-72**
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE ACCOUNTING PERIOD	**1,685**	**35**	**104**
CASH AND CASH EQUIVALENTS AT THE END OF THE ACCOUNTING PERIOD	**516**	**1,685**	**35**

Group's key financial metrics

EUR 1,000	1 January–31 December 2019 (Unaudited)	1 January–31 December 2018 (Unaudited)	1 January–31 December 2017 (Unaudited)
EBITDA	-1,311	707	-1,201
EBITDA margin	Neg.	Neg.	Neg.
EBIT	-1,536*	477*	-4,364*
Equity	3,079*	4,417*	536*
Total assets	9,833*	11,156*	9,669*
Equity ratio -%	31%	40%	6%

*Audited.

Calculation of the key metrics

EBITDA = EBIT + Depreciation and amortization

EBITDA margin = EBITDA / Net sales

Equity ratio = Total equity / (Total assets- Advances received)

Bio Bones Oy

BBS' owns its subsidiary Bio Bones Oy 100%. Bio Bones is a real estate company, which owns BBS' manufacturing facility and the lot of land, on which the facility is located and rents the facility to BBS. The facility is located in Reisjärvi, Finland. The subsidiary Bio Bones' net sales was 89.8 thousand euros for the financial year 2019, 90.2 thousand euros for the financial year 2018 and 90.8 thousand euros for the financial year 2017. The loss for the period was -41.1 thousand euros for Bio Bones' financial year ended in 2019, -37.3 thousand euros for the year 2018 and -39.1 thousand euros for the financial year 2017. Bio Bones' cash balance is in balance though the rent payments paid by BBS, however due to depreciation and amortisation Bio Bones' profit for the period is negative. Bio Bones' equity capital is 189.6 euros, the equity totals at 91.4 euros. Company didn't have any distributable funds on 31 December 2019. BBS had unpaid rent payments to Bio Bones Oy, that totalled at 100.8 thousand euros in the financial statement on 31 December 2019. Bio Bones' solvency is low, but it does not have overdue bills.

Based on the financial statement of 31 December 2019, Bio Bones Oy has a loan from Finnvera totalling at 641.7 thousand euros from year 2007 with an interest rate of EB6 + 3.68% and is secured by real estate mortgages totalling at 500 thousand euros. The financial statements have been prepared in accordance with the small undertaking regulations included in the Government Decree on the information presented in the financial statements of a small undertaking and micro-undertaking (PMA).

OPERATING AND FINANCIAL REVIEW AND PROSPECTS

Main accounting principles

In the following Prospectus section, the development of the Company's business performance and financial situation during the financial years 2017–2019 and the Company's future prospects have been described. The Company's audited financial statements for the accounting periods ending on 31 December 2017, 31 December 2018 and 31 December 2019, have been prepared in accordance with Finnish Accounting Standards (FAS). BBS has prepared a consolidated financial statement referred to in Finnish Accounting Standards by Chapter 6 Section 1 of the Accounting Act (2015/1620) from the financial years ended on 31 December 2018 and 31 December 2019. The information set out below is based on BBS's audited financial statements for the financial years ending on 31 December 2019 and 31 December 2018, which the latter includes the group level unaudited comparable information from the financial year ended on 31 December 2017.

In this Prospectus' section, "Financial year 2017" refers to the accounting period that ended on 31 December 2017, "Financial year 2018" refers to the accounting period that ended on 31 December 2018 and "Financial year 2019" refers to the accounting period that ended on 31 December 2019.

When preparing its financial statements, the Company has annually reviewed whether the provisions of the Accounting Act (Chapter 5, Section 8) concerning the capitalisation of development expenditure have been fully met. If the terms have been able to be deemed as fully met and at the same time e.g. in accordance with the Order of the Ministry of Employment and the Economy 1066/2008, capitalisation has been specified in the balance sheet as development expenditure. If there has been uncertainty in meeting the terms of the Order of the Ministry of Employment and the Economy, but capitalisation as other long-term expenditure has been deemed justifiable due to meeting terms concerning it, the balance sheet item has been specified in long-term expenditure for precautionary reasons. The prerequisite for capitalisation has, in all cases, been income's expected return.

In case of development expenditure projects Native and Clinical tests, depreciation according to plan shall be initiated when the asset is complete and begins to produce income. Other long-term expenditure has also included renovation costs of leased property and construction costs of a clean room. Depreciation has been initiated for them.

In the financial statement of 2019, there have been capitalisations for the Native project worth 6.369 million euros and for the Clinical tests project worth 1.163 million euros. The additional investments to the Reisjärvi production facilities and production processes have been depreciated. A total of 7.532 million euros have been made in capitalisations.

Depreciation periods for intangible assets: development expenditure 5 years as straight-line depreciation, facilities' improvement costs 5 years as straight-line depreciation and clean room construction costs 10 years as straight-line depreciation.

Reminders presented in the auditor's reports

The following auditor's reports given from the Company's financial statements from financial years ended in 31 December 2019, 31 December 2018 and 31 December 2017 differs from the standard form:

Financial statements 2019: Material Uncertainty Related to Going Concern

We want to draw attention to the factors described in the report of the Board of Directors under section "Working capital" and in the notes of the financial statements under section "Other notes" on requirement of working capital. Ability to start production and sales activities and hence also the ability to recover the carrying value of intangible assets by generating profit is dependent on how the company will succeed in raising additional funds. This may indicate a kind of material uncertainty that may cause a reason to doubt the company's ability to continue its operations. We have not qualified our audit opinion for this matter.

Financial statements 2018: Emphasis of a matter

We want to draw attention to the factors described in the report of the Board of Directors under section "Funding and investments" and in the notes of the financial statements under section "Other notes" on requirement of working capital. Ability to start production and sales activities and hence also the ability to recover the carrying

value of intangible assets by generating profit is dependent on how the company will succeed in raising additional funds. This may indicate a kind of material uncertainty that may cause a reason to doubt the company's ability to continue its operations. We have not qualified our audit opinion for this matter.

Financial statements 2017: Emphasis of a matter

We want to draw attention to the factors described in the report of the Board of Directors under section "Working capital" and in the notes of the financial statements under section "Other notes" on short-term funding requirements. Ability to start production and sales activities and hence also the ability to recover the carrying value of intangible assets by generating profit is dependent on how the company will succeed in raising additional funds. We have not qualified our audit opinion for this matter.

Factors influencing Company's business result

The Company's ability to operate, in a profitable manner, depends on, e.g. whether it is able to successfully complete the CE marking processes. CE marking allows the product to be sold in the EU. The next step will be to apply for a sales license from FDA. BBS's operations and financial situation will continue to be dependent on the success of partners' and distribution channels' choices. The Company's losses from operations have been caused by investments in research and development work as well as approval processes.

If BBS obtains a sales license successfully, BBS's revenue depends on whether doctors, hospitals, insurance companies and patients accept the Company's product. Acceptance of any medicinal product on the market depends on several factors, such as the continuous demonstration of efficiency and safety in commercial use, cost-effectiveness, the ease of administration, ability to produce sufficient amounts of the product to the market, competition, unfavourable and favourable publicity, authorities' aims to reduce the health care costs or reform the state's health care programs, as well as the success of marketing and distribution. A more stable flow of income cannot be expected until in the future, if commercialisation is successful in accordance with plans.

Significant trends

In the Company's sector of business, orthobiologic products, the global trend is that large companies have left the initial development work for small innovative companies, universities and research institutions. Large operators carefully monitor the progress of companies in the industry for example from Orthoworld's Orthopaedic Industry Annual Report and the industry's events amongst others. When small product developers receive a sales license, it is possible for a win-win situation to be reached, where one has a new product and the other has extensive resources for further development as well as distribution channels ready in place. Consequently, this may lead to some degree of cooperation or even a corporate acquisition.

Recent events after the end of the Company's previous financial year

Company reported on 19 February 2020 about the completion of the clinical test report. The test involved the testing of ARTEBONE® product as a bone filler in the upper and lower ankle joint ossification and the results were compared against the findings in literature about autograft treatments. In the test it was concluded that in ossification of upper and lower ankle joint ARTEBONE® product was as good as autograft treatment (Myerson et al. 2019, DiGiovanni et al. 2013). In addition, ARTEBONE® product was also found to be safe and didn't cause side effects due to the product.

Finha Capital Oy has 17 March 2020 given the Company a 200 thousand euro non secured working capital loan. Loan's interest is 2.5% for loan period and the loan is due with interest 19 September 2020. Based on the terms and conditions of the loan, the loan can be used as payment of the Offer Shares in the Offering.

Finha Capital Oy has committed to give, when requested, to BBS a maximum of 300 thousand euro working capital loan. The commitment was signed on 27 March 2020 and it is valid until 1 July 2020. The possibly drawn loan can be used as payment of the Offer Shares in the Offering. The loan is repaid at the latest on 1 November 2020, unless converted to shares. The annual interest for the loan is 6%. The loan is non secured. The commitment is void, if the Company performs a share issue before 1 July 2020 or the Company's cash reserve will increase past 400 thousand euros through other means.

Business Finland (Tekes) decided to reorganise all the Company's product development loans on 17 March 2020. The reorganisation significantly reduced the Company's amount of repayments in the near future. The issue has been further described in Section *"Loans from credit institutions and investors".*

Company reported on 7 April 2020 that its patent application ”A METHOD FOR PREPARING A BONE PROTEIN PREPARATION AND A BONE PROTEIN PREPARATION” product requirements are accepted in the USA.

Future prospects

BBS focuses on obtaining CE marking, finishing the preparations for the production for continuous production and initiating sales endeavours.

The Company plans to fund its activities with the proceeds received from the Offering and with other equity and debt capital funding until the sales of the product is initiated and cash flow is positive. The timing when the Company's cash flow will become positive is subject to obtaining the CE-mark and how commercial activities and distribution can be initiated. It is estimated by the Company that the cash flow will become positive within approximately three years after the initiation of sales.

The Company is not able to influence the developed product's target indications' general treatment practices, time limits regarding the authorization and licensing processes and the laws or regulations or their amendments, Company's partners' operational requirements and strategies or the general cost level. The assumptions set out above are also subject to other factors, which the Company is unable to influence but for which the Company is dependent on the activities of third parties or other external factors or circumstances. These include, for example, the conclusion and contractual terms of cooperation and commercialisation agreements.

The estimates set out in this section of the Prospectus are based on the Company's current view of the development of BBS' existing products. The information stated above includes forward-looking statements. These statements are not a guarantee of the development of BBS's business, profit and/or financial situation, and the Company's actual future business, profit and financial situation may significantly deviate from the information that has specifically or indirectly been presented in these forward-looking statements due to many factors, including the reasons described in the Prospectus's section "*Forward-looking statements*" and section "*Risk factors*". Investors are urged to treat the previously mentioned statements with reservations and consider uncertainty factors relevant to the market situation.

BBS' business performance for the financial years 2017 – 2019

Net sales

The Company has, by the date of this Prospectus, no net sales from product sales.

Other operating income

Other operating income includes income from renting a part of the Company's premises to another company.

The income from rents was 20.5 thousand euros for the Financial year 2017, 17.1 thousand euros for the Financial year 2018 and 17.6 thousand euros for the Financial year 2019.

Purchases and services

The Company's purchases and service procurements are minimal, because the actual commercial activities have not yet started. Purchases are related to the raw materials and services required for the CE marking process.

Purchases and services were 101.2 thousand euros for the Financial year 2017, 58.3 thousand euros for the Financial year 2018 and 11.0 thousand euros for the Financial year 2019. The increase in the Financial year 2017 was due to the replenishment of the raw material stock.

Personnel expenses

Personnel expenses include wages and social security payments for the personnel employed by BBS. The majority of personnel expenses are from product development and corporate administration.

Personnel expenses totalled 0.603 million euros for the Financial year 2017, 0,670 million euros for the Financial year 2018 and 0.665 million euros for the Financial year 2019. Personnel have remained at a similar amount for years and the level of costs has been at the same level. The costs in the Financial year 2019 were on BBS' normal level.

Other operating expenses

Other operating expenses mainly include research and development expenses, insurance expenses, premise rents and property-related expenses, travel expenses and administrative expenses.

Other operating expenses totalled 0.517 million euros for the Financial year 2017, 0.757 million euros for the Financial year 2018 and 0.593 million euros for the Financial year 2019. The increase was due to e.g. consultancy fees concerning approvals and travel expenses as well as costs related to the preparation of the First North listing.

Operating profit (loss)

The operating profit/loss was -4.364 million euros for the Financial year 2017, 0.477 million euros for the Financial year 2018 and -1.536 million euros for the Financial year 2019. The operating loss in the Financial year 2017 is mainly explained through the write-down of 2.95 million euros for the R&D investments and by the costs of approximately 0.2 million euros due to the preparations for the First North listing. In addition, the costs have increased due to the increased use of external services. The positive result for the financial year of 2018 was due to the judicial settlement received from loans totalling at 2.24 million euros. Financial year 2019's result can be described as a normal result of a company that carries out product development, as the Company does not have production or sales in this situation. The Company has capitalised the costs related to its R&D activity to its balance sheet.

Financial income and expenses

Financial income and expenses mainly consist of interests of loans.

The financial expenses for the Financial year 2017 was 81 thousand euros, 98 thousand euros for the Financial year 2018 and 102 thousand euros for the Financial year 2019. The small increase in financial expenses is due to the increased amount of debts and the increased interest rates.

Income taxes

The Company has not paid income taxes.

Profit (loss) for the financial year

The net loss for the Financial year 2019 was -1.638 million euros, 0.380 million euros for the Financial year 2018 and -4.466 million euros for the Financial year 2017. The results have been explained in Section "*Operating profit (loss)*".

