PROSPECTUS 30.1.2018

BBS-BIOACTIVE BONE SUBSTITUTES OYJ

(a public limited company (in Swedish: publikt aktiebolag) incorporated under the laws of Finland)

Offering and listing on First North Finland and First North Sweden

Up to 1 400 000 shares

Indicative price EUR 5,50 per share

BBS-Bioactive Bone Substitutes Oyj ("**Company**") is offering up to 1 400 000 new shares ("**Offer Shares**" or "**Initial Public Offering Shares**" or "**IPO Shares**") for investors to subscribe. The Offer Shares will constitute up to 31,4 % of all shares in the Company ("**Shares**") should the Offering be subscribed in its entirety.

The Offering consists of an offering in Finland in which Offer Shares are offered to the investors in Finland and an offering in Sweden in which Offer Shares are offered to the investors in Sweden, as defined under "**Terms and conditions of the Offering**", (together, the "**Initial Public Offering**" or the "**Offering**" or the "**IPO**").

The subscription price in the Offering is EUR 5,50 per Offer Share ("**Subscription Price**"). The Offer Shares subscribed in Sweden will be payable in Swedish Krona. The Swedish Krona denomination of the Offer Price will be determined by the EUR/SEK forward rate. The Company will announce the final Swedish Krona denominated final Offer Price by way company release in connection with the publication of the result of the IPO. The board of directors of the Company will resolve on the number and allocation of the Offer Shares. The subscription period ("**Subscription Period**") for the Offer Shares will commence on 5.2.2018 at 9.30 Finnish time (8.30 Swedish time) and is expected to end on 18.2.2018 in Finland at 24.00 Finnish time and at 24.00 in Sweden Swedish time, unless the Company decide to shorten or postpone the Subscription Period. The Company may, at its discretion, end, shorten, or extend the Subscription Period within the terms of the Offering. Aalto Capital Partners Oy ("**Aalto Capital**") acts as the Financial Advisor ("**Financial Advisor**") for the Company and as Certidied Adviser in Finland in connection with the Offering. The Stockholm Certified Advisers AB is the Certified Adviser in Sweden in connection with the Offering.

On the date of this Prospectus ("**Prospectus**"), the Company's shares are not being traded on a regulated market or on a multilateral trading facility. The Company intends to make an application to the Helsinki and Stockholm Stock Exchange in order to list all of the Company's Shares to Nasdaq First North under the ticker symbol BONES in Stockholm and under the ticker symbol BONEH in Helsinki ("**FN-listing**"). Aalto Capital acts as Certified Adviser to the Company as required under the First North Nordic Rulebook ("**Rules of First North**") in Finland and Stockholm Certified Advisers AB acts as Certified Adviser to the Company in Sweden.

Trading in the Shares on First North Finland is expected to commence on 28.2.2018. Trading in the Shares on First North Sweden is expected to commence on 28.2.2018. The Offer Shares are expected to be registered with the Finnish Trade Register ("**Trade Register**") on 26.2.2018. Euroclear Finland Oy ("**Euroclear Finland**") is expected to deliver the Offer Shares to the subscribers in the Finnish Offering on 26.2.2018 and Euroclear Sweden AB ("**Euroclear Sweden**") to the subscribers in the Swedish Offering on 26.2.2018.

In certain countries statutory limitations may apply to the distribution of this Prospectus and the Offering and the selling of the Offer Shares. This Prospectus does not constitute an offer to issue Offer Shares to anyone in such country, where it would be prohibited by local laws or other regulations to offer shares to such person. This Prospectus or any other material relating to the Offering shall not be distributed or disseminated in any country without complying with the laws and regulations of such country. The Offering does not apply to any person resident in Australia, South-Africa, Hong Kong, Japan, Canada or the United States or in any other country where it would be prohibited by local laws or other regulations. The Offer Shares have not been, and will not be, registered under the U.S. Securities Act of 1933, as amended (the "**U.S. Securities Act**"), or under the securities laws of any state of the United States and, accordingly, may not be offered or sold, directly or indirectly, in or into the United States (as defined in Regulation S), unless registered under the U.S. Securities Act or pursuant to an exemption from the registration requirements of the U.S. Securities Act and in compliance with any applicable state securities laws of the United States.

