Financial statements bulletin 2023 (unaudited)

H2 Another successful year in the growth trajectory

JULY–DECEMBER 2023 IN BRIEF

- Net sales increased by 33% and amounted to EUR 2,016 thousand (7-12/2022: EUR 1,520 thousand).
- Sales margin was EUR 1,483 (1,121) thousand or 73.6% (73.8%) of net sales, with year-on-year growth of 32%.
- Net loss for the period amounted to EUR -1,714 (-1,049) thousand.
- Earnings per share (undiluted) were EUR -0.09 (-0.07).

JANUARY–DECEMBER 2023 IN BRIEF

- Net sales grew 33% and amounted to EUR 3,906 thousand (1-12/2022: EUR 2,942 thousand).
- Sales margin was EUR 2,810 (2,139) thousand or 71.9% (72.7%) of net sales, with year-on-year growth of 31%.
- Net loss for the period amounted to EUR -3,789 (-2,416) thousand.
- Earnings per share (undiluted) were EUR -0.19 (-0.17).
- The Board of Directors proposes that no dividend be distributed for the financial period 1 January–31 December 2023.

KEY EVENTS IN 2023

- In March 2023, Bioretec was granted a De Novo market authorization for its biodegradable RemeOs™ magnesium screw in the U.S.
- In April 2023, Bioretec announced that it will update and refocus its product portfolio and refine its U.S. go-to-market strategy, and consequently update its financial targets.
- In April 2023, Bioretec successfully completed a private placement and raised EUR 10 million.
- In May 2023, Bioretec appointed Dr. Jeremy Dublon as a Regulatory Advisor to support the company's U.S. go-to-market strategy.
- In June 2023, Bioretec invested in a CNC machining center to increase the RemeOs™ production capacity.
- In August 2023, Bioretec announced its revised Scientific Advisory Board, whose members are the world's leading orthopedic experts in their own specialty.
- In September 2023, Bioretec entered into a distribution agreement with Spartan Medical for the RemeOs™ screws launch in the U.S.
- In October 2023, Bioretec changed its estimate for the granting of the European market authorization for its biodegradable RemeOs™ trauma screw and estimated that the approval will move to the first quarter of 2024.
- In November 2023, Bioretec´s Board of Directors initiated a recruitment process for a new CEO.

This financial statements bulletin is unaudited. The full-year 2022 figures are audited.

KEY FIGURES

EUR 1,000	H2 2023	H2 2022	Change, %	FY 2023	FY 2022	Change, %
Net sales	**2,016**	1,520	32.6%	**3,906**	2,942	32.8%
Sales margin	**1,483**	1,121	32.3%	**2,810**	2,139	31.4%
Sales margin, %	**73.6%**	73.8%		**71.9%**	72.7%	
EBITDA	**-1,703**	-916	85.9%	**-2,833**	-2,112	34.1%
EBIT	**-1,801**	-1,006	78.9%	**-3,034**	-2,292	32.4%
Net profit (loss)	**-1,714**	-1,049	63.3%	**-3,789**	-2,416	56.8%
R&D spend on total costs, %	**22.7%**	25.3%		**25.6%**	28.1%	
Equity ratio, %	**77.3%**	55.2%		**77.3%**	55.2%	
Cash and cash equivalents	**6,910**	1,223	465.1%	**6,910**	1,223	465.1%
Earnings per share (undiluted)	**-0.09**	-0.07	18.0%	**-0.19**	-0.17	13.3%
Earnings per share (diluted)	**-0.07**	-0.05	28.6%	**-0.15**	-0.12	23.4%
Number of shares at the end of the period (undiluted)	**19,536,858**	14,111,858		**19,536,858**	14,111,858	
Number of shares (diluted)	**24,908,133**	19,608,126		**24,908,133**	19,608,126	
Number of personnel at the end of the period	**37**	28	32.1%	**37**	28	32.1%

CEO'S COMMENTS

2023: A landmark year for Bioretec

In 2023, Bioretec achieved a historic milestone by becoming the first player to receive an FDA market authorization in the U.S. for a biodegradable metal product with our RemeOs™ magnesium alloy screw. This landmark achievement not only signifies our entry into the world's largest orthopedic market but also sets a strong foundation for the future commercialization of our innovative RemeOs™ product line. Our continuous efforts in developing advanced, bioabsorbable orthopedic solutions also resulted in the year ending with the highest net sales in Bioretec's history.

Following the FDA market authorization, we conducted a diligent evaluation process for various distribution channels, which resulted in a partnership with Spartan Medical. This collaboration is particularly strategic, given Spartan's network and experience in both civilian and Department of Defense and Veterans healthcare (DOD & VA) markets. After signing the distribution agreement, we initiated the hospital approvals processes and the roll-out of our RemeOs™ products in chosen top-tier U.S. academic centers and hospitals. As these processes are time-consuming, we are currently awaiting approvals from these selected academic centers and hospitals. The shipments of the RemeOs™ magnesium screws to Spartan started in the fourth quarter of 2023, and the first surgery using the RemeOs™ screws has been performed.

