H2 Financial Statements Bulletin 2021 (unaudited): Major steps in preparing for commercialization of RemeOs™

JULY–DECEMBER 2021 IN BRIEF

- Net sales increased by 24.2% and amounted to EUR 956 thousand (7-12/2020: EUR 770 thousand).
- Sales margin was EUR 598 (554) thousand and 62.6% (71.9%) of net sales, up by 8.1%.
- Net profit (loss) amounted to EUR -3,226 (-892) thousand.
- Earnings per share (undiluted) were EUR -0.23 (-0.01).

JANUARY–DECEMBER 2021 IN BRIEF

- Net sales increased by 33.6% and amounted to 2,003 thousand euros (1-12/2020: 1,499 thousand euros).
- Sales margin was EUR 1,376 (1,103) thousand and 68.7% (73.5%) of net sales, up by 24.8%.
- Net profit (loss) amounted to EUR -6,017 (-2,259) thousand. Net profit was affected by the costs related to the cancelled IPO and realized technical listing, funding rounds and the accrued interest of capital loans totaling EUR 3,350 thousand.
- Earnings per share (undiluted) were -0.43 (-0.02) euros.
- Board of Directors proposes that no dividend will be paid for 2021.

KEY EVENTS IN 2021

- In April, Bioretec received Breakthrough Device Designation status by the U.S. Food and Drug Administration (FDA) for its RemeOs™ trauma screw products. Under the Breakthrough Device Designation program, Bioretec continued interactive discussions with the FDA regarding the registration of RemeOs™ trauma screws for the U.S. market. The U.S. market authorization for the RemeOs™ trauma screws is planned for the first half of 2022.

- On 7 June 2021, Bioretec announced that it had applied for its shares to be listed on Nasdaq First North Growth Market Finland and commenced an initial public offering (IPO). The offering, including the over-allotment option, was oversubscribed, but the conclusion of the sole global coordinator and bookrunner of the offering was that the offering could not be completed. Therefore, the company cancelled the IPO on 17 June 2021 based on reasons that were not related to Bioretec, its actions or financial position. According to the sole global coordinator, the oversubscription in the offering was not sufficient for the expected development of the Bioretec share price on the secondary market to be beneficial to Bioretec and the investors.

- On 23 June 2021, Bioretec announced that it had completed a EUR 7.2 million equity funding round. The funding round was oversubscribed and therefore ended during the first subscription day.

- On 27 September 2021, Bioretec announced it had completed a private placement and raised EUR 1.7 million of funds. In the private placement, Bioretec issued a total of 580,000 new shares to institutional investors and a limited number to other investors.

- In September 2021, Bioretec executed a technical listing on the Nasdaq First North Growth Market Finland and trading of the company's shares was commenced on 28 September 2021.

- Relocation to new facilities in Tampere was completed in August 2021.

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

KEY FIGURES

EUR 1,000, unaudited	H2 2021	H2 2020	Change, %	FY 2021	FY 2020	Change, %
Net sales	**956**	770	24.2%	**2,003**	1,499	33.6%
Sales margin	**598**	554	8.1%	**1,376**	1,103	24.8%
Sales margin, %	**62.6%**	71.9%		**68.7%**	73.5%	
EBITDA	**-1,340**	-817	64.0%	**-2,497**	-1,787	39.8%
EBIT	**-1,438**	-887	62.3%	**-2,666**	-1,925	38.5%
Net profit (loss)	**-3,226**	-892	261.6%	**-6,017**	-2,259	166.4%
R&D spend on total costs, %	**23.1%**	26.4%		**34.7%**	23.6%	
Equity ratio, %	**50.6%**	35.1%		**50.6%**	35.1%	
Cash and cash equivalents	**6,621**	2,273	191.3%	**6,621**	2,273	191.3%
Earnings per share (undiluted)	**-0.23**	-0.01		**-0.43**	-0.02	
Earnings per share (diluted)	**-0.16**	0.00		**-0.31**	-0.01	
Number of shares at the end of the period[1]	**14,111,858**	150,402,068		**14,111,858**	150,402,068	
Number of shares (diluted)[1]	**19,679,006**	218,724,369		**19,679,006**	218,724,369	
Personnel[2]	**26**	23	13.0%	**26**	23	13.0%

[1] A reverse split was performed in April 2021, based on which the number of shares were divided by 15
[2] Number of personnel at the end of the period

CEO'S COMMENTS ON THE FULL YEAR OF 2021

Building the foundation for the future growth

2021 was a significant year for Bioretec. We took important steps towards commercializing our first RemeOs™ product and completed a listing of our shares on Nasdaq First North Growth Market Finland. The net sales grew 34% from the previous year.