BBS' financial situation

Fixed assets

Fixed assets totalled at 9.176 million euros for the Financial year 2019, 9.378 million euros for the Financial year 2018 and 9.573 million euros for the Financial year 2017. The decrease in the amount of fixed assets for the Financial year 2017 is due to the write-down of 2.95 million euros for R&D investments.

Current assets

Current assets totalled 0.657 million euros for the Financial year 2019, 1.778 million euros for the Financial year 2018 and 0.095 million euros for the Financial year 2017. The increase in 2018 was due to the funds raised from the initial public offering of the Company.

Equity

Equity totalled at 3.079 million euros for the Financial year 2019, 4.417 million euros for the Financial year 2018 and 0.536 million euros for the Financial year 2017. The equity's increase in the Financial year of 2018 was due to funds raised from the initial public offering. The low level of equity in the Financial year 2017 is mainly due to the write-down of 2.95 million euros for R&D investments and the increase in other operating expenses.

Current and non-current liabilities

Current and non-current liabilities totalled at 5.367 million euros for the Financial year 2019, 5.809 million euros for the Financial year 2018 and 7.673 million euros for the Financial year 2017. The Company's total current and non-current liabilities decreased due to the loans' judicial settlement arrangement in the Financial year 2018 and loans were repaid during the Financial year 2019.

BBS' liquidity, sources of capital and cash flows

Liquidity and sources of capital

BBS mainly funds its operations by means of equity financing as well as with research and product development subsidies and loans. As of now, BBS has financed its operations by means of equity financing from shareholders, which include funds from share issues carried out during the period covered by the financial details set out in this Prospectus for the years 2017-2019, and by means of product development loans granted by Tekes.

Liquid assets totalled at 0.516 million euros for the Financial year 2019, 1.685 million euros for the Financial year 2018 and 0.035 million euros for the Financial year 2017. The decrease in liquid assets in 2019 was due to the financing of business operations during the period.

Cash flow from business operations

The Company's cash flow from operations for the Financial year 2019 was -1.444 million euros, -1.701 million euros for the Financial year 2018 and -1.077 million euros for the Financial year 2017. The cash flow presents the Company's operations' and product development's cost structure as there are no net sales.

Cash flow from investments

The Company's cash flow from investments for the Financial year 2019 was 24 thousand euros, 34 thousand euros for the Financial year 2018 and 52 thousand euros for the Financial year 2017.

Cash flow from financing

The Company's cash flow from financing totalled at 0.299 million euros for the Financial year 2019, 3.385 million euros for the Financial year 2018 and 1.057 million euros for the Financial year 2017. Cash flow from financing consists of loans and equity investments. The source of cash flow in 2019 was the directed issue arranged by the Company in Sweden, in the Financial year 2018 the initial public offering of the Company and in the Financial year 2017 a share issue completed by the Company.

Loans from credit institutions and investors

BBS has received loans from Business Finland/Tekes for product development. The total of the loans have been set out in the Company's financial statements of 2019, but the repayment terms of the loans have been reviewed on 17 March 2020. On the date of this Prospectus the amount of loans and terms of the loans are as follows:

- A product development loan of 0.578 million euros from 2015, interest rate 1.0%, repayment period of 6 years starting from 11 June 2022, repayment is 82,669 euros per annum.
- A product development loan of 2.732 million euros from 2010, interest rate 1.0%, repayment period of 5 years starting from 9 June 2022, repayment is 455,334 euros per annum.
- A product development loan of 1.844 million euros from 2009, interest rate 1.0%, repayment period of 8 years starting from 30 June 2020, repayment is 204,913 euros per annum.
- A product development loan of 78,520 euros from 2007, interest rate 1.0%, repayment period of 8 years starting from 2 October 2020, repayment is 9,815 euros per annum.

Loans have been paid based on project expenditure reports reported by BBS. The conditions of the Business Finland/Tekes are according to the lender's general terms and conditions. The interest rate for the loans is three percent lower than the currently valid standard rate confirmed by the State Treasury, however no less than one percent.

If the project fails, or is at risk of failing, the borrower may be granted additional time for repayment, the loan or part of the loan can be changed into a capital loan or the unpaid loan and loan's interests can, in exceptional cases, be left partially or fully uncollected.

Finnvera has granted BBS a loan in 2010, which according to the Company's financial statements 2019 totalled at 277,690 euros, the interest rate is EB6 + 3.760%, the repayment period is 5 years, the repayments is 13,900 euros every six months. A business mortgage of 300 thousand euros acts as the collateral for the loan. The repayment schedule has been reviewed on 10 December 2019.

BBS's subsidiary, Bio Bones Oy was granted a loan by Finnvera in 2007 of which there was 641,668 euros left for repayment in the financial statement of 2019. The interest rate for the loan is EB6 + 3.680%, the repayment

period is 6 years, the repayments is 32,100 euros every six months. Real estate mortgages of 500 thousand euros act as the collateral for the loan. The repayment schedule has been reviewed on 10 December 2019.

Finha Capital Oy has granted 17 March 2020 a 200-thousand-euro non-secured working capital loan to the Company. Loan's interest is 2.5% for the loan period and the loan is due with interest for repayment on 19 September 2020. Based on the terms of the loan, the loan can be used as payment of the Offer Shares in the Offering.

Finha Capital Oy has committed to give, when requested, to BBS a maximum of 300 thousand euro working capital loan. The commitment has been signed on 27 March 2020 and it is valid until 1 July 2020. The possibly drawn loan can be used as payment of the Offer Shares in the Offering. The loan is repaid at the latest on 1 November 2020, unless converted to shares. The annual interest for the loan is 6%. The loan is non secured. The commitment is void, if the Company performs a share issue before 1 July 2020 or the Company's cash reserve will increase past 400 thousand euros through other means.

Capital loans

BBS has received the following capital loan from Tekes:

- An equity-based product development loan of 0.950 million euros in 2004, of which 175,825 euros remains, the original repayment should be completed by 31 December 2022.

The interest rate of the capital loan is one percent lower than the currently valid standard rate confirmed by the State Treasury, however no less than three percent. The interest rate of the Company's capital loan is now 3.0%. Interest is only paid if the amount to be paid can be used for profit distribution in accordance with the balance sheet of the company's, or if the company is a parent company, the group's most recent financial year (repayment condition of interest). The repayment of the capital loan has a condition (limitation condition for repayment) where the loan is only repaid, if there is a margin for the tied-up capital and other non-distributable items referred to in the balance sheet of the company's, or if it is a parent company, the group's latest financial year. As of the financial statement of 2019 that was dated 31 December 2019, the total amount of unpaid interest of capital loans equals 75,354 euros. The next repayments are on 31 December 2020 (25,118 euros), 31 December 2021 (25,118 euros) and 31 December 2022 (25,118 euros)

Product development loans

See Section "*Loans from credit institutions and investors*" of the Prospectus.

Bank and counter guarantees

A sum of SEK 200,000 has been deposited in an escrow account at Nordea to guarantee the Euroclear Sweden's payments. This is normal practice in Sweden.

Issued collaterals

BBS has given a business mortgage of 300 thousand euros to Finnvera Oyj.

Bio Bones Oy has given a real estate mortgage of 500 thousand euros to Finnvera Oyj.

Aids and subsidies

On the date of this Prospectus, the Company has received a total amount of 11,709 euros in de minimis subsidy for the current and two previous financial years. De minimis subsidy is a public aid that is granted to companies, which is regulated by the European Commission's Regulation (EC) No. 1407/2013. The subsidy can be funding or other benefits, such as tax relief, interest subsidy, training or any other service that is partly or fully free of charge, which is offered to a limited business group.

Investments

In recent years, the Company has made inter alia the following investments in its production line: cold dryer, bone mill and syringe filler machine. R&D and the acceptance process does not require substantial investments, however during the production line commissioning there will be a 300,000 euro investment cost. Investments have been as follows (euros):

2017: 51,595
2018: 78,940
2019: 35,832

2020: 37,656

Contingent liabilities

The Company has rented office and laboratory premises from Invalidisäätiö, which are located at Kiinteistö Oy Oulun Medireha, Rehapolis 2. The rent agreement is valid until further notice and the termination period is 4 months. The rent with VAT is 5,706 euros/month and the termination period is 4 months, liability is in total 22,824 euros. Printer's leasing agreement is 250 euros/month, the termination period 4 months.

Planned investments

The Company has planned new investments for the development of the production line for continuous production by e.g. increasing automation at the packaging point. A small expansion of the clean room is also necessary. Approximately 0.3 million euros has been budgeted for these investments. If the Company's product obtains a CE-mark and sales begins, the capacity of the current production line will be sufficient for at least two years, so there are no major investment needs in the near future.

ADMINISTRATION, MANAGEMENT AND AUDITORS

Administration in general

The Company complies with the Finnish Companies Act in organising its administration. The Company does not comply with Finnish Corporate Governance Code 2020 recommendation as it is not justified on the basis of the size of the Company and the scope of business operations. In accordance with the Finnish Companies Act, the Company's administration has been divided into between the General Meeting, the Board of Directors and the Managing Director (CEO). Shareholders use their rights mainly in the General Meeting which is normally convened by the Board of Directors. The General Meeting shall, in addition, be held if the auditor or shareholders of the Company, whose shares represent at least one tenth of all issued shares, which are not in the possession of the Company, demand in writing the holding of the General Meeting.

The work address of the Board members and CEO is Kiviharjunlenkki 6, 90220 Oulu.

Board of Directors

Board of Directors in general

The Board of Directors shall see to the administration of the Company and the appropriate organisation of its operations. The Board of Directors shall be responsible for the appropriate arrangement of the control of the Company accounts and finances. The Board of Directors or a member of the Board of Directors shall not comply with a decision of the General Meeting or the Board of Directors where it is invalid owing to being contrary to the Finnish Companies Act or the Articles of Association. The General Meeting elects the members of the Board of Directors.

According to the Company's Articles of Association, the Board of Directors shall consist of three (3) to seven (7) members elected by the shareholders at a general meeting. The term of office of each member of the Board of Directors ends at the adjournment of the first annual general meeting of shareholders following the election.

The opinion of the majority of the members in attendance in the meeting shall constitute the decision of the Board of Directors. In the event of a tie the chairman shall have the casting vote. The chairman of the Board shall be elected by the Board of Directors. The Board of Directors has convened 11 times in 2019, 7 times in 2018 and 8 times in 2017. The Board of Directors has not appointed committees among its members.

As of the date of this Prospectus, the Board of Directors comprises the persons set out in the below table:

Name	Position	Born	Elected
Jarmo Halonen	Chairman of the Board	1952	**2018**
Hannu Säynäjäkangas	Board member	1954	**2012**
Pekka Jalovaara	Board member	1941	**2003**
Auvo Kaikkonen	Board member	1960	**2017**
Tomi Numminen	Board member	1971	**2018**
Ilkka Kangasniemi	Board member	1964	**2019**

Presentations of the Board members

Chairman of the Board

- Jarmo Halonen, born in 1952,
- Master of Science (Technology), Machine Engineering and Industrial Economy
- Chairman of the Board since January 2018.
- Member of the Board since May 2016.

Jarmo Halonen was the CEO of Elecster Oyj between 1988-2017, whereas between 1979 and 1988 he has acted in various managerial positions at Elecster Oyj. Jarmo is also a member of the supervisory board of insurance company Fennia. In addition to BBS, for the past five (5) years prior to the date of this Prospectus, Jarmo Halonen has acted or has been a member of the following, outside of the Company, executive, management or supervisory bodies and/or partner in the following partnerships:

Company	Position	Status
Bio Bones Oy	Board member	**Continues**
Elecster Oyj	Board member	**Continues**
Keskinäinen Vakuutusyhtiö Fennia	Member of supervisory board	**Continues**
Sandudd Oy	Board member	**Continues**
Finvac Automation Ltd Oy	Chairman of the Board and CEO	**Continues**
Okuli Oy	Board member and CEO	**Continues**
Sorby Oy	Board member and CEO	**Continues**
Finvenla Oy	Board member and CEO	**Continues**
A/S Eesti Elecster	Board member	**Continues**
Elecster (Tianjin) Dairy Machinery Ltd	Board member	**Continues**
Elecster (Tianjin) Aseptic Packaging Co. Ltd	Board member	**Continues**

Board member

- Pekka Jalovaara, born in 1941,
- MD, PhD, Professor of Orthopaedic Surgery
- Member of the Board since May 2003.

Professor Jalovaara is BBS' founder. He originally joined the research project in 1996 which later led to the establishment of BBS in 2003. He is also a significant shareholder in the Company. From 2011 until October 2019, Jalovaara was the Company's CEO. Nowadays, he acts as the Company's advisor. Pekka Jalovaara is an Emeritus Professor of Orthopaedics and Traumatology at the University of Oulu, where he has been actively involved in a number of research projects. Professor Pekka Jalovaara has published extensively in the field of orthopaedics. He is a member of several International Orthopaedic Societies and has organised international congresses on the research and utilisation of Bone Morphogenic Proteins. In addition to BBS, for the past five (5) years prior to the date of this Prospectus, Pekka Jalovaara has acted or has been a member of the following outside of the Company executive, management or supervisory bodies and/or partner in the following partnerships:

Company	Position	Status
Bio Bones Oy	Board member	**Continues**

Board member

- Hannu Säynäjäkangas, born in 1954,
- B.Sc. (Eng), M.Sc. (Econ)
- Member of the Board since May 2012.

Hannu Säynäjäkangas is BBS' Financial Director. He has been involved in equity financing operations between 2008-2019 as the CEO at Fortel Management Oy and between 1998-2008 he has been the Investment Director, CEO and shareholder at Fortel Invest Oy. The target companies of Fortel Invest were in ICT-, wellness- and environmental industries. Four of Fortel Invest's target companies have been listed at Nasdaq Helsinki since 1998: JOT Automation Group, Incap / JMC Tools, Elektrobit Group and QPR Software. He has been a member of the board in more than 25 different PE and technology companies.