Last spring, we took in a significant stride in fortifying our financial position through a successful funding round. Despite the challenges presented by the financial market conditions, we managed to secure EUR 10 million in gross proceeds through a directed share issue targeting institutional and other experienced investors. This capital infusion is vital for our company, as it will catalyze the acceleration of commercialization and distribution efforts for our RemeOs™ product line. Additionally, the funds will be instrumental in furthering our product development initiatives and expanding our production capacity, positioning us well for future growth. Therefore, after the funding round, we marked an anticipated decision in Bioretec's growth trajectory by investing in a new CNC machining center currently dedicated only to our RemeOs™ screws, and the commissioning was completed in January 2024. To further support our growing operations, we've embarked on expanding our production facility space. Additionally, we are investing in a new ERP system scheduled for implementation in 2024. This system is designed to streamline our operations and enhance efficiency, enabling us to surpass our 2023 achievement of delivering products for more than 35 thousand surgical operations. Parallel to these measures, we are also accelerating our product development by expanding our organization and continuing to innovate to meet the evolving demands of the market.

In 2023, we experienced robust growth, with net sales increasing by 33 percent from the previous year, reaching EUR 3.9 million. A significant contributor to this growth was the introduction of our new RemeOs™ screw in the U.S. market, amounting to EUR 374 thousand in its first half year. Meanwhile, China remained a key market for the Activa product group, representing over 50% of our Activa product sales totaling EUR 3.5 million. The sales of RemeOs™ and Activa products in the U.S. showed convincing growth, resulting in nearly 22% of total net sales. In Europe, we faced several market challenges. The discontinuation of deliveries to Russia significantly impacted our operations in Europe. Additionally, this region is still grappling with the aftereffects of the pandemic and acute shortage of hospital staffing, further straining our sales in this market.

As we progress into the first quarter of 2024, we anticipate that we will finally obtain the market authorization for our RemeOs™ trauma screw in Europe. The delay is due to prolonged Notified Body approval processes. Obtaining the CE mark will pave the way for the product's commercialization in the European market. Concurrently, we are set to continue the roll-out of the RemeOs™ screws in the U.S. market and are dedicating substantial resources towards the development of new products in the RemeOs™ series. As part of the expansion plans, we are preparing the next U.S. market authorization application for the RemeOs™ screws, and we have entered into an agreement to conduct a clinical trial of the RemeOs™ DrillPin at the Medical University Hospital in Graz, Austria. This trial is an essential step towards our objective of commercializing the DrillPin in 2025.

As the first half of the year 2024 will partly be burdened by production interruptions (e.g., validation and the ramp-up of our new CNC machining center), we expect our net sales to be generated to a greater extent during the second half of the year. Also, as our RemeOs™ product pipeline is mainly in the development and commercialization phase, we will continue to invest heavily both in S&M and R&D in the forthcoming year. The recruitment process for Bioretec's new CEO is currently underway, and I am transitioning into another leadership position within the organization. I am thrilled to focus my efforts on the future for supporting the RemeOs™ product pipeline's forthcoming endeavors. I am confident that together with the new CEO, we will strengthen our growth to transform bone fracture care and significantly enhance patients' quality of life.

Timo Lehtonen, CEO

SALES AND MARKETING

Strong focus on RemeOs™ commercialization

In 2023, Bioretec's net sales continued the robust growth trend with year-on-year growth of 33%, driven by the strong performance of Activa products in Asia. Also, the U.S. took a significant leap with the first deliveries of RemeOs™ screws and the growing demand for Activa products in pediatric patients.

In 2023, Bioretec achieved the second consecutive year of best sales performance ever, with net sales growing by 32.8% to EUR 3,906 thousand, up from EUR 2,942 thousand the previous year. This significant growth was primarily driven by the robust performance of Activa products in both Asian and U.S. markets. Despite facing headwinds in Europe, where net sales declined by 45% mainly due to discontinued deliveries to Russia and a slow post-pandemic recovery in the number of surgeries and healthcare professionals staffing shortages, the company's total sales performance remained strong.

Sales by geographical area

In January–December 2023, 16% (39%) of net sales came from Europe, 22% (2%) from the U.S., and 62% (59%) from the rest of the world. Net sales in the United States increased significantly, partly due to the first-year sales of the new RemeOs™ screw ending up to EUR 374 thousand. Activa sales also increased mainly due to the expanded product offering to the U.S. distributor of Activa products for pediatric markets. Net sales in the rest of the world grew 40%. The growth was mainly driven by China, with a 77% (80%) contribution to the net sales in that geographical area. The growth in China was mainly due to increased demand caused by the rising number of hospitals using Bioretec's bioabsorbable products.

In contrast, net sales in Europe decreased 45% year on year, mainly due to discontinued sales to Russia. Since the start of the war in Ukraine in February 2022, Bioretec has only fulfilled its existing contractual sales obligations. Sales in Russia in 2023 were EUR 19 (456) thousand, and contractual obligations in Russia have ended.