Commercialization of RemeOs™ trauma screw progressing

Bioretec intends to introduce a new generation of bioresorbable materials with enhanced strength for improved surgical outcome. The new RemeOs™ product line is based on a magnesium alloy and hybrid composite. Market authorization for the first product is anticipated in the United States in the first half of 2022 and in the European Union in 2022. Bioretec is positioning itself through its product pipeline to enter the addressable USD 7 billion global orthopedic trauma market.

During the spring 2021, the first RemeOs™ product, trauma screws based on magnesium alloy, was accepted into the Breakthrough Device Designation program by the U.S. Food and Drug Administration (FDA). The designation confirms that the product represents a breakthrough technology, offers significant advantages over existing approved or cleared alternatives and that its availability is in the best interest of patients. Interactive discussions continue with the FDA, aiming at market authorization approval in the United States. Also in the European Union, Bioretec took a significant step in the commercialization of the product by filing for the market authorization (CE mark) in Europe in December 2021.

In order to ensure a smooth supply of raw materials for its RemeOs™ products, Bioretec entered into a supply agreement with Meotec in Germany for magnesium alloy in January 2022.

Shares traded in Nasdaq First North Growth Market

In 2021, we assessed several options to fund the commercialization of RemeOs™ product family. After the cancelled initial public offering (IPO), Bioretec completed a successful EUR 7.2 million equity funding round in June. The technical listing of Bioretec shares on Nasdaq First North Growth Market Finland was finalized during the third quarter. In September, prior to the technical listing, Bioretec completed a private placement raising EUR 1.7 million of equity capital. The trading of Bioretec shares on Nasdaq First North commenced on 28 September 2021.

Market recovery supporting sales

In 2021, Bioretec's net sales were at an all-time high, EUR 2,003 (1,499) thousand, up by 34% from 2020. The growth was mainly due to the contribution from new distributors and our active sales efforts that resulted in higher sales of Activa products in all territories but especially in Europe. The growth in net sales was also related to the growing number of surgical procedures in markets where the COVID-19 restrictions had been eased. While the global orthopedic market saw a clear decline in 2020 due to canceled and postponed surgeries, in 2021 the markets already showed some signs of recovery. The main market for Bioretec, the trauma products markets, has suffered the lowest impact from the pandemic, while elective surgeries have declined more severely.

Bioretec's sales margin in 2021 grew by 25% to EUR 1,376 (1,103) thousand, which was 69% (74%) of net sales. Profitability was lower than in 2020, mainly due to a two-month production shutdown and costs related to relocation to our new facility during the summer. Our net profit was affected by the costs related to the cancelled IPO and funding rounds in June and September, as well as the costs of completed technical listing in September and accrued interest of capital loans. As a result of the commercialization efforts of our first RemeOs™ product, our R&D spend increased to 35% (24%) of net sales.

Making progress in R&D

Bioretec's R&D projects are progressing on schedule, with focus on supporting market authorization for the new RemeOs™ products. The first RemeOs™ product, the trauma screw, has successfully passed the clinical trials, and the preliminary results of a 2-year follow-up study are available and will be published as soon as they are finalized. The 3-year follow-up study is currently ongoing. In addition to the trauma screw, we have started product development of three other RemeOs™ implants based on the same metal alloy. The clinical trials for the K-wire are expected to start in 2022 with commercialization anticipated in 2024. The intramedullary nail is expected to be commercialized in 2026 and the spinal cage in 2027 at the earliest.

We are also expanding the application areas of our current product family, the Activa implants. A post-market clinical follow-up study of Activa IM-Nail™ in pediatric diaphyseal forearm fractures continues on schedule. An investigator initiated clinical trial to treat pediatric wrist fractures with Activa IM-Nail™ is also proceeding as planned, with one third of patients treated at the end of 2021.

Increased production capacity supports commercialization

In August, Bioretec relocated to new premises in Tampere, Finland. With expanded production capacity and improved cleanroom and R&D facilities, Bioretec is now well prepared for the future growth of RemeOs™ products. The new premises also further improve our operational efficiency and logistics. In Europe, the new Medical Device Regulation (MDR) came into force in May. We have therefore updated our operations and procedures to fully comply with the new regulation.