In addition to BBS, for the past five (5) years prior to the date of this Prospectus, Hannu Säynäjäkangas has acted or has been a member of the following outside of the Company executive, management or supervisory bodies and/or partner in the following partnerships:

Company	Position	Status
Bio Bones Oy	Board member	**Continues**
Fortel Management Oy	Chairman and CEO	**Continues**
Juno Medical Oy	Board member	**Ended**
Oulun Seudun Hyvinvointirahasto Ky	General Partner	**Ended**
Rescomi Oy	Deputy member of the Board	**Continues**
Gamga Oy	Board member	**Continues**
Inspector Sec Oy	Chairman of the Board	**Continues**
Biosilta Oy	Board member	**Ended**
Pixolane Oy	Board member	**Ended**

Board member

- Auvo Kaikkonen, born in 1960,
- PhD, Orthopaedics and sports medicine, MBA
- Member of the Board since May 2017.

Auvo Kaikkonen is the founder of Oxics Oy and was its managing director during the years 2008-2016. He has also founded Inion Oy and served as its CEO between 1999-2008. Since 2016, Auvo Kaikkonen has acted as an advisor for the European Investment Bank (EIB) in the Life Science sector. In addition to BBS, for the past five (5) years prior to the date of this Prospectus, Auvo Kaikkonen has acted or has been a member of the following outside of the Company executive, management or supervisory bodies and/or partners in the following partnerships:

Company	Position	Status
Bio Bones Oy	Board member	**Continues**

Board member

- Tomi Numminen, born in 1971
- KTM
- Member of the Board since April 2018

Tomi Numminen was the CEO of Bioretec Oy between 2016-2019. At the moment, he operates as Bioretec's chairman of the Board. His previous work experience includes e.g. ReBio Technologies Ltd (UK) Operative Director and CEO, Purac Biochem (NL) Business Unit Director, Vivoxid Oy's CEO. Numminen has also founded Endicum Oy where he currently acts as the chairman of the Board. In addition to BBS, for the past five (5) years prior to the date of this Prospectus, Tomi Numminen has acted or has been a member of the following outside of the Company executive, management or supervisory bodies and/or partner in the following partnerships:

Company	Position	Status
Bio Bones Oy	Board member	**Continues**
Bioretec Oy	Chairman of the Board	**Continues**
Labrox Ltd.	Board member	**Continues**
Endicum Ltd	Chairman of the Board	**Continues**
Aucor Oy	Board member	**Ended**
Ocuspecto Oy	Board member	**Ended**

Board member

- Ilkka Kangasniemi, born in 1964
- PhD, Docent in Biomaterial Science, University of Turku
- Member of the Board since April 2019

Ilkka Kangasniemi became the CEO of BBS on 15 October 2019 after Pekka Jalovaara became an advisor for the Company. In addition to BBS, Ilkka Kangasniemi is also the R&D Director and chairman of the Board for ID Creations Oy which he founded. Previously he has been the R&D director for Vivoxid Oy and has been involved in establishing several biomaterial companies. In addition to BBS, for the past five (5) years prior to the date of this Prospectus, Ilkka Kangasniemi has acted or has been a member of the following outside of the Company executive, management or supervisory bodies and/or partner in the following partnerships:

Company	Position	Status
Bio Bones Oy	Board member	**Continues**
ID Creations Oy	Chairman of the Board	**Continues**

CEO and management team

General overview on the Company's CEO and management team

The Board of Directors appoints the CEO. The CEO shall see to the executive management of the Company in accordance with the instructions and orders given by the Board of Directors. The CEO shall see to it that the accounts of the Company are in compliance with the law and that its financial affairs have been arranged in a reliable manner. The CEO shall supply the Board of Directors and the members of the Board of Directors with the information necessary for the performance of the duties of the Board of Directors.

The CEO may undertake measures that are unusual or extensive in view of the scope and nature of the activities of the Company only if so authorised by the Board of Directors or if it is not possible to wait for a decision of the Board of Directors without causing essential harm to the business operations of the Company. In the latter case, the Board of Directors shall be notified of the measures as soon as possible. The members of the Company's management team operate directly under the supervision of the CEO and the CEO directs the management team.

The management team convenes an evaluation meeting twice (2) a year.

The following table sets the members of the Company's management team on the date of this Prospectus:

Name	Position	Born	Nominated
Ilkka Kangasniemi	CEO	1964	**2019**
Hannu Säynäjäkangas	CFO	1954	**2015**
Hanna Tölli	Production manager, HR manager	1983	**2016**
Merja Haikola	Quality Manager, Senior Director	1957	**2019**
Kenneth Sandström	Product Development Director	1960	**2019**
Mikko Viitanen	Quality assurance	1971	**2019**

Production manager, HR manager

- Hanna Tölli, born in 1983,
- Doctor of Philosophy, MSc in Health Sciences, Medical Technology
- At BBS since 2006
- Member of the management team since 2016
- Has not served on the administrative, management or supervisory bodies of any other company during the last 5 years and / or as a partner in a partnership

Hanna Tölli has extensive experience on biomaterials and bone substitutes, she has made her Doctor's thesis concerning the BBS product.

Quality Manager, Senior Director

- Merja Haikola, born in 1957
- Master of Philosophy (Chemistry)
- At BBS since 2006
- Member of the management team since 2019
- Has not served on the administrative, management or supervisory bodies of any other company during the last 5 years and / or as a partner in a partnership

Merja Haikola has the qualifications to operate as the head director of a pharmaceutical plant as well as a QP (Qualified Person) required in the production of medical devices. She has several years of experience in quality control and assurance duties in the pharmaceutical industry.

Product Development Director

- Kenneth Sandström, born in 1960
- Master of Philosophy (Chemical engineering)
- At BBS since 2007

- Member of the management team since 2019
- Has not served on the administrative, management or supervisory bodies of any other company during the last 5 years and / or as a partner in a partnership

Kenneth Sandström has vast experience in various product development projects within the medical industry. Prior to BBS, he worked at Pharma Oy as a Senior Researcher.

Director of Quality Assurance Laboratory

- Mikko Viitanen, born in 1971
- Master of Philosophy (Biochemistry), Master of Science (Bioprocess Technology)
- At BBS since 2006
- Member of the management team since 2019
- Has not served on the administrative, management or supervisory bodies of any other company during the last 5 years and / or as a partner in a partnership

Mikko Viitanen is a qualified biochemist and a Master of Science in bioprocess technology. He has a background as a researcher. Viitanen has the responsibility of the Company's Quality Assurance Laboratory that operates in Oulu as well as the development of analysis methods.

Selected information on the members of the Board and the management team

Selected information

On the date of this Prospectus no member of the Board or management team has during the past five years:

- had any convictions in relation to fraudulent offences;
- been in a managerial position, such as a member of the administrative, management or supervisory body or belonged to the senior management of any company at the time of its bankruptcy, liquidation or reorganisation; or
- been subject of any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies) or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of any company or from managing the affairs of any company.

Conflicts of interest

Member of the Board of Directors shall be disqualified from the consideration of a matter pertaining to a contract between himself and the company. He or she shall also be disqualified from the consideration of a matter pertaining to a contract between the company and a third party if he/she may thereby receive a material benefit which may be in contradiction with the interests of the company. The above provision on a contract shall correspondingly apply to other legal act and to legal proceeding and other similar matter. This provision also applies to the CEO.

There is no conflict of interest between the duties of the Board of Directors and the members of the management team in the Company and their personal interests, neither no members of the Board or management team have any arrangements or commitments with the major shareholders, suppliers or others in relation to their election or appointment as a member of the Board of Directors or management team, neither no members of the Board of Directors or the management team have agreed on limits, on the transfer of securities of this Company they own, within a certain period of time.

Family relationships

Members of the Board or management team have no mutual family relations.

Office address

The Board's, management team's and the founders' working address is Kiviharjunlenkki 6, 90220 Oulu.

Management's ownership in the Company

The table below includes the holdings of Shares in the Company as well as holdings of rights entitling to Shares by the members of the Board of Directors and the management team of the Company as well as entities controlled by them on 20 March 2020:

Name	Position	Shares	Options
Hannu Säynäjäkangas	Board member, CFO	**0**	**0**
Pekka Jalovaara	Board member	**532,850**	**149,000**
Jarmo Halonen	Chairman of the Board	**10,800**	**0**
Auvo Kaikkonen	Board member	**0**	**0**
Tomi Numminen	Board member	**0**	**0**
Ilkka Kangasniemi	Board member, CEO	**0**	**0**
Hanna Tölli	Production manager, HR manager	**0**	**9,000**
Merja Haikola	Quality Control Manager	**0**	**0**
Kenneth Sandström	R&D Director	**0**	**0**
Mikko Viitanen	Quality assurance	**0**	**9,000**

The Company's stock options are described under the "*Shares and share capital - Option rights and other special rights entitling to shares*" section of this Prospectus.

Remuneration and benefits of members of the Board of Directors and management

For the financial years 2017-2020 by the date of this Prospectus, members of the Board have been paid remuneration and other benefits as follows:

Remunerations (EUR)	2020	2019	2018	2017
Name				
Pekka Jalovaara	0	0	0	0
Hannu Säynäjäkangas	0	0	750	0
Jarmo Halonen	3,000	6,750	4,500	4,000
Auvo Kaikkonen	2,000	3,500	3,500	3,500
Päivi Ylä-Kolu	0	0	2,000	4,000
Timo Heikkilä	0	0	0	500
Tomi Numminen	2,000	4,500	1,500	0
Ilkka Kangasniemi	0	3,000	0	0
Total remuneration	**7,000**	**17,750**	**12,250**	**12,000**

Bio Bones Oy does not pay its Board members separate fees, Bio Bones Oy's Board is the same as BBS Board.

The General Meeting shall determine the remuneration of the Board members. On 5 April 2019 the Company's General Meeting decided that from the period started on 5 April 2019 and ends when the Company's next Annual General Meeting ends, the Board members shall be paid a remuneration as follows:

- Chairman of the Board 750 euros per meeting; and
- For each member 500 euros per meeting;

Because some of the Board members do not necessarily receive personal fees due to the rules of their employer community, the remuneration will be paid only to those members of the Board who have informed the Company that they wish to receive the remuneration as a member of the Board. The remuneration can be paid if the individual member of the Board so requires, in whole or in part, in shares of the Company so that the shares are acquired from the market in the name and on behalf of the Board member. The Company will then be responsible for the costs related to the acquisition of shares.

Members of the Board have also been paid compensation for expenses in accordance with the Company's current statutes.

The Board of Directors has approved the general principles and procedures applicable to the management and personnel remuneration system in the Company. The remuneration of the CEO is determined by the Board of Directors. Remuneration of the CEO consists of a fixed monthly salary as well as other fringe benefits such as

telephone and lunch benefits, according to the Company's current regulations. In the financial year of 2019, the Company paid the CEO a total salary including benefits of 88,760 euros, in the financial year 2018 a total of 84,980 euros and in the financial year 2017 a total of 88,420 euros. The remuneration of other members of the management team is decided by the CEO. Remuneration of other members of the management team consists of a fixed monthly salary as well as fringe benefits such as a phone and lunch, according to the Company's current regulations. In the financial year 2019, the total salaries and remuneration as well as fringe benefits of other members of the management team was in total 144,000 euros, in the financial year 2018 the total was 143,000 euros and in the financial year 2017 the total was 120,000 euros. There has been no changes in the remuneration of the CEO and management team during the financial year 2020.

The Company has, under certain limits, committed to reimburse to each member of the Board certain liabilities, arising out of any claims that may be brought against them in connection with the performance of the duties of a member of the Board of Directors. The Company has not given any other liability commitments on behalf of the Board or members of the management team.

Members of the management team have been provided with statutory pension insurance and members of the Board of Directors or management team have no supplementary pension arrangements with the Company.

Members of the management team are, when their work or service is ended, entitled to a pay period appropriate to remuneration. Agreements on which the members of the Board or management team would be entitled, to additional benefits at the end of the employment or service, do not exist.

The Company's share-based incentive schemes are described in more detail under section "*Shares and share Capital – Option rights and other special rights entitling to shares*". The Company has no other share-based incentive programs valid on the date of Prospectus.

Auditors

According to the Articles of Association, the Company must elect one auditor and a deputy. Company's ordinary meeting chose 5 April 2019 the audit firm Ernst & Young Oy as the Company's auditor. The Company's responsible auditor for the financial period that ended on 31 December 2019 was APA Jari Karppinen and in the financial periods that ended on 31 December 2018 and 31 December 2017 was APA Juhani Rönkkö. Ernst & Young Oy's company's business ID is 2204039-6 and the registered address is Alvar Aallonkatu 5C, 00100 Helsinki. The Company's auditors and the principal auditors who operated during the years 2017-2019 have been entered in the register of auditors referred to in Chapter 6, Section 9 of the Auditing Act (1141/2015, as amended).

LARGEST SHAREHOLDERS AND RELATED PARTY TRANSACTIONS

Largest shareholders

The following table sets forth the Company's ten largest shareholders and the total number of Shares of these shareholders on 15 May 2020. The Company is not aware that it would be, directly or indirectly, owned or controlled by a third party.

Shareholder	Number of shares	% of total shares and votes
Finha Capital Oy	865,501	**17 %**
Municipality of Reisjärvi	691,652	**13 %**
EAKR - Aloitusrahasto Oy	596,271	**11 %**
Pekka Jalovaara	532,850	**10 %**
Irma Halonen	295,421	**6 %**
Paananen Ahti	267,879	**5 %**
Panvest Oy	244,142	**5 %**
Innovestor Kasvurahasto I Ky	229,094	**4 %**
Jukka Halonen	153,844	**3 %**
Veronika Halonen	133,166	**3 %**
Others	1,195,000	**23 %**
Total	**5,204,820**	**100 %**

Related party transactions

BBS' related parties include its subsidiaries, members of the Board of Directors, the CEO, the members of the management team, as well as the shareholders who have significant influence over the Company. In addition, related parties include close family members of the aforementioned persons as well as entities controlled or jointly controlled by a related party.