EUR 1,000	H2 2023	H2 2022	Change, %	FY 2023	FY 2022	Change, %
Europe*	**247**	601	-58.9%	**621**	**1,138**	-45.4%
U.S.	**672**	36	1,767.3%	**853**	**63**	1,252.1%
Rest of the world	**1,096**	883	24.1%	**2,432**	**1,741**	39.7%
TOTAL	**2,016**	1,520	32.6%	**3,906**	**2,942**	32.8%

*Russia included in Europe

Market development [1]

Bioretec operates in the global orthopedic market, which grew well above historical rates to an estimated USD 59.0 billion in 2023, up from USD 55.5 billion in 2022, a 6.5% increase due to the resumption of surgeries postponed during the pandemic. In 2023, the overall market was about three basis points higher than its historical growth rate, and the tailwind is expected to continue modestly through 2024. The market landscape is extremely concentrated; in 2024, it is estimated that more than 60% of all orthopedic sales are generated by just six major companies, each with over USD 2 billion in annual sales.

Bioretec's strategic emphasis is on orthopedic trauma products, valued at around USD 8.6 billion in 2023, representing 14.5% of the global market. One of the key focus areas for Bioretec is the foot and ankle segment, which stands out as a dynamic and growing market, attracting a wide range of players, from industry leaders to innovative disruptors. Given the segment's vast array of treatments and products, it forms a key focus area in Bioretec's short and medium-term product pipeline. Industry forecasts project a robust 7% annual growth rate for the foot and ankle market from 2021 to 2025, potentially reaching a total market value of USD 5.6 billion in 2025. Bioretec is well-positioned to leverage this potential and capitalize on the opportunities in the evolving orthopedic landscape.

During 2023, the largest geographic market in orthopedic trauma products was the United States, with a 66-% share, and is currently the target market for Bioretec. In China, the transition to volume-based procurement (VBP) has led to lower prices for trauma fixation implants and has been advantageous for domestic Chinese manufacturers. Bioretec continues to closely monitor the VBP progress and its effects to the biodegradable implants. In Europe, the now effective, more stringent Medical Device Regulation (MDR) is reshaping the market landscape. This regulation, more rigorous than its predecessor, the Medical Device Directive, has led to product withdrawals by orthopedic companies, even though the transition deadline has been extended to 2027 or 2028, depending on the device type. Europe as a market remains one of Bioretec's strategic target areas.

In the long term, the orthopedic trauma market is poised for continued growth, driven by demographic shifts toward an aging population and rising instances of diabetes and obesity. Bioretec is committed to innovating and providing valuable solutions in orthopedic treatment by improving the quality of patient lives and making an impact in global healthcare.

[1] Source for market forecasts: Orthoworld: The Orthopedic Market Size and Share, January 2024 & Trauma implant market size and Share, December 2023

RESEARCH AND DEVELOPMENT

Next steps driving the RemeOs™ development

In 2023, Bioretec reached a historic milestone when the company's RemeOs™ trauma screw was the first biodegradable metal implant in the world to receive a market authorization from the FDA for the U.S. market, which is also a significant leap forward in the company's development work. Following this achievement, Bioretec has focused its research and development efforts on expanding the RemeOs™ product range and indications. The successful market authorization of RemeOs™ trauma screws in the U.S. provides a more streamlined regulatory pathway for upcoming product registrations.

Product development in the new RemeOs™ product family

Bioretec secured the market authorization in the U.S. for its RemeOs™ trauma screw in March 2023. Manufactured from a proprietary biodegradable metal composed of magnesium, calcium, and zinc, the RemeOs™ implants represent a breakthrough in orthopedic technology. Following the granted De Novo market authorization, Bioretec updated the RemeOs™ product pipeline with two new product groups, staples and plates. These additions are designed to complement the existing RemeOs™ trauma screw and DrillPin product groups and to serve surgeons with a more comprehensive and synergistic offering. RemeOs™ staples find their primary indications in the foot and ankle area, serving to stabilize fractures or osteotomies, and promoting rapid bone healing either independently or in conjunction with the RemeOs™ trauma screws. On the other hand, RemeOs™ plates provide additional support for similar indications, especially in cases of multiple fractures in the same anatomical location.

The anticipated and pending CE Mark authorization of the RemeOs™ screws for the European market, expected in the first quarter of 2024, has not slowed Bioretec's momentum in R&D. The company has continued advancing in the development of the RemeOs™ screw product group and its indications for the U.S. market. In the fall of 2023, Bioretec's interactive Sprint discussions with the FDA, conducted under the Breakthrough Device Designation program, have been instrumental in paving the way for the next steps for RemeOs™ screws. Looking forward, the company is preparing to submit its next market clearance application leveraging the more streamlined 510(k) regulatory pathway, in the early part of 2024.

Furthermore, the development of the RemeOs™ DrillPin product group has reached the next phase. During the last quarter of 2023, Bioretec finalized an agreement to conduct a clinical trial at the Medical University Hospital in Graz, Austria, and started an ethical committee approval process. The purpose of this trial is to validate the safety and effectiveness of the RemeOs™ DrillPin. Designed to cater to a wide patient demographic, the RemeOs™ DrillPin product group is positioned to serve both adult and pediatric patients, addressing a broad spectrum of orthopedic indications.