Strengthening competence with new talent

The competence of our personnel is an important factor for the long-term success of Bioretec. In 2021, we recruited new members to our management: Johanna Salko joined the company as CFO in February 2021, and Rami Ojala was appointed as Sales and Marketing Director at the end of the year. We also strengthened our competence through other recruitments in functions important for advancing our strategy, such as R&D and product commercialization.

I am proud of the Bioretec team's commitment and efforts in 2021. In a single year, our team was able to carry out the listing of the company's shares on Nasdaq First North, file for the CE mark for our strategically most important product, and actively continue sales and product development activities.

Targeting EUR 100 million net sales by 2027

Our financial target in the long-term is to reach net sales exceeding EUR 100 million in a global USD 7 billion total addressable market by 2027, and to reach positive cash flow from operating activities by the end of 2025.

As a significant share of Bioretec's future revenue is expected to come from products still in the development and commercialization phase, the company expects to incur significant costs relating to further product development resulting in operating losses during the next few years.

In the long-term, the orthopedic trauma products are a growing market. The world's increasingly aging population and the increasing number of bone fractures are a global health care challenge. We believe our innovative products can provide an important and valuable solution for orthopedical treatments.

Timo Lehtonen, CEO

SALES AND MARKETING

Good sales development

Bioretec's net sales in 2021 increased by 34% compared to the previous year. Growth was mainly due to higher sales of Activa products in Europe, the United States and Asia, and it was driven by new distributors and increase in market demand.

Net sales from July to December 2021 showed robust growth despite COVID-19 limitations; and amounted to EUR 956 (770) thousand, an increase of 24% compared to the same period last year. Net sales for the financial period from January to December 2021 were Bioretec's best to date. Net sales amounted to EUR 2,003 (1,499) thousand, an increase of 34% compared to the same period last year. The net sales consisted of revenue related to current Activa products. Bioretec's Activa products are sold in approximately 40 countries globally through distributors. Net sales increase was mainly related to active sales and engaging with new distributors in several European countries. The company has changed its marketing strategy to adapt to the current COVID-19 pandemic situation, where gathering and travel restrictions have supported only virtual training events and webinars. The company will continue to use this proven strategy if conferences and training events are further restricted globally.

Sales by geographical area

In January-December 2021, net sales in Europe were EUR 1,012 (697) thousand, up by 45% compared to the same period last year. The increase in sales was due to the market opening after the pandemic in Germany, Bulgaria, Scandinavia, Spain, Russia, and Slovakia as well as new distributors in Germany and Austria. Net sales in the United States were EUR 96 (68) thousand and increased by 40%. Correspondingly, net sales from the rest of the world were EUR 895 (734) thousand, up by 22%. The growth was mainly driven by China, which contributed 57% of net sales in that geographical area.

EUR 1,000, unaudited	H2 2021	H2 2020	Change, %	FY 2021	FY 2020	Change, %
Europe*	**487**	351	38.5%	**1,012**	697	45.3%
U.S.	**46**	35	29.3%	**96**	68	40.0%
Rest of the world	**423**	384	10.4%	**895**	734	21.9%
TOTAL	**956**	770	24.1%	**2,003**	1,499	33.6%

*Russia included in Europe

Market development

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

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

In orthopedic trauma products, the largest geographic market is the United States (65% of sales in 2020). Europe, the Middle East and Africa (EMEA) account for about 17% and Asia-Pacific for about 13% of the sales. The United States is expected to remain the most important market also in the future. From 2016 to 2023, the market for orthopedic trauma products is expected to grow annually by about 3%. The biggest driver of the market for trauma products is the increase in the number of fractures, especially as the proportion of the elderly population increases and due to the growing popularity of various extreme sports and the increasing prevalence of obesity. Other important market drivers are favorable reimbursement practices due to changes in claims policies and improved insurance coverage, especially in the United States, and growing demand for advanced orthopedic implants and increased need for customer-centric solutions as patients are becoming more aware of different treatment options. (Source: The Orthopaedic Industry Annual Report 2021)

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

RESEARCH AND DEVELOPMENT

R&D focused on RemeOs™ commercialization

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

Product development in the new RemeOs™ product family

Bioretec is planning to launch a new RemeOs™ product line based on a magnesium alloy and hybrid composite, introducing a new generation of strong bioabsorbable materials for enhanced surgical outcomes. The RemeOs™ implants are resorbed and replaced by bone and eliminate the need for implant removal surgery while facilitating fracture healing. They have potential to make traditional metal implants redundant.