Apart from ordinary intra-group transactions, the Company has not entered into any other significant transactions or similar arrangements with its related parties during the financial periods that ended on 31 December 2019, 31 December 2018 and 31 December 2017. The salaries and other employee benefits of the Company's Board of Directors and management are discussed in the Prospectus Section "*Remuneration and benefits of members of the Board of Directors and management*".

SHARES AND SHARE CAPITAL

Company

The Company's registered business name is BBS-Bioactive Bone Substitutes Oyj, BBS-Bioactive Bone Substitutes Abp in Swedish and BBS-Bioactive Bone Substitutes Plc in English. The Company's domicile is Oulu, its registered visiting address is Kiviharjunlenkki 6, 90220 Oulu and phone number is 020 792 4700, and the internet address is www.bbs-artebone.fi. According to Section 2 of the Company's Articles of Association, the Company's field of business is to exercise medical and dental research and treatment activities, as well as maintain a research and treatment facility, convene related services, import, purchase, sell, hire and produce machines, devices, equipment and medicinal products necessary in this field of business. Medical activities for commercialising artificial bone and practice business with artificial bone and manufacturing rights.

The Company is a public limited liability company which is subject to Finnish legislation. The Company has been entered in the Trade Register maintained by the Finnish Patent and Registration Office on 6 February 1991 and its business ID is 0866451-4. Company's LEI code is 743700BYSBP0PCR6N767. The Company has changed from a private limited liability company to a public limited liability company on 17 October 2017. The Company's accounting period starts on 1 January and ends on 31 December.

Between 6 February 1991 – 11 August 1999, the Company's business name was Ortopedian ja Plastiikkakirurgian Keskus Oy, and between 12 August 1999 – 16 October 2017, it has been BBS-Bioactive Bone Substitutes Oy. The Company's name has been BBS-Bioactive Bone Substitutes Oyj since 23 October 2017.

The Company owns all the shares of its subsidiary Bio Bones Oy. Bio Bones Oy's domicile is Reisjärvi and its registered address is Kiviharjunlenkki 6, 90220 Oulu.

The number of shareholders at the end of the financial year that ended on 31 December 2019 was 1,097. On 15 May 2020 the total number of shareholders was 1,852.

Shares and share capital

On the date of this Prospectus, the Company's registered share capital was 80,000 euros. The Company has a total of 5,204,820 registered Shares. The Company only has one series of shares and all the Shares have been fully paid. Each Share carries one (1) vote in the General Meeting.

The Shares have no nominal value. Shares' ISIN code is FI4000260583. On the date of this Prospectus, the Company does not own its own shares. Shares have been entered into the book-entry system in Finland maintained by Euroclear Finland Oy on 3 August 2017. In addition, the Shares that are traded on First North Sweden are registered in the Swedish book-entry system maintained by Euroclear Sweden AB since 28 February 2018. The Shares have been issued in accordance with Finnish legislation. The Company's Shares are euro denominated.

Historical development of the share capital and the number of Shares

The Company's share capital development and the changes in the number of Shares since 1 January 2017 have been presented in the following table. On 1 January 2017, the Company had 4,236,901 Shares, and its share capital was 27,984 euros. The number of registered Shares in the Company at the end of financial year 2017 was 4,454,001, 5,090,520 in 2018 and 5,204,820 in 2019.

Event	Change in share capital (EUR)	Change in number of shares (PCS)	New number of shares (PCS)	New share capital (EUR)	Registration date	Share premium reserve (EUR)	Invested unrestricted equity fund (EUR)
Reserve increase 17 October 2017	52,016	**0**	4,236,901	**80,000**	23 October 2017	**-52,016**	6,925,173
Directed share issue 24 March 2017	0	**217,100**	4,454,001	**80,000**	13 November 2017	**911,820**	7,836,993
IPO 5 February 2018	0	**636,519**	5,090,520	**80,000**	23 February 2018	**3,500,854**	11,337,847

Directed share issue 17 June 2019	0	**114,300**	5,204,820	**80,000**	5 July 2019	**300,607**	11,638,454

Increase of share capital by means of a fund increase17 October 2017

An Extraordinary General Meeting on 17 October 2017 decided to increase the share capital to 80,000 euros with a reserve increase, in which new shares are not issued. The increase was registered in the Trade Register on 23 October 2017.

Directed share issue 24 March 2017

On 24 March 2017, on the basis of the authorisation received on 7 March 2017 from the General Meeting, the Company's Board decided on a share issue, where up to 261,800 new shares were offered, in deviation from the shareholders' pre-emptive right, for subscription to certain shareholders. A total of 217,100 shares were subscribed. The subscription price was 4.20 euros per share, and it was entered in the Company's invested non-restricted equity fund in full. New shares were registered in the Trade Register on 13 November 2017.

IPO 5 February 2018

On 26 January 2018, the Board of Directors decided, on the basis of authorisation obtained from the General Meeting on 17 October 2017, on a directed issue totalling at the maximum of 1,400,00 new shares and to offer the shares to be subscribed by the public and by institutional investors in a directed issue in Finland and Sweden. The subscription price of the shares to be offered in the IPO was 5.50 euros per share. The total number of shares that were subscribed and paid in the IPO was 636,519 including the 13,911 shares that were issued as subscription remuneration to those who had subscribed in advance. Shares' subscription price was entered in the Company's invested non-restricted equity fund. New shares were registered in the Trade Register on 23 February 2018.

Directed share issue 17 June 2019

On 17 June 2019, based on the authorisation given on 5 April 2019 by the General Meeting, the Board of Directors resolved to organise a directed share issue in Sweden by issuing up to 509,000 new shares. The subscription price for the shares was determined according to the volume weighted average price of the Company's share on First North Sweden during the period of 17 June 2019 - 28 June 2019 with a discount of 10%. However, the subscription price could not be lower than 24.00 Swedish crowns or higher than 33.00 Swedish crowns. The volume weighted average price of the Company's share was 31.22 Swedish crowns. Therefore, the subscription price for the share issue was 28.10 Swedish crowns per share. In the share issue a total of 114,300 new shares were subscribed and paid. Shares' subscription price was entered in the Company's invested non-restricted equity fund. New shares were registered in the Trade Register on 5 July 2019.

Option rights and other special rights entitling to shares

Apart from those specified below, the Company has not issued any option rights or other special rights that would entitle to subscribing to Shares.

2012 Option rights' terms

On 18 July 2012, the Company's shareholders made a unanimous decision on issuing option rights ("Option rights 2012"). All 170,000 options have been issued during 2012 to the staff, and they have not yet been used to subscribe shares.

In deviation from the shareholders' pre-emptive right, the option rights are issued to employees, other staff, Board members and other third parties working in benefit of the Company in order to commit them to the Company.

A total of 170,000 option rights are issued, which will entitle the subscription of a total of 170,000 new shares or existing shares held by the Company. The subscription price of the shares to be subscribed by the option right is one (1.00) euro. If those that have the right to subscribe option rights do not subscribe to all the option rights offered to them, the excess option rights will remain unused and the Company can reissue them. Others, who have the right to subscribe, do not have the right to subscribe to option rights, which have not been subscribed, unless the board decides otherwise.

If an option right holder's employment, operating, consultancy or other agreement or duty as a member of the Board, management team or other body with the Company or a company in the same group ends for any reason, he/she or his/her right holder shall be deemed to have transferred such option rights to the Company to the extent that the share subscription time had not started on the end date of the employment, operating, consultancy or other agreement or duty. In exceptional cases, the Company's Board can grant an exception to the previously mentioned transfer obligation.

The subscription time of shares begins from the registration of option rights in such a way that the option rights holder may use the option rights to subscribe to:

- 25% of the Company's shares after the option right holder's employment, operating, consultancy or other similar agreement or role as a Board member, in the management team or other similar body, has lasted continuously for more than one (1) year from the start date of the parent agreement or duty in the Company or a company in the same group.

  25% of the Company's shares after each full (1) year, when the option rights holder's employment, operating, consultancy or other similar agreement or role as a board member, in the management team or other similar body, has lasted continuously for more than one (1) year from the start date of the parent agreement or duty in the Company or a company in the same group. Thus, all shares can be subscribed for after 4 years from when the option right holder's employment, operating, consultancy or other agreement or duty as a board member, in the management team or other body has started, provided that the parent agreement or duty has continuously been valid for the relevant period.

- If authority in the Company changes, the option right holders are given the right to exercise their option rights for share subscription in a way set out by the Board and by the date set by the Board. The change of authority refers to any acquisition of shares (signing an agreement concerning the acquisition) that exceeds 50% of the Company's shares or voting rights, carried out by any person, company or group after option rights have been given.

The original subscription time for shares to be subscribed with options ended on 31 December 2019. On 5 April 2018, the Board of Directors has extended the subscription period to until 31 December 2023.

Authorisations

Authorisation 5 April 2019

It was decided by the Company's General Meeting on 5 April 2019 to give the Company's Board of Directors authorisation to decide on the issuing of shares, in which the Board of Directors' right to decide on the directed issue was not excluded. The share issue may be carried out by increasing the share capital through a new issue, by obtaining convertible bonds or issuing stock options in one or more batches. Under the authorisation, the Board of Directors may offer a maximum of 1,500,000 new shares. The authorisation is valid until the next General Meeting, however, at the latest until 30 June 2020.

The authorization includes the right to deviate from the shareholders' pre-emptive right pursuant to the Finnish Companies Act to subscribe for new shares or convertible bonds, as well as the right to decide on share subscription prices, those entitled to subscribe and subscription terms. The share subscription price will be entered in the invested non-restricted equity fund. The authorization may be used in deviation from the shareholders' pre-emptive right provided that the Company has a weighty financial reason, such as the expansion of the Company's shareholder base or any other company's business development or capital management related arrangement. Pursuant to the authorization deviating from the shareholders' pre-emptive right, shares may be offered to members of the Company's related parties, but not for the benefit of related parties. The Board of Directors is entitled to decide that the shares may be subscribed for in kind, using the right of set-off or otherwise on special terms. This authorization replaces previous authorization decisions.

As of the date of this Prospectus, 1,385,700 shares remain from the authorization. A maximum of 1,301,205 shares from the authorization will be used in the Offering.

Shareholder rights

General Meeting

General

Pursuant to the Finnish Companies Act, shareholders exercise their power to resolve on matters at General Meetings. Pursuant to the Finnish Companies Act, the Annual General Meeting of the company must be held annually no later than six months from the end of the company's financial year. At the Annual General Meeting, the financial statements, including the income statement and the balance sheet with notes thereto and if required the cash flow statement and the consolidated financial statements, are presented to the shareholders for adoption. At the Annual General Meeting, shareholders also make decisions regarding, among others, use of profits shown in the balance sheet, the discharge from liability of the members of the Board of Directors and the Managing Director, the number of members to be elected to the Board of Directors as well as the election of the members of the Board of Directors, the auditor and possibly deputy auditor, and their respective remuneration.

An Extraordinary General Meeting in respect of specific matters must be convened when deemed necessary by the Board of Directors, or when requested in writing by the auditor of the company or by shareholders representing at least one-tenth of all of the issued and outstanding shares in the company.

Pursuant to the Articles of Association of the Company, a notice to a General Meeting shall be delivered to the shareholders no earlier than two (2) months and no later than three (3) weeks prior to the General Meeting, however, in any case, at least nine (9) days before the record date of the General Meeting. Notice to a General Meeting shall be delivered by sending it to the addresses included in the shareholder register or alternatively at the same time by delivering it otherwise in writing e.g. via email or by publishing the notice in a daily national newspaper selected by the Board of Directors. In addition, the notice shall be published at the company's website. Under the rules of First North, the Company shall publish the notice to a General Meeting as a company release as well as on the Company's website.

In order to have the right to attend and vote at the General Meeting the shareholder should, in accordance with the Company's Articles of Association, register with the Company no later than the date specified in the notice to the General Meeting, which can be ten (10) days before the General Meeting at the earliest. Shareholders must comply with the requirements in respect of shares registered in Euroclear Finland or Euroclear Sweden, as the case may be, and any instructions provided in the relevant notice of the general meeting of shareholders.

The Finnish Companies Act or the Company's Articles of Association do not contain requirements concerning quorum of the General Meeting.

Shareholders with shares registered in Euroclear Finland

In order to have the right to attend and vote at a General Meeting, a shareholder must be registered at least eight (8) Finnish business days prior to the relevant General Meeting in the shareholder register maintained by Euroclear Finland in accordance with Finnish law. An owner of nominee-registered shares contemplating attending and voting at the General Meeting should seek a temporary registration in the shareholder register maintained by Euroclear Finland by the date announced in the notice to the General Meeting, which date must be after the record date of the General Meeting. A notification for temporary registration of an owner of nominee-registered shares into the shareholder register of the Company is considered notice of attendance at the General Meeting.

Shareholders with shares registered in Euroclear Sweden

In order to have the right to attend and vote at a General Meeting, a shareholder with Shares registered in Euroclear Sweden's book-entry securities system must (i) be registered in the shareholder register maintained by Euroclear Sweden on the record date of the General Meeting, i.e. eight (8) Finnish business days prior to the General Meeting, and (ii) request temporary registration of ownership in the shareholder register maintained by Euroclear Finland by the date announced in the notice to convene the General Meeting.