In addition to the RemeOs™ screws and DrillPins, Bioretec is continuously progressing in the development of other RemeOs™ products in the pipeline. These cutting-edge products are currently undergoing product development, applicability assessment, and research, paving the way for even more transformative solutions in the future. In light of the expanded product portfolio, Bioretec has updated the commercialization timeline for the RemeOs™ DrillPin, now expected in 2025, adjusted from the original forecast of 2024. Bioretec anticipates the launch of RemeOs™ staples in 2026 and RemeOs™ plates in 2027. Furthermore, the introduction of the IM-Nail and the spinal cage, previously estimated for 2026 and 2027, is now anticipated post-2028. Moreover, an ongoing study evaluating different coatings for enhancing future product properties, supported in part by Business Finland, commenced in autumn 2023, highlighting Bioretec's commitment to R&D.

Product development in the current Activa product family

The Post-Market Clinical Follow-up (PMCF) multicenter study on the biodegradable Activa IM-Nail™ for pediatric forearm fractures is progressing across Europe, aiming to assess refracture rates and subjective benefits of Activa IM-Nail™ for patients, parents, and caregivers. By the end of 2023, 81% of the target group was treated, nearing patient enrollment completion. Additionally, another ongoing clinical trial investigates Activa IM-Nail™ for the treatment of pediatric wrist fractures (Distal Radius) and is conducted as a comparative trial alongside non-biodegradable metallic K-wires. The patient enrollment is completed, and reporting is ongoing. Bioretec expects the results to be published in the forthcoming joint Congress of European and North American Pediatric Societies (EPOSNA) in May 2024.

Collaboration with leading medical experts

A key component of Bioretec's development strategy is the invaluable guidance and support from leading experts in the field. In 2023, in line with the evolving product portfolio, Bioretec significantly enhanced its Scientific Advisory Board. This expanded board features a group of surgeons, each a top-tier expert in their respective specialties, including Foot & Ankle, Trauma, Pediatrics, and Spine. The SAB members in orthopedic trauma include Prof. Dr. Klaus Dresing from Germany and Prof. Dr. Fan Liu from China. In foot and ankle surgery, the SAB members are Prof. Dr. Stefan Rammelt from Germany and Dr. Robert Leland from the USA. In pediatric orthopedic trauma, the board members are Prof. Dr. Theddy Slongo from Switzerland and Dr. Verena Schreiber from the USA, and in spine surgery, Prof. Dr. Jeffrey Wang from the USA and Dr. Richard Assaker from France.

FINANCIAL REVIEW

Group financial development

NET SALES, PROFITABILITY, AND FINANCIAL PERFORMANCE

Net sales and sales margin

In July–December 2023, Bioretec Group's net sales grew 33% year on year, amounting to EUR 2,106 (1,520) thousand.

Net sales for January–December 2023 amounted to EUR 3,906 (2,942) thousand, an increase of 33% from the comparison period. The growth was due to increased Activa sales in China and U.S. as well as RemeOs™ screw sales, which started in the U.S. in the second half of 2023.

Bioretec's sales margin in July–December 2023 grew 32% to EUR 1,483 (1,121) thousand and was 74 % (74%) of net sales.

Sales margin in January–December 2023 grew 31% to EUR 2,810 (2,139) thousand. The sales margin was 72% (73%) of net sales. Sales margin levels were well in line with the previous year.

Operating expenses

In July–December 2023, Bioretec Group's total operating expenses grew 54% year on year and amounted to EUR 3,284 (2,127) thousand.

In January–December 2023, Bioretec Group's total operating expenses grew 32% year on year, amounting to EUR 5,843 (4,430) thousand. The increase was partly due to increased headcount and bonus accruals but also due to U.S. commercialization-related expenses on consulting, legal, marketing, and traveling and due to product development costs of ongoing projects. Additionally, the company invested in the strengthening of the Scientific Advisory Board organization and its operations, which also impacted the costs.

The Group's R&D expenses in 2023 grew 20% yearly and totaled EUR 1,493 (1,245) thousand. The growth was mainly related to the ongoing DrillPin project and the Coating project, partly financed by Business Finland.

EBITDA and net profit (loss)

Bioretec Group's EBITDA in July–December 2023 amounted to EUR -1,703 (-916) thousand. Net loss for the period was EUR -1 714 (-1,049) thousand.

EBITDA in January–December 2023 amounted to EUR -2,833 (-2,112) thousand. The main reasons for the decrease were mainly the higher costs generated by added headcount and inputs to U.S. commercialization. Net loss for the period was EUR -3,789 (-2,416) thousand. Net loss included the one-off cost of EUR 775 thousand on the financing round arranged in April 2023.

FINANCIAL POSITION AND CASH FLOWS

On 31 December 2023, the Group's equity ratio was 77% (55%) and total liabilities EUR 2,427 (1,566) thousand. Interest-bearing liabilities amounted to EUR 1,046 (713) thousand, including EUR 671 (703) thousand of long-term liabilities. The increase in interest-bearing liabilities was due to the investment of the new CNC machine, which is financed with a three-year agreement.