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

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

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

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

Product development in the current Activa product family

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

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

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

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

Group financial development

NET SALES, PROFITABILITY AND FINANCIAL PERFORMANCE

Net sales and sales margin

Net sales from July to December 2021 amounted to EUR 956 (770) thousand, an increase of 24% compared to the same period last year. Net sales for the financial period from January to December 2021 were Bioretec's best to date. Net sales amounted to EUR 2,003 (1,499) thousand, an increase of 34% compared to the same period last year. Growth was mainly due to higher sales of Activa products in Europe, U.S. and Asia.

Bioretec's sales margin in July–December 2021 grew by 8% to EUR 598 (554) thousand. The sales margin was 63% (72%) of net sales. Bioretec's sales margin in January–December 2021 grew by 25% to EUR 1,376 (1,103) thousand. The sales margin was 69% (73%) of net sales, well below comparison period. The decline was due to relocation related production shut down, ramp-up and other costs.

Operating expenses

Bioretec group's total operating expenses in July–December 2021 (including salaries, depreciation, and other operating expenses) were EUR 2,037 (1440) thousand, an increase of 41% from the comparison period.

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

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

EBITDA and net profit (loss)

Bioretec group's EBITDA in July–December 2021 decreased to EUR -1,340 (-817) thousand. Net loss of the period was EUR -3,226 (-892) thousand.

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

FINANCIAL POSITION AND CASH FLOWS

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

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

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

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

FINANCIAL TARGETS

The company's financial targets are:

- reach revenue of more than EUR 100 million in a global USD 7 billion total addressable market by 2027; and
- reach positive cash flow from operating activities by the end of 2025.

PERSONNEL AND MANAGEMENT

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

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

THE BOARD OF DIRECTORS

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

THE AUDITOR

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

ANNUAL GENERAL MEETING

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

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

It was decided that the following remuneration will be paid to the members of the Board of Directors in 2021: EUR 2,500 per month for the Chairman of the Board of Directors and EUR 1,500 per month for the members of the Board of Directors. Additionally, it was decided, that company may enter into a consultancy service agreement with Tomi Numminen relating to commercialization of the company products in the United States. Consultancy fee payable should not exceed EUR 7,500 per month.

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

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

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

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

EXTRAORDINARY GENERAL MEETING AND BOARD AUTHORIZATIONS

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

Extraordinary General Meeting of Bioretec Ltd. was held on 9 July 2021 in Tampere. Extraordinary General Meeting authorized Bioretec Board of Directors to resolve on option program, based on which option rights were granted to Springvest Oy and its tied agents in relation with the terms of the agreement between the company and Springvest Oy concerning the organizing of a financing round for the company. Based on the authorization the maximum number of shares that could be subscribed based on the option rights was 384,000 shares. Share subscription price was EUR 0,001 per share. The authorization was valid until the 31 December 2021, and it did not cancel the previous authorizations granted to the Board of Directors.

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

SHARES AND RELATED PROGRAMMES

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

On 31 December 2021, Bioretec had a total of 14,111,858 (150,402,068) shares. The share capital was EUR 3,749 (3,749) thousand. Bioretec does not hold its own shares. The average number of shares was 12,069,331 (8,663,341) during the year 2021 and 12,429,858 (10,013,653) during the second half 2021. When calculating the average number of shares, 2020 year-end number has been adjusted with the reverse split impact, which took place in April 2021. The average number of shares (diluted) was 17,130,315 (12,857,659) during the year 2021 and 19,389,003 (14,957,440) during the second half 2021.

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

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

Shareholders

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

At the end of 2021, the members of the Board of Directors owned a total of 6,000 company's shares. At the end of 2021, the CEO did not own company's shares. The members of the Group's Management Team (excluding the CEO) owned a total of 6,291 company's shares. Thus, the company's executive management held 0.09% of all of the company's shares and 0,09% of the total votes.