Furthermore, shareholders with shares registered in Euroclear Sweden in the name of a nominee, through a bank or a securities institution, must, in order to have the right to attend the General Meeting, (i) temporarily re-register their shares in their own name in the register maintained by Euroclear Sweden by instructing their nominee to send to Euroclear Sweden the request for temporary registration into the shareholder register maintained by Euroclear Sweden, and (ii) procure that the nominee sends the above mentioned request for

temporary registration in the shareholder register maintained by Euroclear Finland on their behalf. A request for temporary registration of ownership in the shareholder register maintained by Euroclear Finland is considered notice of attendance at the General Meeting.

Voting rights

A shareholder may attend and vote at a General Meeting in person or through an authorised representative. Pursuant to the Finnish Companies Act and the Articles of Association of the Company, each Share entitles the holder to one vote at the General Meeting. At a General Meeting, resolutions are generally passed with the majority of the votes cast. However, certain resolutions, such as any deviations from shareholders' preemptive rights in respect of share offerings and repurchases of own shares, amendments to the Articles of Association and resolutions regarding mergers, demergers or disso-lution of a company, require at least two-thirds of the votes cast and the shares represented at the General Meeting. In addition, certain resolutions, such as amendments to the Articles of Association that change the respective rights of share-holders holding the same class of shares or increase the redemption rights of a company or its shareholders require the consent of all shareholders, or where only certain shareholders are affected, require the consent of all shareholders affected by the amendment in addition to the applicable majority requirement.

Dividends and other distribution of funds

Under the Finnish Companies Act, the shareholders' equity of a company is divided into restricted and unrestricted equity. Restricted equity consists of the share capital, the fair value reserve and the revaluation reserves according to the Finnish Accounting Act (1336/1997, as amended) as well as any possible reserve fund and share premium fund formed under the previous Finnish Companies Act (734/1978, as amended) effective prior to September 1, 2006.

In accordance with the prevailing practice in Finland, dividends on shares in a Finnish limited company, if any, are generally declared once a year. Dividends may be paid and unrestricted equity may be otherwise distributed after the General Meeting has adopted the company's financial statements and resolved on the amount of dividend or other distribution of unrestricted equity based on a proposal by the Board of Directors of the company. Pursuant to the Finnish Companies Act, the payment of a dividend or other distribution of unrestricted equity may also be based on financial statements other than those for the preced-ing financial year, provided that such financial statements have been adopted by the General Meeting. If the company has an obligation to elect an auditor pursuant to law or its Articles of Association, such financial statements must be audited.

The payment of a dividend or other distribution of unrestricted equity requires the approval of the majority of the votes cast at a General Meeting of the company. Pursuant to the Finnish Companies Act, the General Meeting may also authorise the Board of Directors to resolve upon the payment of dividends and other distributions of unrestricted equity. The amount of dividend or other distribution of unrestricted equity cannot exceed the amount stipulated by the General Meeting.

Pursuant to the Finnish Companies Act, a company may also distribute funds by reducing its share capital, which requires the approval of the majority of votes cast at a General Meeting of the company. A decision regarding the share capital reduction must be registered with the Finnish Trade Register within one month from the General Meeting of the company that resolved on such share capital reduction. Following the registration of the share capital reduction, a creditor hearing process may be commenced and the Finnish Trade Register will issue, upon application of the company, a notice to the creditors of the company. The reduction of the share capital may be registered if none of the creditors of the company has opposed the reduction of the share capital or the company has received a confirmatory judgment to the effect that the opposing creditors have either received payment for their receivables or a securing collateral has been placed by the company for the payments of such receivables.

Distributable funds include the profit for the preceding financial year, retained earnings from previous financial years and other unrestricted equity, adjusted for the loss set forth in the balance and the amounts that the Articles of Association of the company require to be left undistributed as well as the amount that is recognised as a development cost on the balance statement in accordance with the accounting act. The amount of any dividend or other distribution of unrestricted equity is limited to the amount of distributable funds of the company stated in the financial statements upon which the decision to pay dividends or otherwise distribute unrestricted equity are based, subject to any material changes in the financial condition of the company since the financial statements were prepared. Distribution of funds, whether by way of dividend or other distribution of unre-stricted equity, is prohibited if it is known, or it should be known, at the time such a decision is made

that the company is insolvent or that such distribution would cause the company to become insolvent. Distributable funds are, where applicable, to be further adjusted for capitalised incorporation, research and certain development costs in accordance with the provisions of the Finnish Act on the Implementation of the Finnish Companies Act (625/2006, as amended). A parent company of a consolidated group of companies may not distribute more than the amount of distributable funds shown on the parent company's latest audited and adopted financial statements.

The dividend may not exceed the amount proposed or otherwise accepted by the Board of Directors, unless so requested at the General Meeting by shareholders representing at least one-tenth of all of the issued and outstanding shares in the company, in which case, the dividend can be no more than the lesser of (i) at least one-half of the profit for the preceding financial year less the amount that the Articles of Association of the company require to be left undistributed (if any) and (ii) the amount of distributable funds as described above. However, in such case, the dividend cannot exceed 8 percent of the total shareholders' equity of the company and the distributable amount must be adjusted for any dividends declared during the financial period before the Annual General Meeting.

After the Company's Shares have been registered with the Trade Register, they entitle their holder to dividends and other assets to be distributed as well as to other shareholder rights. The right to dividends expires after three years from the date of the dividend payment.

All the shares in the Company belong to the same class of shares on the date of this Prospectus.

Own shares

Pursuant to the Finnish Companies Act, a company can repurchase its own shares. Resolutions regarding the repurchase of a company's own shares must be made by the General Meeting, unless the General Meeting has authorised the Board of Directors to resolve upon share repurchases using unrestricted equity. In a public limited liability company, the resolution must be approved by at least two-thirds of all votes cast and shares represented at a General Meeting. In a public limited liability company, a resolution concerning the repurchase, redemption or pledging of own shares may not be made in such a way that the combined number of shares in the possession of or pledged to the company and its subsidiaries would exceed a tenth of all shares. The Company does not own any of its own Shares on the date of the Prospectus.

Pre-emptive rights

Pursuant to the Companies Act, shareholders of a Finnish company have a pre-emptive right, in proportion to their shareholdings, to subscribe for new shares in such company unless the resolution of the General Meeting approving such issue, or authorising the Board of Directors to resolve on such issue, provides otherwise. Pursuant to the Finnish Companies Act, a resolution that deviates from the shareholders' pre-emptive rights must be approved by at least two-thirds of all votes cast and shares represented at a General Meeting. In addition, pursuant to the Finnish Companies Act, such a resolution requires that the company has a weighty financial reason to deviate from the pre-emptive rights of shareholders. Certain shareholders resident in, or with a registered address in, certain jurisdictions other than Finland or Sweden may not be able to exercise pre-emptive rights in respect of their shareholdings unless a registration statement, or an equivalent thereof under the applicable laws of their respective jurisdictions, is effective or an exemption from any registration or similar requirements under the applicable laws of their respective jurisdictions is available.

Squeeze-out rights

The Company's Articles of Association does not contain a redemption clause.

Under the Finnish Companies Act, a shareholder with shares representing more than 90 percent of all shares and voting rights attached to all shares in a company has the right to redeem remaining shares in such company for fair value. In addition, any minority shareholder that possesses shares that can be redeemed may, pursuant to the Finnish Companies Act, require such majority shareholder to redeem its shares.

Transfer of shares

When selling shares that are in the book-entry system, such shares are transferred as a transaction from the seller's book-entry account to the buyer's book-entry account. The sale is registered as a pre-registration until the trade has been settled and the shares have been paid, after which the buyer is automatically entered in the company's shareholder list. If the shares are nominee registered, an entry of the sale of the shares does not need

to be made in the book-entry system, unless the nominee changes as a result of the sale or the shares are otherwise transferred from the asset management account.

FIRST NORTH AND SECURITIES MARKETS

About the First North markets

First North is a Nasdaq's registered SME growth market under the Markets in Financial Instruments Directive (EU 2014/65). As opposed to companies listed on a regulated market such as the main list of Nasdaq Helsinki or Nasdaq Stockholm, companies listed on First North are subject to less extensive rules. This is intended to allow smaller companies to enjoy the benefits of being a publicly traded company without excess administrative burden. Unlike on regulated markets, companies listed on First North must engage a Certified Adviser whose role is to ensure that companies comply with applicable requirements and rules. See below "*Regulation of the securities markets - Finland*" and "*Regulation of the securities markets – Sweden*".

First North Finland and First North Sweden use the same INET Nordic trading system as the Nasdaq Nordic main markets for trading in shares. The trading periods comprise a pre-trading session, a continuous trading session and a post-trading session. The trading periods and the respective trading hours are set out in a timetable in force from time to time, as made available by the Nasdaq Nordic stock exchanges at *www.nasdaqomxnordic.com/tradinghours.*

The companies listed on First North are classified according to the international Industry Classification Benchmark (ICB). The industry classification facilitates international benchmarking of the companies by providing clearly defined and larger peer groups.

Trading and settlement on First North Finland

First North Finland is maintained by Nasdaq Helsinki. On First North, the currency of trading and settlement of transactions is euro, and the smallest recorded price movement (tick size) depends on the share price. Shares with a price of EUR 0.00-0.499 have a tick size of 0.001, shares with a price of EUR 0.50-0.995 have a tick size of 0.005 and shares with a price of more than one euro have a tick size of 0.01. The Shares in the Company are issued and registered in the book-entry securities system maintained by Euroclear Finland. Trades in Shares listed on First North Finland are usually settled in Euroclear Finland's automatic settlement system (Infinity 2) on the second banking day after the trade date (T+2), unless the parties have agreed otherwise.

Trading and settlement on First North Sweden

First North Sweden is maintained by Nasdaq Stockholm. On First North Sweden, the currency of trading and settlement of transactions is Swedish crown, and the smallest recorded price movement (tick size) is SEK 0.001. Shares traded on First North Sweden are issued and registered in the book-entry securities system maintained by Euroclear Finland. Such Shares are additionally registered in the Swedish book-entry securities system maintained by Euroclear Sweden, and trades in Shares listed on First North Sweden are settled in Euroclear Sweden's settlement system. The Shares registered with Euroclear Sweden will be entered into the shareholder register of the Company maintained by Euroclear Finland as held by Euroclear Sweden in its capacity of nominee of the Shares traded on First North Sweden, and Euroclear Sweden will "mirror" these Shares to the book-entry securities system of Euroclear Sweden. Shares registered in the system of Euroclear Sweden have the same ISIN as the Shares registered in Euroclear Finland.

Registration of the Shares

General

Company is a Finnish limited company whose Shares are listed for trading on First North Sweden and First North Finland. The Shares of the Company are registered in the electronic book-entry securities system maintained by Euroclear Finland. The Company and its Shares will have their primary registration in the book-entry register of Euroclear Finland. Further, the Shares are registered in the corresponding Swedish book-entry securities system maintained by Euroclear Sweden. The account operator engaged by Euroclear Sweden is recorded in Euroclear Finland's securities system as the nominee of the Shares in the Company. Shares registered in Euroclear Sweden's securities system have the same ISIN as shares registered in Finland (see below *"Registration in Finland"* and *"Registration in Sweden"*).

Investors who have received Shares through Euroclear Finland to a book-entry account in Finland have had their Shares entered into the shareholder register maintained by Euroclear Finland. To be able to trade Shares on First North Sweden, such investors will need to transfer their Shares to the book-entry securities system of Euroclear Sweden. If a Finnish investor acquires Shares through trading on the secondary market through First North Sweden, such investor will need to transfer its Shares to the system of Euroclear Finland to be able to be registered as the owner in the shareholder register maintained by Euroclear Finland. Such cross-border settlement may be associated with additional costs (see "*Cross-border settlement*" below).

Investors who have received Shares through Euroclear Sweden to a book-entry account in Sweden have their Shares entered into the shareholders register maintained by Euroclear Sweden. In order to be able to trade with Shares on First North Finland, these investors have to transfer their Shares to the book-entry system Euroclear Finland. This kind of cross-border transfers may involve additional costs (see "*Cross-border settlement*" below).

Registration in Finland

The book-entry securities system refers to a system in which physical share certificates have been changed to book entries registered in book-entry accounts. The Finnish book-entry securities system is centralised at Euroclear Finland, which offers national clearing, settlement and registration services for securities. Euroclear Finland maintains a central book-entry register for both equity and debt securities. The business address of Euroclear Finland is Urho Kekkosen katu 5C, FI-00100 Helsinki, Finland. Euroclear Finland maintains a shareholder register for each listed company. The expenses incurred by Euroclear Finland in connection with maintaining the book-entry securities system are borne mainly by the issuers participating in the book-entry securities system and the account operators. The account operators, which consist of credit institutions, investment firms and other institutions licensed to act as account operators by Euroclear Finland, are entitled to make entries in the book-entry register and administer the book-entry accounts. Dividends and other distributions of funds are paid to shareholders or their nominees entered in the shareholder register on the relevant record date. Under Euroclear Finland's book-entry securities system, dividends are paid by account transfers to the accounts of the shareholders appearing in the register. In order to hold entries in the book-entry securities system, a security holder must open a book-entry account with Euroclear Finland or an account operator. A foreign private person, foreign entity or trust may hold book-entries. Such persons may also deposit book-entries in a custodial nominee account, where the shares are registered in the name of a custodial account holder in the company's shareholder register. A custodial nominee account must contain information on the custodial account holder instead of the beneficial owner and indicate that the account is a custodial nominee account. Book-entry securities owned by one or more beneficial owners may be registered in a custodial nominee account. In addition, the shares owned by a foreign private person, foreign entity or trust may be deposited in a book-entry account opened in the name of such foreign private person, foreign entity or trust, but the holding may be registered in the name of a nominee in the company's shareholder register.