At the end of the financial period, the Group had EUR 6,910 (1,223) thousand of cash and cash equivalents and money market deposits. The increase in cash was due to the financing round arranged in April 2023.

In January–December 2023, cash flow from operating activities totaled EUR -3,437 (-2,360) thousand. Positive cash flow from financing activities, EUR 9,286 (-2,778) thousand, was due to the financing round arranged in April 2023.

In January–December 2023, the Group's capital expenditure totaled EUR 161 (260) thousand. Investments during the financial period consisted of costs on IPRs and market authorization processes as well as costs capitalized on the new ERP system currently under implementation.

FINANCIAL TARGETS

In April 2023, after having received market authorization in the U.S. for the first product in the RemeOs™ product family, Bioretec updated its product pipeline and related commercialization strategy, and consequently updated its financial targets as follows:

- to reach net sales of EUR 62 million by the end of the year 2027 and
- to reach positive cash flow from operating activities by the end of the year 2026.

PERSONNEL AND MANAGEMENT

At the end of 2023, Bioretec had 37 (28) employees. Average number of employees from 1 January to 31 December 2023 was 31 (26). Salaries and other personnel expenses in 2023 totaled EUR 2,850 (2,353) thousand.

On 31 December 2023, the members of Bioretec's Management Team were Timo Lehtonen (Chief Executive Officer), Johanna Salko (Chief Financial Officer), Minna Ahlstedt-Soini (Production Director), Rami Ojala (Sales and Marketing Director), Kimmo Lähteenkorva (Chief Technology Officer), Mari Ruotsalainen (Director of QA & RA) and Esa Hallinen (Director of Operations).

BOARD OF DIRECTORS

On 31 December 2023, Bioretec's Board of Directors had six members: Tomi Numminen (Chairman of the Board), Michael Piccirillo, Sarah van Hellenberg Hubar-Fisher, Päivi Malinen, Pekka Simula and Kustaa Poutiainen.

AUDITOR

Bioretec's auditors are Authorized Public Accountants Ernst & Young, with Erika Grönlund, Authorized Public Accountant, as the responsible auditor.

ANNUAL GENERAL MEETING AND BOARD AUTHORIZATIONS

The Annual General Meeting of Bioretec Ltd was held on 26 May 2023 in Tampere, Finland. The Annual General Meeting approved the financial statements for the financial year 1 January–31 December 2022 and resolved to discharge the members of the Board of Directors and the CEO from liability for the financial period from 1 January–31 December 2022. The Annual General Meeting approved the Board of Directors' proposal not to pay dividends.

The Annual General Meeting resolved that the Board of Directors shall have six members. Tomi Numminen, Michael Piccirillo, Sarah van Hellenberg Hubar-Fisher, Pekka Simula, and Päivi Malinen were re-elected as members of the Board. Additionally, Kustaa Poutiainen was elected as a new member of the Board. The term of the Board of Directors will end at the closing of the Annual General Meeting 2024. At its constitutive meeting held after the Annual General Meeting, the Board of Directors elected Tomi Numminen as Chairman of the Board.

The Annual General Meeting resolved that the Chairman of the Board will be paid EUR 2,500 per month and that the members of the Board will be paid EUR 1,500 per month. Reasonable travel expenses of the members of the Board of Directors shall be reimbursed in accordance with the maximum amount of the respective travel allowance base approved by the Tax Administration.

The Annual General Meeting resolved that the company may enter into a consultancy agreement with Tomi Numminen for consulting services related to the funding processes of the company and the commercialization of the company's products in the United States. The consultancy fee payable pursuant to such agreement shall not exceed EUR 7,500 per month.

In addition, the Annual General Meeting resolved that the company may enter into a consultancy agreement with Valugen GmbH for the services of Michael Piccirillo in connection with establishing the company's Scientific Advisory Board and with creating key opinion leader connections. The consulting fee payable pursuant to such agreement shall not exceed EUR 3,000 per month.

The Annual General Meeting elected auditing firm Ernst & Young as the auditor of the company until the closing of the 2024 Annual General Meeting. Auditing firm Ernst & Young has notified the company that it will appoint Erika Grönlund, Authorized Public Accountant, as the responsible auditor. The auditor will be compensated as reasonably invoiced.

Authorization of the Board of Directors to resolve on the issuance of shares and special rights entitling to shares

The Annual General Meeting authorized the Board of Directors to resolve on the issuance of shares, as well as the issuance of option rights and other special rights entitling to shares pursuant to Chapter 10 of the Finnish Companies Act, as follows:

Under the authorization, up to 5,000,000 shares, including the new shares to be issued based on the special rights can be issued, which at the time of the proposal represents approximately 26 percent of all outstanding company shares.

The shares or special rights entitling to shares can be issued in one or more installments, either against or without payment. The shares issued under the authorization can be new shares or shares in the company's possession. The

authorization can be used for the financing or execution of acquisitions or other business arrangements, to strengthen the balance sheet and financial position of the company, for implementing the company's share-based incentive plans, or for other purposes determined by the Board of Directors.

Under the authorization, the Board of Directors may resolve upon issuing new shares, without consideration, to the company itself.