Share issue and listing

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

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

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

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

Option programs

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

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

Open option programs:

ID	Options	Share subscription price, EUR	Shares to be subscribed[1]	Subscription period	Unexercised options
2018-1A	8,500,000	1.50	566,666	1.1.2019-31.12.2023	8,500,000
2018-1B	8,500,000	1.50	566,666	1.1.2020-31.12.2023	8,500,000
2018-1C	1,500,000	2.5	100,000	1.1.2021-31.12.2023	1,500,000
2018-1D	1,500,000	2.25	100,000	1.1.2022-31.12.2023	1,500,000
2019-1	36,444,250	0.15	2,429,616	20.3.2019-31.12.2029	36,444,250
2020-1A	8,450,000	2.25	563,324	1.1.2022-31.12.2026	8,450,000
2020-1B	9,150,000	3.00	609,998	1.1.2023-31.12.2026	9,150,000
2020-1C	8,400,000	3,75	559,998	1.1.2024-31.12.2026	8,400,000
Total	**82,444,250**		**5,496,268**		**82,444,250**

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

Option programs – shares subscribed:

ID	Options	Share subscription price, EUR	Subscribed shares	Shares after reverse split[1]	Subscription period	Registered in the trade register
2017-1	17,863,794	0.10	17,863,794	1,190,920	1.10.2018-31.12.2020	5.2.2021
2018-2	4,795,200	0.001	4,795,200	319,680	20.11.2018-31.12.2030	6.4.2021
2019-2	7,996,320	0.001	7,996,320	533,088	21.2.2020-31.12.2030	6.4.2021
2021-1[2]	384,000	0.001	384,000	384,000[2]	5.8.2021-31.12.2030	8.9.2021 and 22.10.2021
Total	**31,039,314**		**31,039,314**	**2,427,688**		

[1]After the reverse split, 15 options correspond to one share.
[2]Option program 2021-1 has been implemented after the reverse split.

SIGNIFICANT RISKS AND UNCERTAINTIES

Bioretec's Board of Directors is responsible 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 operating environment, industry and regulations
- Risks related to business
- Risks related to product development, manufacturing and commercialization of products
- Risks related to financing and
- Risks related to equities, shares and trading of the shares

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

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

SIGNIFICANT EVENTS AFTER THE REVIEW PERIOD

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

BOARD OF DIRECTORS' DIVIDEND PROPOSAL

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

FINANCIAL REPORTING AND ANNUAL GENERAL MEETING IN 2022

Bioretec will publish its Annual Report, including the Financial Statements for the year 2021 during the week 10/2022, at the latest.

The Annual General Meeting is planned to be held on 13 April 2022.

Bioretec's Half-year Report January–June 2022 will be published on 12 August 2022.

The reports will be available immediately after publication on the company's website at https://bioretec.com/investors/investors-in-english/reports-and-presentations.

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 the Bioretec group have been prepared in accordance with the Finnish Accounting Act, as well as the rules of Nasdaq First North Growth Market Finland. Bioretec Oy and BRI Tech GmbH form the Bioretec group.

Bioretec Technology Oy, a former subsidiary of Bioretec Oy, has been merged to Bioretec Oy as of September 30, 2021.

Accounting principles have not changed during the reporting period.

This Financial Statement Bulletin is unaudited.

CONSOLIDATED INCOME STATEMENT [1]

EUR 1,000	H2 2021	H2 2020	Change, %	FY 2021	FY 2020	Change, %
REVENUE	**956**	770	24.2%	**2,003**	1,499	33.6%
Changes in stocks (FG and WIP)	**-134**	41	-	**-122**	137	-
Other operating income	**1**	2	-48.2%	**1**	2	-48.2%
Total materials and services	**-225**	-259	-13.1%	**-506**	-535	-5.5%
Total personnel expenses	**-1,146**	-802	42.9%	**-2,186**	-1,780	22.8%
Total depreciation and amortization	**-98**	-69	41.6%	**-169**	-138	22.4%
Other operating expenses	**-793**	-569	39.3%	**-1,687**	-1,109	52.1%
OPERATING PROFIT (LOSS)	**-1,438**	-887	62.3%	**-2,666**	-1,925	38.5%
Net financial expenses	**-1,787**	-5	32,398.6%	**-3,350**	-333	904.6%
Profit (loss) before taxes	**-3,226**	-892	261.6%	**-6,016**	-2,258	166.4%
Income taxes	**0**	0	100.0%	**-1**	-1	0.0%
PROFIT (LOSS) FOR THE PERIOD	**-3,226**	-892	261.6%	**-6,017**	-2,259	166.4%

[1] unaudited

CONSOLIDATED BALANCE SHEET [1]