All transfers of securities registered with the book-entry securities system are executed as computerized book-entry transfers to the extent they are executed in the book-entry securities system. The account operator confirms the book-entry by sending a statement of book-entries made to the holder of the respective book-entry account at least four times a year. The book-entry account holders also receive an annual statement of their holdings at the end of each calendar year. Each book-entry account is required to contain specific information with respect to the account holder and other holders of rights to the book-entries entered into the account as well as information on the account operator administering the book-entry account. The required information also includes the type and number of book-entries registered as well as the rights and restrictions pertaining to the account and to the book-entries registered in the account. A custodial nominee account is identified as such on the entry.

Euroclear Finland and the account operators are required to observe strict confidentiality. Certain information (e.g., the name and address of each account holder) contained in the register of shareholders maintained by Euroclear Finland must be made available to the public by Euroclear Finland and the company, except in the case of custodial nominee registration. The Finnish FSA is also entitled to certain information on the holdings of shares registered in a custodial nominee account upon request. The company has the same rights in respect of shares and instruments that entitle the holder to shares issued by the company. Each account operator is strictly liable for errors and omissions in its registration activity, and for any unauthorised disclosure of information. If an account holder has suffered a loss as a result of a faulty registration or other mistake or defect relating to the entries and the account operator has not compensated such loss due to insolvency that is not temporary, such account holder is entitled to receive compensation from the statutory registration fund of Euroclear Finland. The

capital of the registration fund shall be no less than 0.0048% of the average of the total market value of the book-entries kept in the book-entry securities system during the last five years and it must not be less than EUR 20 million. The compensation to be paid to an injured party is equal to the amount of damages suffered subject to a limit of EUR 25,000 per account operator. The liability of the registration fund to pay damages in relation to each incident is limited to EUR 10 million.

Custody of the shares by nominees

A non-Finnish shareholder may appoint an account operator (or certain other Finnish or non-Finnish organisations approved by Euroclear Finland) to act on its behalf. A custodial nominee account holder is entitled to receive dividends on behalf of the shareholder. A beneficial owner wishing to attend and vote at general meetings of shareholders must seek a temporary registration to the shareholders' register and the shares must be registered in the share register no later than eight business days prior to the relevant general meeting of shareholders. Upon request by the Finnish FSA or the relevant company, a custodial nominee account holder is required to disclose the name of the beneficial owner of any shares registered in such custodial nominee's name, provided the beneficial owner is known, as well as the number of shares owned by such beneficial owner. If the name of the beneficial owner is not known, the custodial nominee account holder is required to disclose corresponding information on the representative acting on behalf of the beneficial owner and to submit a written declaration of the representative to the effect that the beneficial owner of the shares is not a Finnish natural person or legal entity. A shareholder wishing to hold his/her shares in the book-entry securities system in his/her own name but who does not maintain a book-entry account in Finland is required to open a book-entry account at an account operator and a convertible euro account at a bank.

Registration in Sweden

The Swedish Central Securities Depository register (Sw. avstämningsregistret) is maintained by Euroclear Sweden, a Central Securities Depository and Clearing Organisation under the Swedish Financial Instruments Accounts Act (SFS 1998:1479) and the Swedish Securities Market Act (SFS 2007:528). Euroclear Sweden maintains share registers of the Swedish companies listed on First North Sweden, in which the shares are registered in dematerialised form in book-entry accounts and no share certificates are issued. Title to the shares is secured by registration with Euroclear Sweden through banks or other securities institutes, which have been approved as account operators by Euroclear Sweden. The Swedish Central Securities Depository register also contains certain additional information, for example as regards security rights. The business address of Euroclear Sweden is Klarabergsviadukten 63, Box 191, 101 23, Stockholm, Sweden.

Shares may be registered on securities accounts and accordingly be entered in the share register maintained by Euroclear Sweden, either in the owner's name (directly registered shares) or in the name of a nominee approved by Euroclear Sweden (nominee-registered shares). If the shares are nominee-registered, this is noted in the book-entry securities system. The relationship between the nominee and the beneficial owner is governed by agreement. The beneficial owner must, if he or she desires to exercise certain rights such as for example attend a general meeting of shareholders, temporarily reregister the shares in his or her own name. The nominees also regularly report the holdings of the beneficial owners to Euroclear Sweden. Rights pertaining to shares, and entitling to for example dividends or participation in a rights issue, are issued to those holders of the shares whose names are entered into the Swedish Central Securities Depository register as at a certain record date, and dividends are normally distributed to bank accounts designated by the holders registered with Euroclear Sweden. The record date in question must be indicated in the resolutions determining the dividend or share issue or other relevant resolution. If the registered holder is a nominee, the nominee receives the dividend and other economic rights pertaining to the shares on behalf of the beneficial owner. The same applies to subscription rights in connection with rights issues and such new shares which have been subscribed for by using subscription rights. The nominee is responsible for the distribution of the dividend to the beneficial owners, and a similar procedure is followed for subscription rights and newly issued shares.

Cross-border settlement

There are specific requirements for cross-border settlement (i.e. transfer of shares from Euroclear Finland to Euroclear Sweden or vice versa). Such transfers may be subject to fees pursuant to the settlement parties' respective fee schedules.

Compensation fund for investors and the deposit guarantee fund

In a compensation fund for investors, investors are divided into professional and non-professional investors. The fund does not compensate any losses by professional investors. The definition of professional investor includes business enterprises and public entities, which are deemed to understand the securities markets and their associated risks. An investor may also provide notice in writing that, on the basis of his/her professional skills and experience in the securities markets, he/she is a professional investor; however, natural persons are generally presumed to be non-professional investors. Investment firms and credit institutions must belong to the compensation fund. The compensation fund safeguards payment of clear and undisputable claims when an investment company or a credit institution has been declared bankrupt, is undergoing a restructuring process or is otherwise, for a reason other than temporary insolvency, not capable of paying claims within a determined period of time. For valid claims, the compensation fund will pay 90 % of the investor's claim against each investment company or credit institution, up to a maximum of EUR 20,000. The compensation fund does not provide compensation for losses due to decreases in stock value or bad investment decisions. Accordingly, investors continue to be liable for the consequences of their own investment decisions. Depositary banks must belong to a deposit guarantee fund, which is intended to safeguard payments of receivables in the depositary bank's account or receivables in the forwarding of payments that have not yet been entered into an account if the depositary bank becomes insolvent and the insolvency is not temporary. The customers of a depositary bank can be compensated by the deposit insurance fund up to a maximum of EUR 100,000. An investor's funds can be safeguarded either by the deposit insurance fund or the compensation fund. However, an investor's funds cannot be safeguarded by both funds at the same time.

Regulation of the securities markets

Finland

The securities market in Finland is supervised by the Finnish FSA. The principal statute governing the Finnish securities market is the Finnish Securities Markets Act, which contains regulations with respect to company and shareholder disclosure obligations, prospectuses, public tender offers and the Market Abuse Regulation ((EU) No 596/2014), which regulates, inter alia, the disclosure of insider information and the trade reporting of issuers' executives, among other things. The regulations on the admission of securities and other financial instruments to public trading and the trading of listed financial instruments have been compiled into the Act on Trading in Financial Instruments (1071/2017, as amended). The Finnish FSA monitors compliance with these regulations and may issue more detailed regulations under the Finnish Securities Markets Act and other laws.

As First North is classified as a multilateral trading facility and not a regulated market, only a subset of the rules contained in the Finnish Securities Market Act apply to the Company and investors in its securities. Thus, for example, the notification obligation provisions do not apply to First North multilateral trading securities. However, certain provisions of the Finnish Securities Markets Act also apply to securities listed on a multilateral trading facility, such as the market abuse regulations and certain rules on takeover bids. In addition, First North Nordic Rulebook imposes obligations on companies traded on First North.

The Finnish Securities Markets Act and the Market Abuse Regulation set out minimum disclosure requirements for companies applying for listing on Nasdaq Helsinki or First North, or whose securities are publicly traded or which offer securities to the public. Disclosure obligations must be disclosed in such a way that the public has rapid access to that information and that the information can be thoroughly, appropriately and timely assessed by the public. A Finnish listed company, that is, a company whose shares are traded on a regulated market, is required to regularly disclose financial information about the company as well as all matters concerning the company which, if disclosed, would be likely to have a significant effect on the price of the issuer's financial instrument. First North Nordic Rulebook also includes an obligation to regularly disclose financial information about the company and other provisions regarding ongoing disclosure. Published information must also be kept available to the public.

Under the Finnish Securities Market Act, there is no obligation based on holdings of shares or voting rights to make a public tender offer to purchase the remaining shares and other securities if such shares or securities are not traded on a regulated market. However, the Finnish Securities Markets Act contains certain provisions that also apply to public takeover bids for securities listed on First North. A party making a voluntary takeover bid shall comply with certain obligations under the Finnish Securities Markets Act, which include, among other things, equal treatment of shareholders, disclosure, and securing financing for the tender offer. A party making

a voluntary takeover bid is also subject to the obligations under the Finnish Securities Markets Act regarding the increase and credit of the offer.

The Market Abuse Regulation obligates the persons discharging managerial duties for the issuers of shares listed on a multilat-eral trading facility and the persons closely associated with them to immediately notify the Finnish FSA and the company of any transactions they have conducted on the company's shares and other financial instruments. The notifications must be made promptly, and no later than within three (3) business days of the transaction date. The obligation to make notifications of all transactions applies to all transactions after reaching a total of EUR 5,000 during a calendar year. The company must furthermore disclose the information concerning the transactions concluded by the persons discharging managerial duties and the persons closely associated with them with a company release promptly, and no later than within three (3) business days of the transaction date. In multilateral trading facilities, the issuers of the traded shares must furthermore maintain a list of insiders which is composed of project-specific sections and, should the issuer so decide, complementary sections, which list permanent insiders.

The Finnish Penal Code (39/1889, as amended) criminalises, inter alia, the misuse of inside information and market manipula-tion. The Finnish FSA has the right to impose violations of the provisions on disclosure, misuse of inside information, market manipulation and trade reporting of executives, except for administrative sanctions, with the exception of situations in which the entity is suspected of the same offense pre-trial investigation, consideration of charges or a court in criminal proceedings or the entity has been given a final judgment for the same offense. For example, the Finnish FSA may issue a public warning, prohibit a person from trading in financial instruments or impose a penalty or penalty payment.

Sweden

The securities market in Sweden is supervised by the Swedish FSA (Sw: Finansinspektionen). The Swedish FSA monitors compliance with the applicable regulations. Laws governing the Swedish securities market include inter alia: (i) the Swedish Financial Instruments Trading Act (SFS 1991:980), which sets out regulations with respect to disclosures of major holdings, prospectuses and takeover bids, among other things, (ii) the Swedish Securities Markets Act (SFS 2007:528), which sets out regulations with respect to periodic and ongoing disclosure obligations, the operations of regulated marketplaces and Multilateral Trading Facilities, among other things, (iii) the Swedish Stock Market (Takeover Bids) Act (SFS 2006:451), which sets out regulations with respect to mandatory bids (Sw: budpliktsbud), and (iv) the Swedish Financial Instruments Trading (Market Abuse Penalties) Act (SFS 2005:377), which sets out regulations and penalties with respect to misuse of insider information and market manipulation. Additionally, the Swedish securities market are regulated by the Market Abuse Regulation mentioned in the previous paragraph.

The Swedish FSA has issued more detailed regulations pursuant to the relevant legislation governing the securities market. As First North Sweden is classified as a Multilateral Trading Facility (Sw: handelsplattform) and not a regulated marketplace (Sw: reglerad marknad), certain provisions provided in these laws and regulations are not applied in relation to securities traded thereon.

The Swedish Financial Instruments Trading Act specifies certain disclosure requirements for companies listed on a regulated marketplace. The same Act does, however, not contain any disclosure requirements for companies listed on a Multilateral Trading Facility, such as First North Sweden. The Swedish Securities Market Act does not impose any obligation on companies listed on a Multilateral Trading Facility such as First North Sweden to publish periodic financial information on the company.

There is no obligation under the Swedish Stock Market (Takeover Bids) Act based on holdings of voting rights to launch a takeover bid to purchase the remaining shares and other securities if such shares or securities are not traded on a regulated marketplace. The Swedish Corporate Governance Board (Sw. Kollegiet för Svensk Bolagsstyrning) has, however, published Takeover Rules for takeover bids that apply for companies that are listed on certain Swedish Multilateral Trading Facilities. The Swedish Financial Instruments Trading (Market Abuse Penalties) Act contains criminal sanctions for the misuse of insider information and market manipulation.

TAX CONSIDERATIONS

Taxation Finland

The tax legislation of the investor's country of residence and the tax legislation of Finland may affect the income received from the securities. The following summary is based on the tax laws of Finland as in effect as at the date of this Prospectus. Changes in the tax laws could have a retroactive effect on taxation. The summary is not exhaustive and does not take into account or discuss the tax laws of any state other than Finland. Prospective investors are advised to consult professional tax advisors as to the tax consequences of the purchase, ownership and disposition of Shares in Company. Prospective investors, whose taxation may also be impacted by the tax laws of other countries than Finland, should consult their own tax advisers as to the tax implications related to their individual circumstances.

Background

The following is a general description of Finnish income and transfer tax consequences related to the subscription, purchase, ownership and disposition of the Offer Shares and Subscription rights that may be relevant in terms of the Offering. The following does not address any tax consequences applicable only to shareholders of the Company who are subject to special tax rules (such shareholders include, among others, entities exempt from income tax, general or limited partnerships, foreign corporations and their Finnish resident shareholders). Furthermore, this description does not address Finnish inheritance or gift tax consequences.

The description is mainly based on:

• the Finnish Income Tax Act (30.12.1992 /1535, as amended),

• the Finnish Business Income Tax Act (23.6.1968 /360, as amended),

• the Finnish Act on the taxation of Non-residents' income (11.8.1978/627 as amended), and

• the Finnish Transfer Tax Act (29.11.1996 /931, as amended).