The Board of Directors is authorized to resolve on all terms for share issues and granting of special rights entitling to shares in the company. The Board of Directors is authorized to resolve on a directed share issue and issuance of special rights entitling to shares according to the shareholders' pre-emptive rights and/or in deviation from the shareholders' pre-emptive right, provided that there is a weighty financial reason for the company to do so.

The authorization is valid until the end of the next Annual General Meeting, however, no longer than until 30 June 2024. The authorization revokes previous unused share issue authorizations.

Amendment of Option Program 2018-1

The Annual General Meeting resolved to extend the subscription period for the shares that the option rights entitle to subscribe for under Option Program 2018-1 until 31 December 2026 as follows:

- With option right 2018-1A: 1 January 2019–31 December 2026
- With option right 2018-1B: 1 January 2020–31 December 2026
- With option right 2018-1C: 1 January 2021–31 December 2026
- With option right 2018-1D: 1 January 2022–31 December 2026

The Annual General Meeting additionally resolved to authorize the Board of Directors to make the required decisions for implementing the resolution of the Annual General Meeting and, in addition, if required, to amend the terms and conditions of Option Program 2018-1 to reflect the amendments in the Finnish Companies Act in respect of the terms of option rights and other special rights that came into force on 31 January 2023. This authorization was in force until 31 December 2023.

SHARES AND RELATED PROGRAMS

Bioretec has one share class. Each share has equal voting rights, and all shares of the company provide equal rights to the dividend. The company's shares are traded on Nasdaq First North Growth Market Finland marketplace under the trading code BRETEC.

On 31 December 2023, Bioretec had a total of 19,536,858 (14,111,858) shares. The share capital was EUR 3,749 (3,749) thousand. Bioretec does not hold any equity shares. During the year 2023, the average number of shares was 16,824,358 (14,111,858). The average number of shares (diluted) during the year 2023 was 22,258,130 (19,643,566).

There were 251 trading days in the review period. A total of 5,966,391 (2,109,933) shares were traded during the period, and the total value of the shares traded was EUR 15,079,870 (4,379,089). The highest price of the share was EUR 3.75 (3.07), and the lowest price was EUR 1.35 (1.32). The volume-weighted average price was EUR 2.53 (2.31) and the closing price at the end of the period was EUR 2.40 (1.41). In accordance with the closing price, the combined market value of the shares was approximately EUR 46.9 (19.8) million.

Shareholders

Bioretec's shares are in the book-entry system maintained by Euroclear Finland, and Euroclear Finland maintains Bioretec's official shareholder register. On 31 December 2023, Bioretec had a total of 4,108 (2,519) registered shareholders, of whom 92% (89%) were private individuals. There were 534,331 (777,143) nominee-registered and foreign-owned shares, which was 2.7% (5.5%) of all shares and votes. The largest shareholders and shareholders by sector are available on the company's website at https://bioretec.com/investors/investors-in-english/share/shareholders.

On 31 December 2023, the members of Bioretec's Board of Directors owned a total of 1,622,690 (12,690) of the company's shares. The CEO did not own any of the company's shares (at the end of 2022, 0 shares). Other members of the Group's Management Team owned a total of 5,624 (5,624) company shares. Consequently, the company's executive management held 8.3% (0.13%) of all of the company's shares and votes.

Option programs

The company has established several share option programs as incentive plans for Bioretec's key personnel, members of the Board of Directors, members of the Scientific Advisory Board, the organizer of the share issue, and the former shareholders of the subsidiary Bioretec GmbH in connection with the completion of its acquisition in 2019. On 20 October 2023, the company's Board of Directors decided to establish a new option program (Option program 2023-1) as an incentive scheme for the employees, consultants, and members of the Scientific Advisory Board of the company and its subsidiaries. Under Option program 2023-1, a maximum total of 1,000,000 option rights will be issued, and they will entitle their owners to subscribe for a maximum total of 1,000,000 new shares in the company.

On 31 December 2023, there were four stock option programs open: stock options 2018–1, 2019–1, 2020–1 and 2023-1. The stock options are issued free of charge. The shareholder's rights begin when the shares are registered in the Trade Register. The stock option plans that were open in 2023 or were registered in the Trade Register in 2023 are presented in the table below.

Open option programs:

Program ID	Nr of options	Share subscription price, EUR	Nr of shares to be subscribed[1]	Subscription period	Nr of unexercised options[2]	Nr of shares to be subscribed based on remaining unexercised options[1]
2018-1A	8,500,000	1.50	566,666	1.1.2019-31.12.2026	8,125,000	541,667
2018-1B	8,500,000	1.50	566,666	1.1.2020-31.12.2026	8,500,000	566,667
2018-1C	1,500,000	2.25	100,000	1.1.2021-31.12.2026	1,500,000	100,000
2018-1D	1,500,000	2.25	100,000	1.1.2022-31.12.2026	1,500,000	100,000
2019-1	36,444,250	0.15	2,429,616	20.3.2019-31.12.2029	30,444,250	2,029,616
2020-1A	8,450,000	2.25	563,324	1.1.2022-31.12.2026	5,650,000	376,662
2020-1B	9,150,000	3.00	609,998	1.1.2023-31.12.2026	5,300,000	353,332
2020-1C	8,400,000	3.75	559,998	1.1.2024-31.12.2026	4,550,000	303,332
2023-1	1,000,000	2.84	1,000,000	21.10.2024-31.12.2029[3]	1,000,000	1,000,000
Total	**83,444,250**		**6,496,268**		**66,569,250**	**5,371,275**