EUR 1,000	FY 2021	FY 2020	Change, %
ASSETS			
NON-CURRENT ASSETS			
Intangible assets	**287**	**410**	-30.1%
Tangible assets	**571**	**240**	138.4%
CURRENT ASSETS			
Total inventories	**640**	**672**	-4.8%
Short-term debtors	**461**	**298**	55.1%
Cash and cash equivalents	**6,621**	**2,273**	191.3%
TOTAL ASSETS	**8,580**	**3,892**	120.5%
EQUITY AND LIABILITIES			
EQUITY			
Restricted share capital	**3,749**	**3,749**	0.0%
Share issue	**0**	**610**	
Other reserves (reserve for unrestricted equity)	**9,603**	**0**	
Retained earnings (loss)	**-2,998**	**-739**	305.5%
Profit (loss) for the period	**-6,017**	**-2,259**	166.4%
LIABILITIES			
Long-term creditors	**22**	**1,977**	-98.9%
Short-term creditors	**4,221**	**555**	660.6%
TOTAL EQUITY AND LIABILITIES	**8,580**	**3,892**	120.4%

[1] unaudited

STATEMENT OF CHANGES IN EQUITY [1]

EUR 1,000	H2 2021	H2 2020	Change, %	FY 2021	FY 2020	Change, %
Share capital at the beginning of the period	**3,749**	9,221		**3,749**	9,221	
Reduction of equity	**0**	-5,472		**0**	-5,472	
Restricted equity total at the end of the period	**3,749**	3,749	0.0%	**3,749**	3,749	0.0%
Share issues at the beginning of the period	**7,204**	0		**610**	0	
Period changes	**-7,204**	610		**-610**	610	
Share issues at the end of the period	**0**	610		**0**	610	
Reserve for invested unrestricted equity at the beginning of the period	**659**	17,008		**0**	12,755	
Reduction of equity	**0**	-17,027		**0**	-17,027	
Period changes	**8,944**	19	46,975.1%	**9,603**	4,272	124.8%
Reserve for invested unrestricted equity at the end of the period	**9,603**	0		**9,603**	0	
Retained earnings at the beginning of the period	**-2,998**	-23,239		**-2,998**	-23,239	
Reduction of equity	**0**	22,500		**0**	22,500	
Retained earnings at the end of the period	**-5,789**	-2,106		**-2,998**	-739	
Result of the period	**-3,226**	-892		**-6,017**	-2,259	
TOTAL EQUITY	**4,337**	1,361	218.6%	**4,337**	1,361	218.7%

[1] unaudited

FINANCIAL POSITION AND CASH FLOW [1]

EUR 1,000	H2 2021	H2 2020	Change, %	FY 2021	FY 2020	Change, %
CASH FLOW FROM OPERATING ACTIVITIES						
Cash flow before changes in working capital	**-1,340**	**-817**	64.0%	**-2,497**	**-1,787**	39.7%
Change in Working Capital	**197**	**-94**		**114**	**-193**	
Net financial expenses and taxes paid	**-2**	**-2**	-2.0%	**-5**	**-19**	-76.2%
CASH FLOW FROM OPERATING ACTIVITIES	**-1,144**	**-913**	25.3%	**-2,387**	**-1,998**	19.5%
CASH FLOW FROM INVESTMENTS						
Investments for tangible and intangible assets	**-254**	**-59**	333.2%	**-393**	**-121**	224.2%
CASH FLOW FROM INVESTMENTS	**-254**	**-59**	333.2%	**-393**	**-121**	224.2%
CASH FLOW FROM FINANCING						
Paid share issues	**8,940**	**610**	1,366.4%	**8,993**	**4,613**	94.9%
Change in short- and long-term financing	**-38**	**-17**		**-75**	**48**	
Paid other financial expenses	**-1,747**	**0**	0.0%	**-1,790**	**-327**	447.3%
CASH FLOW FROM FINANCING	**7,155**	**593**	1,106.6%	**7,128**	**4,335**	64.4%
Change in liquid assets (+/-)	**5,756**	**-379**	-1,618.9%	**4,348**	**2,215**	96.3%
Cash and cash equivalents at the beginning of the period	**865**	**2,652**		**2,273**	**58**	
Cash and cash equivalents at the end of the period	**6,621**	**2,273**		**6,621**	**2,273**	

[1] unaudited

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
RD 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, 17 February 2021

Board of Directors

Bioretec Ltd

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Information about Bioretec

Bioretec is a globally operating Finnish medical device company that continues to pioneer the application of bioresorbable 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 bioresorbable materials for enhanced surgical outcomes. The RemeOs™ implants are resorbed 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. With the U.S. and EU market authorization for the first RemeOs™ product expected in 2022, Bioretec is positioning itself to enter the addressable USD 7 billion global orthopedic trauma market and become a game changer in surgical possibilities. Better Healing – Better Life. www.bioretec.com.