In addition, case law and any decisions and statements made by the tax authorities in effect and available as at the date of this Prospectus have also been taken into account. The above-mentioned tax legislation is subject to change, which could also have retroactive effects.

General

In Finland, residents and non-residents are treated differently for tax purposes. The worldwide income of persons resident in Finland is subject to taxation in Finland. Non-residents are taxed on income from Finnish sources only. Additionally, Finland imposes taxes on non-residents for income connected with their permanent establishments situated in Finland.

Generally, a natural person is deemed to be a resident in Finland if such person continuously remains in Finland for a period of more than six months or if the permanent home and abode of such person is in Finland. Earned income, including salary, is taxed at progressive rates and the capital income is taxed at proportional rate of 30 percent. In addition, should the amount of capital income exceed EUR 30,000 in a calendar year, the capital income tax rate is 34 percent on the amount that exceeds EUR 30,000. Corporate entities established under the laws of Finland are regarded as residents in Finland and are, therefore, subject to corporate income tax on their worldwide income. Currently, the corporate income tax rate is 20 percent.

The following is a summary of certain Finnish tax consequences relating to the purchase, ownership and disposition of Offer Shares and Subscription Rights by Finnish resident and non-resident shareholders.

Taxation of Finnish entities

Capital gains and losses

The following applies only to Finnish limited liability companies that are taxed on the basis of the Finnish Business Income Tax Act. As a general rule, a capital gain arising from the sale of shares is taxable income of a limited liability company, which is taxed with a rate of 20 percent.

Shares may be fixed assets, current assets, investment assets or financial assets of a limited liability company. The taxation of a disposal of shares and loss of value varies according to the asset type for which the shares qualify. Shares may also qualify as non-business income source assets of a limited liability company. The Finnish

Income Tax Act's provisions are applied to capital gains that have arisen from the sale of assets from non-business income sources.

The sales price of any sale of subscription rights or shares is generally included in the business income of a Finnish liability company. Correspondingly, the acquisition cost of subscription rights or shares is deductible from business income upon disposal of the subscription rights or shares. However, an exemption for capital gains on share disposals is available for Finnish companies, provided that certain strictly defined requirements are met. The main criteria for the application of the so-called participation exemption is that the company selling the shares has directly and continuously for at least one year, and such ownership of the sold shares has ended at the most one year before the sale, owned at least 10 percent of the share capital in the company whose shares are sold, and the sold shares belong to the shares owned in accordance with the above.

Tax deductible capital losses pertaining to the sale of shares (other shares than shares sold under the participation exemption) that are part of the fixed assets of the selling company can only be deducted from capital gains arising from the sale of fixed assets shares in the same financial year and the subsequent five years. Capital losses pertaining to the sale of subscription rights or shares that are not part of fixed assets are tax deductible from taxable income in the same financial year and the subsequent ten years in accordance with the general rules concerning losses carried forward.

Dividends

A company listed on First North is considered a publicly listed company for the purposes of Finnish dividend taxation. Dividends received by a public listed company from another public listed company are generally tax exempt.

Dividends received by a Finnish company that is not a listed company from a listed company are fully taxable income, unless the shareholder directly owns 10 percent or more of the share capital of the listed company distributing the dividend. If the direct shareholding is at least 10 percent when the dividend is distributed, the dividend income is not the shareholder's taxable income. If dividends are received from shares included in a shareholder's investment assets, 75 percent of the dividend is taxable income while the remaining percent is tax exempt, regardless of the shareholding.

Resident natural persons

Capital gains and losses

A capital gain or loss arising from the sale of subscription rights and shares that do not belong to the business activity of the shareholder is generally taxable in Finland as a capital gain or deductible as a capital loss for resident natural persons.

Capital gains are currently taxed as capital income. A capital loss arising in 2016 and after that from the sale of shares that do not belong to the business activity of the shareholder is primarily deductible from the resident natural person's capital gains and secondarily from other capital gains arising in the same year and during the following five tax years. Capital losses are excluded from the calculation of capital income deficit for the concerned tax year and can, therefore, not be deducted from the amount of the deficit-credit that is deductible under the deficit-crediting system. If the shares belong to the business activity (business income source) of the seller, any gain arising from the sale thereof is deemed to be business income of the seller, which will be divided according to the Finnish Income Tax Act to be taxed at a progressive tax rate and as capital income. The deductibility of losses related to shares included in the seller's business activity is determined as described under "*Taxation of the Finnish entities*" above.

Notwithstanding the above, capital gains arising from the sale of assets that do not belong to business activity are exempt from tax provided that the proceeds of all assets sold by the resident natural person during the tax year do not, in aggregate, exceed EUR 1,000 (exclusive of proceeds from the sale of any assets that are tax exempt pursuant to Finnish tax laws). Correspondingly, capital losses are not tax deductible if the acquisition cost of all assets sold during the tax year does not, in aggregate, exceed EUR 1,000 (exclusive of proceeds from the sale of any assets that are tax exempt pursuant to Finnish tax laws).

Any capital gain or loss is calculated by deducting the original acquisition cost and sales related expenses from the sales price. Alternatively, a natural person holding shares that are not included in the person's business

activity may, instead of deducting the actual acquisition costs, choose to apply a so-called presumptive acquisition cost, which equals 20 percent of the sales price, or in the case of shares which have been held for at least ten years, 40 percent of the sales price. If the presumptive acquisition cost is used instead of the actual acquisition cost, any selling expenses are deemed to be included therein and cannot be deducted separately from the sales price.

When a shareholder sells the Offer Shares subscribed for in the Offering, the acquisition date of the Offer Shares is determined as the acquisition date of those shares that entitle the shareholder to receive the Subscription Rights. The acquisition price of previously acquired Shares and the acquisition price of the Offer Shares subscribed for in the Offering are added together and divided equally between the previously acquired Shares and the subscribed Offer Shares. When a shareholder sells the Subscription Rights acquired in the Offering without using them for subscribing for Offer Shares in the Offering, the actual acquisition price is considered to be zero, and for tax purposes the acquisition date of the Subscription Rights is determined as the acquisition date of those shares on the basis of which the shareholder received the Subscription Rights. In this case, the presumptive acquisition cost of 20% is applied to the calculation of capital gains resulting from the selling of the Subscription Rights, except if the Shares on the basis of which the Subscription Rights were received have been in the shareholder's possession for ten years or more, in which case the 40% presumptive acquisition cost is applied. However, if the seller of the Subscription Rights has purchased the Subscription Rights, the seller may choose whether the presumptive acquisition cost or actual acquisition cost is applied (that is, the acquisition cost of the Subscription Rights plus the costs resulting from the selling).

If purchased Subscription Rights are used for subscribing for Offer Shares, the Offer Shares are considered to be acquired at the time of acquiring the Subscription Rights. The same date also determines the amount of the presumptive acquisition cost. If the seller wants to apply the actual acquisition cost, any capital gain or loss is calculated by deducting the acquisition cost of the Subscription Rights and Offer Shares and any sales related expenses from the sales price.

Dividends

85 percent of dividends received by a natural person resident or an estate in Finland from a Listed Company is taxable as capital income, whereas 15 percent is tax exempt income. The applicable capital income tax rate is 30 percent. If the total amount of capital income exceeds EUR 30,000 in a calendar year, the capital income tax rate is 34 percent on the amount that exceeds EUR 30,000.

When a publicly listed company distributes a dividend in Finland to a resident natural person or to the estate, the publicly listed company is obligated to withhold advance tax on the dividend payments. Currently, the tax withholding is 25.5 percent of the amount of the dividend. The advance tax withheld by the distributing company is credited against the final tax payable for the tax year by the recipient of the dividend. Finnish tax resident individuals must check from their pre-completed tax return that the dividend information is correct and report any errors and missing to the tax authorities.

Non-residents Investors

Capital gains or losses

Investors that are not resident in Finland for tax purposes are not generally subject to Finnish tax on capital gains arising from the transfer of the Offer Shares or subscription rights, unless the non-resident taxpayer is deemed to have a permanent establishment in Finland for income tax purposes as referred to in the Income Tax Act and an applicable tax treaty and the shares are considered to be assets of that permanent establishment.

Dividends

The withholding tax rate applicable to dividends paid to non-resident individuals is 30 percent and applicable to dividends paid to non-resident corporate entities is 20 percent, unless otherwise provided in the applicable tax treaty.

Finland has entered into tax treaties with several countries pursuant to which the withholding tax rate is reduced on dividends paid to persons entitled to the benefits under such treaties. The determination of the applicable withholding tax rate should be reviewed separately for each state and tax treaty. When the shares of a Finnish company are nominee registered, the Finnish company paying the dividend pays them to the nominee registered custodian account, whose custodian remits the dividends paid to the shareholders. If the recipient of the

dividend paid to a nominee registered share is resident in a tax treaty state, the withholding tax rate on the dividend is the tax rate set forth in the relevant tax treaty; however, the tax rate must be at least 15 percent. If the tax rate set forth in the tax treaty is less than 15 percent, an application may be submitted for the refund of the excess withholding tax. Collection of the above-mentioned tax of at least 15 percent, however, requires that the foreign custodian intermediary is registered in the Finnish tax authorities' register and that it is resident in a country with which Finland has a taxation treaty. Also, the foreign custodian intermediary must have an agreement with the Finnish account operator regarding the custody of the shares. In this agreement shall, among other things, commit to report the dividend receiver's residential country to the account operator and to provide additional information to the tax authorities, if needed. If these provisions are not fulfilled, a 30 percent withholding tax will be withheld on the nominee account's dividends.

In accordance with Finnish tax legislation, withholding tax is not withheld from dividends, which are paid to companies domiciled an EU member state, as set forth in Article 2 of the parent-subsidiary directive (90/435/ETY), which directly have a minimum holding of 10 percent of the capital of the dividend-distributing Finnish company. Also, withholding tax is not withheld, under certain conditions, on dividends paid to certain foreign companies located in the EEA-area or subject to a reduced withholding tax rate depending on how the dividend would be taxed, if it were paid to an equivalent Finnish company.

Transfer tax

There is no transfer tax payable in Finland on transfers or sales of shares admitted to trading on First North Finland or First North Sweden if the transfer is made against a fixed pecuniary consideration. Transfer tax is generally not payable in Finland on the transfer of shares in Finnish company subject to public trading on a regularly functioning regulated market. As such is considered, inter alia, a multilateral trading facility as set forth in the Finnish Act on Trading in Financial Instruments (and according to its rules, First North is such a multilateral trading facility), provided that the securities issued by the company are entered into the book-entry securities system as defined in the Act on the Book-Entry System and Settlement Activities. The tax exemption also requires that the shares be exchanged against a fixed pecuniary consideration and that the intermediary or other counterparty is an investment firm, a foreign investment firm or other party offering investment services, as defined in the Finnish Investment Services Act, or that the transferee has been approved as a trading party in the market in which the transfer is executed. If the intermediary or other trading party is not a securities broker as defined in the Transfer Tax Act (i.e. the intermediary is a foreign broker that does not have a branch or office in Finland), the precondition for the tax exemption is that the transferee notifies the Finnish tax authorities of the transfer within two months of the transfer or that the intermediary submits an annual notification to the tax authorities pursuant to the Tax Procedure Act.

The exemption does not apply to certain specifically defined disposals, such as transfers of shares in which the consideration consists partially or completely of employment or work.

Where the transfer of shares is made other than as a transaction covered by the tax-exempt transfer and either the seller or the purchaser or both are generally taxable in Finland, the purchaser has a liability to pay transfer tax at a rate of 1.6 percent of the transaction price. No transfer tax is collected if the amount of the tax is less than EUR 10. However, if the purchaser is neither a tax resident in Finland nor a Finnish branch or office of a foreign credit institution, investment firm or fund management company, the seller must collect the tax from the purchaser.

If neither the purchaser nor the seller is tax resident in Finland or a Finnish branch or office of a foreign credit institution or foreign investment firm, the transfer of shares will be exempt from Finnish transfer tax.

If the counterparty or the broker of the transaction is a Finnish stockbroker or credit institution, or a Finnish branch or office of a foreign stockbroker or credit institution, it is liable to collect the transfer tax from the purchaser and pay the tax to the state.

Transfer tax is not payable in connection with the issuance of new shares.

Taxation Sweden

The following summary outlines certain Swedish tax issues related to the Offering for private individuals and limited liability companies that are residents of Sweden for tax purposes, unless otherwise stated. The summary is based on current legislation and is intended only to provide general information regarding the Offering. The summary does not cover situations where shares are held as current assets in business operations or where

shares are held by partnerships. Moreover, the summary does not cover the special rules regarding tax-free capital gains (including non-deductible capital losses) and dividends in the corporate sector which may be applicable when the investor holds shares in the Company which are deemed to be held for business purposes (for tax purposes, Sw. näringsbetingade andelar). The special rules which in certain cases may be applicable to shares in companies which are or have been so-called close companies or to shares acquired by means of such shares is not covered and nor the special taxation rules regarding assets held through investments saving accounts (Sw. investeringssparkonto).

Furthermore, special tax rules apply to certain categories of companies who are shareholders. The treatment for tax purposes of each individual shareholder depend in part on such shareholder's particular circumstances. Each shareholder is advised to consult an independent tax advisor as to the tax consequences relating to their particular circumstances that could arise from the Offering, including the applicability and effect of foreign regulations and double tax treaties.

Private individuals

Capital gains taxation

For private individuals resident in Sweden for tax purposes, capital income such as interest income, dividends and capital gains on listed shares is taxed in the capital income category. The tax rate in the capital income category is 30 percent.