[1] The decision to establish the stock option plans has been made before the reverse split in spring 2021. After the reverse split, one share corresponds to 15 options.
[2] The remaining number of unexercised options has been deducted from the number of already registered share subscriptions. Additionally, those options that have remained unallocated from 1 January 2023 onwards have been deducted from the amount of the remaining option, as the board authorization concerning option program 2020-1 ended on 31 December 2022.
[3] As of 21 October 2024, 25% of the option rights given to the option right holder can be subscribed. As of 30 November 2024, shares can be subscribed in monthly installments of 1/36th of the remaining 75% of the option rights given to the option right holder until 31 December 2029.

SIGNIFICANT RISKS AND UNCERTAINTIES

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

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

Bioretec's risks can be divided into:

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

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

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

One of the main risks related to the operating environment is the uncertainty caused by geopolitical tensions. Those have already increased energy, material, and logistics costs, reduced the security of supply, and reduced sales.

SIGNIFICANT EVENTS AFTER THE REVIEW PERIOD

The company has not had significant events after the review period.

BOARD OF DIRECTORS' DIVIDEND PROPOSAL

On 31 December 2023, the parent company's distributable funds totaled EUR 4,914,201.75. The Board of Directors of the company proposes that the loss of EUR 3,788,609.77 for the financial period from 1 January to 31 December 2023 be credited in the equity as Profit(loss) for previous accounting periods and that no dividend be distributed.

FINANCIAL REPORTING AND ANNUAL GENERAL MEETING IN 2024

In 2024, Bioretec will publish the following financial reports:

- Annual Report for 2023 during week 11/2024 at the latest (week commencing on 11 March 2024)

- business review for January–March 2024 on Thursday 16 May 2024
- half-year report for January–June 2024 on Thursday 15 August 2024
- business review for January–September 2024 on Thursday 14 November 2024

The releases will be available online at Bioretec Ltd's website at https://bioretec.com/investors/investors-in-english/reports-and-presentations.

Bioretec Ltd's Annual General Meeting is planned to be held on Friday, 26 April 2024. The company's Board of Directors will convene the Annual General Meeting separately later.

FORWARD-LOOKING STATEMENTS

The report contains certain forward-looking information that reflects Bioretec's current views of future events and financial and operational performance. Words such as "intends", "anticipates", "expects", "can", "plans", "estimates", and similar expressions regarding indications or forecasts of future developments or trends, and which are not based on historical facts, constitute forward-looking information. Forward-looking information is inherently associated with known and unknown risks and uncertainties because it depends on future events and circumstances. Forward-looking information is not a guarantee of future results or developments, and actual results may differ materially from results referred to in forward-looking information. Forward-looking information in the report is only applicable on the date of issue of the report. Bioretec does not commit to publishing updates or revisions of any forward-looking statements as a result of new information, future events or similar circumstances other than those required by applicable legislation.

ACCOUNTING PRINCIPLES

The consolidated financial statements of Bioretec Group have been prepared in accordance with the Finnish Accounting Act, as well as with the rules of Nasdaq First North Growth Market Finland. Bioretec Oy, Bioretec GmbH and Bioretec Inc. (the U.S. subsidiary established in 2023) form the Bioretec Group.

Accounting principles have not changed during the reporting period. This financial statements bulletin is unaudited. The full-year 2022 figures are audited.

CONSOLIDATED INCOME STATEMENT

EUR 1,000	H2 2023	H2 2022	Change, %	FY 2023	FY 2022	Change, %
REVENUE	**2,016**	1,520	32.6%	**3,906**	2,942	32.8%
Changes in stocks (FG and WIP)	**-55**	89	-	**-8**	120	-
Other operating income	**82**	0	-	**82**	4	2169.1%
Total materials and services	**-559**	-488	14.6%	**-1,170**	-927	26.3%
Total personnel expenses	**-1,629**	-1,205	35.2%	**-2,850**	-2,353	21.1%
Total depreciation and amortization	**-98**	-90	8.1%	**-201**	-180	11.7%
Other operating expenses	**-1,557**	-832	87.1%	**-2,793**	-1,898	47.2%
OPERATING PROFIT (LOSS)	**-1,801**	-1,006	78.9%	**-3,034**	-2,292	32.4%
Net financial expenses	**88**	-42	-	**-754**	-124	510.1%
Profit (loss) before taxes	**-1,713**	-1,048	63.4%	**-3,788**	-2,415	56.8%
Income taxes	**-1**	-1	0.0%	**-1**	-1	0.0%
PROFIT (LOSS) FOR THE PERIOD	**-1,714**	-1,049	63.3%	**-3,789**	-2,416	56.8%