Capital gains and capital losses are calculated to equal the difference between the proceeds received when the shares are sold or redeemed, after deduction for potential sale expenses, and the acquisition cost for tax purposes. The acquisition cost for listed shares is normally determined according to the "average method". This means that the cost of acquiring all shares of the same type and class as the divested share are added together and calculated collectively, with respect to changes to the holding. Alternatively, the "standard method", according to which the acquisition cost is deemed to be equal to 20 percent of the net proceeds received when the shares are sold or redeemed, may be applied.

Capital losses on listed shares may be fully deductible against taxable capital gains on shares the same fiscal year. The loss is also deductible against gains on other listed securities that are taxed in the same manner as shares (however, not against gains on participations in investment funds containing Swedish receivables only, Sw. räntefonder). Capital losses not absorbed by these set-off rules are deductible at 70 percent in the capital income category.

Should a net loss arise in the capital income category, a reduction is granted of the tax on income from employment and business operations, as well as property tax and municipal property fees. The tax reduction is granted at 30 percent of such net loss which does not exceed SEK 100,000 and at 21 percent of any remaining net loss. An excess net loss cannot be carried forward to future tax years.

Dividend taxation

For private individuals resident in Sweden for tax purposes, a preliminary tax of 30 percent is withheld on dividends. The preliminary tax is normally withheld by Euroclear Sweden, or in respect of nominee-registered shares, by the nominee. The Swedish preliminary tax withheld may be reduced under applicable double tax treaties.

Additionally, dividends from a foreign company are generally subject to foreign withholding tax. However, the tax rate is normally reduced under applicable tax treaties for dividends beneficially owned by a person resident in Sweden for the purpose of the treaty. Foreign tax can generally be credited from the Swedish tax on the same income.

Allocation, exercise and disposal of subscription rights

Neither allocation nor exercise of subscription rights does not trigger taxation. For shareholders who do not wish to exercise their subscription rights and instead sell their subscription rights, there may be a taxable capital gain. Subscription rights based on a shareholding of existing shares are deemed to be acquired for SEK 0. The entire sales proceeds after deducting sales costs will be subject to taxation. The standard method is not applicable in this case. The acquisition cost for the original shares is not affected. For subscription rights purchased or otherwise acquired (i.e. that are not received based on a shareholding of existing shares), the price paid for the rights constitutes the acquisition cost. The acquisition cost of such subscription rights shall be taken into account when calculating the tax basis for the shares. The "standard method" may be used on disposal of listed

subscription rights. A subscription right that is not exercised or sold, and thus expires, is deemed disposed of at SEK 0.

Limited liability companies

Capital gains and dividend taxation

For Swedish limited liability companies (Sw. aktiebolag) all income, including taxable capital gains and dividends, is taxed as income from business operations at a rate of 21.4 percent (to be lowered to 20.6 percent in January 2021). Taxable capital gains and capital losses are calculated in the same way as described above regarding private individuals.

Capital losses on shares may only be offset against taxable capital gains on shares and other securities taxed in the same manner as shares. If a capital loss cannot be deducted by the company which has made the loss, it may be deducted the same year from a group company's taxable capital gains on shares and other securities taxed as shares, provided that the companies are entitled to tax consolidation (through group contributions, Sw. koncernbidrag) and that both companies so request in the tax return of the same year. A net capital loss on shares which cannot be utilised a certain year may be carried forward (by the limited liability company having made the loss) and offset in future tax years against taxable capital gains on shares and other securities taxed as shares, without any limitation in time. Special tax rules may apply to certain categories of companies or certain legal persons, for example mutual funds and investments companies.

Additionally, dividends from a foreign company are generally subject to foreign withholding tax. However, the tax rate is normally reduced under applicable tax treaties for dividends beneficially owned by a person resident in Sweden for the purpose of the treaty. Foreign tax can generally be credited from the Swedish tax on the same income.

Allocation, exercise and disposal of subscription rights

Neither allocation nor exercise of subscription rights does not trigger taxation. For shareholders who do not wish to exercise their subscription rights and instead sell their subscription rights, there may be a taxable capital gain. Subscription rights based on a shareholding of existing shares are deemed to be acquired for SEK 0. The entire sales proceeds after deducting sales costs will be subject to taxation. The standard method is not applicable in this case. The acquisition cost for the original shares is not affected. For subscriptions rights purchased or otherwise acquired (i.e. that are not received based on a shareholding of existing shares), the price paid for the rights constitutes the acquisition cost. The acquisition cost of such subscription rights shall be taken into account when calculating the tax basis for the shares. The "standard method" may be used on disposal of listed subscription rights. A subscription right that is not exercised or sold, and thus expires, is deemed disposed of at SEK 0.

Shareholders not resident in Sweden for tax purposes

Capital gains taxation

Shareholders who are not resident in Sweden for tax purposes and not conducting business from a permanent establishment in Sweden are generally not liable for capital gains taxation in Sweden upon the disposal of shares or subscription rights. However, shareholders may be subject to taxation in their state of residence. According to a domestic Swedish provision, non-Swedish tax resident individuals may be subject to Swedish capital gains taxation upon disposal of securities, if they have been residents of Sweden or have had a habitual abode in Sweden at any point during the calendar year of disposal or the ten preceding calendar years. In a number of cases, though, the applicability of this rule is limited by double tax treaties.

LEGAL MATTERS

Administrative procedures, legal proceedings and arbitration proceedings

BBS has not been a plaintiff or defendant in administrative procedures, legal proceedings or arbitration proceedings that may have or have had a material effect on BBS' financial position or profitability in the 12 months prior to the date of this Prospectus nor, according to BBS's management, are they under threat of such matters.

Significant agreements

The Company has not concluded any significant agreements that are irrelevant to the business activities.

Insurances

The Company has insured its assets and business risks with normal insurance policies concerning business activities.

Intellectual property rights

The Company uses trade names, logos and trademarks in its business activities that it owns or that it has obtained user rights for in its operations. The most significant intellectual property rights for the Company's business activities are patents, the trademark ARTEBONE® and trade names "BBS-Bioactive Bone Substitutes Oyj", "BBS-Bioactive Bone Substitutes Abp" and "BBS-Bioactive Bone Substitutes Plc". In addition, the Company has the rights to the bbs-artebone.fi, bbs-artebone.com and bbs-artebone.eu web domains.

The Company has patents registered in its name. According to the Company's view, its business is significantly dependent on patents, licenses and other similar issues that are dependent on third parties.

INFORMATION INCORPORATED BY REFERENCE

The Company's financial statement and auditor's report for the financial year ending on 31 December 2019, 31 December 2018 and 31 December 2017 have been incorporated in this Prospectus by reference. The Finnish documents that have been included by means of references as well as the English translations of the material incorporated in the Prospectus by references are available on the Company's website at https://www.bbs-artebone.fi/investors/share-issue-2020/.

AVAILABLE DOCUMENTS

Copies of the following documents are available for the duration of this Prospectus' validity on the Company's website at https://www.bbs-artebone.fi/sijoittajille/osakeanti-2020/.

- BBS's Articles of Association on the date of this Prospectus;
- BBS' audited financial statement for the accounting period that ended on 31 December 2019;
- BBS' audited financial statement for the accounting period that ended on 31 December 2018;
- BBS' audited financial statement for the accounting period that ended on 31 December 2017;
- Auditor's report on BBS' financial statement for the accounting period that ended on 31 December 2019;
- Auditor's report on BBS' financial statement for the accounting period that ended on 31 December 2018;
- Auditor's report on BBS' financial statement for the accounting period that ended on 31 December 2017.

ABBREVIATIONS AND EXPLANATIONS OF TERMS

ARTEBONE®	*Ready to use paste in a syringe, consisting of tricalcium phosphate granules and reindeer bone protein extract. This is the first product of BBS.*
BMP	*Bone morphogenic protein*
BSI	*Notified Body, which is responsible for the CE marking approval*
CRO	*Clinical Research Organization*
DBM	*Demineralized bone matrix*
EBITDA	*Earnings Before Interest, Taxes, Depreciation and Amortization*
EMEA	*The European Medicines Agency (EMA)*
Ekstrakti	*Raw material is Reindeer bone protein extract*
FDA	*Food and Drug Administration, United States Medical Device regulatory authority*
FDA 510(k)	*Premarket notification to the FDA to demonstrate that the device to be marketed is at least as safe and effective, that is, substantially equivalent, to a legally marketed medical device*
FIMEA	*Finnish Medicine Agency Fimea maintains and improves the health of the population by supervising and developing the pharmaceutical sector*
HA	*Hydroxyapatite, chemically similar to the mineral component of bones and hard tissues. Classified bioactive as it supports bone ingrowths and osseointegration.*
IFU	*Instructions for Use*
Implantti	*Medical device made to replace and act as a missing biological structure*
IP	*Intellectual Property*
ISO	*International Organization for Standardization*
KPI	*Key Performance Indicator*
Biocompatibility	*Ability of a biomaterial to perform its desired function with respect to a medical therapy, without eliciting any undesirable local or systemic effects in the recipient or beneficiary of that therapy, but generating the most appropriate beneficial cellular or tissue response in that specific situation, and optimizing the clinically relevant performance of that therapy*
Maligni degeneration	*Malignant change*
NB	*Notified Body. A certified organization granting the CE marking as authorization to sell in the EU.*
NMP	*N-Methyl-Pyrollidone*
Nonunion	*a fracture takes longer than usual to heal*
NWC	*Net Working Capital*
Own bone graft	*Autograft, Bone harvested from patient's own skeleton*
Orthobiologics	*Biological material promoting healing of a tissue*
Osteoinductive	*Osteoinduction involves the stimulation of osteoprogenitor cells to differentiate into osteoblasts that then begin new bone formation. The most widely studied type of osteoinductive cell mediators are bone morphogenetic proteins (BMPs)*

Osteoconductive	*Osteoconduction occurs when the bone graft material serves as a scaffold for new bone growth that is perpetuated by the native bone.*
Osteoporosis	*Osteoporosis is a disease that weakens the bones and increases the risk of broken bones.*
Bank bone	*Bone taken from human donor*
PMA	*Pre-Market Approval, an FDA process of scientific and regulatory review to evaluate the safety and efficacy of Class III medical devices*
rhBMP	*Recombinant Human Bone Morphogenic Protein*
TCP	*Tricalcium phosphate*
TEKES	*Finnish funding agency for technology and innovation*
VALVIRA	*National Supervisory Authority for Wellness and Health*

ARTICLES OF ASSOCIATION

1 §. Company name and domicile

The Company's name is BBS-Bioactive Bone Substitutes Oyj in Finnish, BBS-Bioactive Bone Substitutes Abp in Swedish and BBS-Bioactive Bone Substitutes Plc in English. The Company is domiciled in Oulu.

2 §. Company's line of business

The Company's line of business is to conduct medical and odonatological research and treatment and maintain a research and treatment facility; supply services related to such activity; import, buy, sell, rent and manufacture machinery, equipment, instruments and pharmaceuticals necessary for the operation of such line of business. Medical activities for commercialising artificial bone and exercising business with artificial bone and manufacturing rights.

3 §. Removed.

4 §. Board of Directors

The Company has a Board of Directors which consists of 3-7 ordinary members. The term of the members of the Board of Directors expires at the closing of the first Annual General Meeting following the election.

5 §. Signing for the Company

Two members of the Board of Directors together or the Managing Director and one member of the Board of Directors together may sign for the Company.

6 §. Auditors

The Company has one regular auditor, who has one deputy. The auditors are appointed to the role until further notice.

7 §. Accounting period

The accounting period of the Company is the calendar year 1/1 - 31/12.

8 §. Notice of the General Meeting

Notice to a General Meeting shall be delivered to the shareholders no earlier than two (2) months and no later than three (3) weeks prior to the General Meeting, however, in any case, at least nine (9) days before the record date of the General Meeting. Notice to a General Meeting shall be delivered by sending it to the addresses included in the shareholder register or alternatively at the same time by delivering it otherwise in writing e.g. via email or by publishing the notice in a daily national newspaper selected by the Board of Directors. In addition, the notice shall be published at the company's website.

In order to have the right to attend and vote at the General Meeting the shareholder shall register with the Company no later than the date specified in the notice to the General Meeting, which can be ten (10) days before the General Meeting at the earliest.

9 §. General meeting

The General Meeting is held annually by the Board of Directors within six months of the end of the accounting period.

At the meeting:

the following shall be presented:

1. financial statements which consist of an income statement, a balance sheet and an annual report

2. auditor's report decided upon

3. adoption of the profit and loss statement and the balance sheet

4. measures required by the profit or loss on the adopted balance sheet

5. discharge of the members of the Board of Directors and the Managing Director from liability

elected

6. members of the Board of Directors and, if necessary,

7. one auditor and their deputy

10 §. Redemption clause

Removed.

11 §. Book-entry system

It was resolved to incorporate the Company's shares in the book-entry system. It was resolved that the incorporation of the Company's shares in the book-entry system will begin on 1/8/2017 and end on 2/8/2017, after which the Company's shares will be in a book-entry system.

ADDRESSES

Company

BBS-Bioactive Bone Substitutes Oyj
Kiviharjunlenkki 6
90220 Oulu
Finland

Financial advisor in the Offering

Aalto Capital Partners Oy
Mikonkatu 15A
00100 Helsinki
Finland

Certified advisor

Stockholm Certified Advisers AB
Nyängsvägen 34
167 54 Bromma
Sweden

Company's legal advisor in Finland

Smartius Oy
Kalevantie 2
33100 Tampere
Finland

Company's auditor

Ernst & Young Oy
Alvar Aallon katu 5C
00100 Helsinki
Finland

Issuing agent in Finland

Evli Bank Plc
Aleksanterinkatu 19 A
00100 Helsinki
Finland

The Offering's subscription venue and the issuing agent in Sweden

Hagberg & Aneborn Fondkommission AB
Valhallavägen 124
114 41 Stockholm
Sweden