CONSOLIDATED BALANCE SHEET

EUR 1,000	31 Dec 2023	31 Dec 2022	Change, %
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	**484**	427	13.3%
Tangible assets	**789**	501	57.3%
CURRENT ASSETS			
Total inventories	**842**	777	8.4%
Short-term debtors	**1,632**	559	191.9%
Cash and cash equivalents	**6,910**	1,223	465.1%
TOTAL ASSETS	**10,657**	3,488	205.6%
EQUITY AND LIABILITIES			
EQUITY			
Restricted share capital	**3,749**	3 749	0.0%
Reserve for invested unrestricted equity	**19,701**	9,603	105.1%
Retained earnings (loss)	**-11,431**	-9,015	26.8%
Profit (loss) for the period	**-3,789**	-2,416	56.8%
LIABILITIES			
Long-term creditors	**671**	703	-4.5%
Short-term creditors	**1,756**	864	103.3%
TOTAL EQUITY AND LIABILITIES	**10,657**	3,488	205.6%

STATEMENT OF CHANGES IN EQUITY

EUR 1,000	H2 2023	H2 2022	Change, %	FY 2023	FY 2022	Change, %
Share capital at the beginning of the period	**3,749**	3,749	0.0%	**3,749**	3,749	0.0%
Restricted equity total at the end of the period	**3,749**	3,749	0.0%	**3,749**	3,749	0.0%
Reserve for invested unrestricted equity at the beginning of the period	**19,641**	9,603	104.5%	**9,603**	9,603	0.0%
Period changes	**60**	0	-	**10,098**	0	-
Reserve for invested unrestricted equity at the end of the period	**19,701**	9,603	105.1%	**19,701**	9,603	105.1%
Retained earnings at the beginning of the period	**-13,506**	-9,015	49.8%	**-11,431**	-9,015	26.8%
Retained earnings at the end of the period	**-13,506**	-10,382	30.1%	**-11,431**	-9,015	26.8%
Result of the period	**-1,714**	-1,049	63.3%	**-3,789**	-2,416	56.8%
TOTAL EQUITY	**8,230**	1,921	328.4%	**8,230**	1,921	328.4%

FINANCIAL POSITION AND CASH FLOW

EUR 1,000	H2 2023	H2 2022	Change, %	FY 2023	FY 2022	Change, %
CASH FLOW FROM OPERATING ACTIVITIES						
Cash flow before changes in working capital	**-1,703**	-916	85.9%	**-2,833**	-2,112	34.2%
Change in working capital	**-538**	-112	376.1%	**-598**	-245	143.1%
Net financial expenses and taxes paid	**-5**	-1	-850.0%	**-6**	-2	283.3%
CASH FLOW FROM OPERATING ACTIVITIES	**-2,246**	-1,030	118.2%	**-3,437**	-2,360	45.7%
CASH FLOW FROM INVESTMENTS						
Investments in tangible and intangible assets	**-88**	-244	-63.9%	**-161**	-260	-38.1%
CASH FLOW FROM INVESTMENTS	**-88**	-244	-63.9%	**-161**	-260	-38.1%
CASH FLOW FROM FINANCING						
Paid share issues	**61**	0	-	**10,098**	0	-
Change in short- and long-term financing	**-32**	-696	-95.4%	**-37**	-1,264	-97.1%
Paid other financial expenses	**20**	-654	-	**-775**	-1,514	-48.8%
CASH FLOW FROM FINANCING	**49**	-1,350	-	**9,286**	-2,778	-
Change in liquid assets (+/-)	**-2,285**	-2,624	-12.9%	**5,688**	-5,398	-
Cash and cash equivalents at the beginning of the period	**9,196**	3,847	139.0%	**1,223**	6,621	-81.5%
Cash and cash equivalents at the end of the period	**6,911**	1,223	465.1%	**6,911**	1,223	465.1%

DEFINITIONS OF KEY FIGURES

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

Tampere, 16 February 2024

Board of Directors

Bioretec Ltd

For additional information about the report:

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Information about Bioretec

Bioretec is a globally operating Finnish medical device company that continues to pioneer the application of biodegradable orthopedic implants. The company has built unique competencies in the biological interface of active implants to enhance bone growth and accelerate fracture healing after orthopedic surgery. The products developed and manufactured by Bioretec are used worldwide in approximately 40 countries.

Bioretec is developing the new RemeOs™ product line based on a magnesium alloy and hybrid composite, introducing a new generation of strong biodegradable materials for enhanced surgical outcomes. The RemeOs™ implants are absorbed and replaced by bone, which eliminates the need for removal surgery while facilitating fracture healing. The combination has the potential to make titanium implants redundant and help clinics reach their Value-Based Healthcare targets while focusing on value for patients through efficient healthcare. The first RemeOs™ product market authorization has been received in the U.S. in March 2023, and in Europe, the CE-mark is expected to be received during the first quarter of 2024. Bioretec is positioning itself to enter the addressable USD 7 billion global orthopedic trauma market and become a game changer in surgical bone fracture treatment.

Better Healing – Better Life. www.bioretec.com