Nasdaq First North Finland and First North Sweden are alternative marketplaces operated by an exchange within the NASDAQ OMX group. Companies on First North are not subject to the same rules as companies on the regulated main market, instead they are subject to a less extensive set of rules and regulations adjusted to small growth companies. Therefore, the risk in investing in a company on First North may be higher than investing in a company on the main market. All companies on First North have a Certified Adviser which monitors that the rules are followed. The Exchange approves the application for admission to trading.

Investment in the Shares involves risks. The principal risk factors are discussed under the Prospectus' section "*Risk factors*".

Certified Adviser in Finland and Financial Advisor
Aalto Capital Partners Oy

Certified Adviser in Sweden
Stockholm Certified Advisers AB

The Offerings place of subscription in Finland and Sweden
Nordnet

IMPORTANT INFORMATION

In this Prospectus "**BBS**" or the "**Company**" refers to BBS-Bioactive Bone Substitutes Oyj and its subsidiary Bio Bones Oy, except where the context may otherwise require. In connection with the Offering, the Company has prepared a Finnish-language prospectus (the "**Finnish-language Prospectus**") in accordance with the Finnish Securities Markets Act (746/2012, as amended, the "**Finnish Securities Markets Act**"), Commission Regulation (EC) No. 809/2004 of April 29, 2004, as amended (the "**Prospectus Regulation**") (Annexes II, III, XXII and XXV) implementing Directive 2003/71/EC (the "**Prospectus Directive**") of the European Parliament and of the Council, as amended, as regards information contained in prospectuses as well as the format, incorporation by reference and publication of such prospectuses and dissemination of advertisements, the Finnish Ministry of Finance Decree on prospectuses referred to in Chapters 3 to 5 of the Finnish Securities Markets Act (1019/2012) and the regulations and guidelines issued by the Finnish Financial Supervisory Authority (the "**Finnish FSA**"). The Finnish FSA has approved the Finnish-language Prospectus; however, it is not responsible for the accuracy of the information presented therein or herein. The register number of the Finnish FSA's approval of the Finnish-language Prospectus is FIVA 84/02.05.04/2017. In accordance with the Prospectus Directive, a Swedish-language summary together with an English-language translation of the Finnish-language Prospectus will be passported by way of notification to the Swedish Financial Supervisory Authority (in Swedish: Finansinspektionen) (the "**Swedish FSA**") for use in Sweden. BBS is responsible for the Prospectus and the translation of the Prospectus.

The Offering will be governed by the laws of Finland and any disputes arising in connection with the Offering will be settled by a court of competent jurisdiction in Finland. This document is an unofficial English translation of the Finnish-language Prospectus and references to the "**Prospectus**" refer to the Finnish-language Prospectus. In the event of any discrepancies, the Finnish-language Prospectus shall prevail. The Prospectus and the English translation of the Prospectus is available from 31.1.2018 onwards on the Company's webpage ((http://www.bbs-artebone.fi/sijoittaja/listautuminen and http://www.bbs-artebone.fi/investor/IPO), Aalto Capital Partners Oy's webpage (www.aaltocapital.com) and Nordnet AB's webpage www.nordnet.fi/bone and www.nordnet.se/bbs. The printed Prospectus is available at the Company's headquarters based in Kiviharjunlenkki 6, 90220 Oulu, Finland.

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

The Company have prepared the Prospectus to enable the listing of the Company's Shares and only for the purpose or intent for the investors to consider the subscription of the Offer Shares. Nothing contained in this Prospectus constitutes, or shall be relied upon as, a promise or representation by the Company, Company's Financial Advisor nor Certified adviser. In making an investment decision, each investor must examine the information provided in the Prospectus and rely on their own examination, analysis and enquiry of the Company and the terms of the Offering, including the merits and risks involved.

No person has been authorised by the Company to give any information or to make any representation regarding the Offering other than information or representation contained in this Prospectus. However, if such information or representations are made, such information or representation must not be considered as having been so authorised by the Company nor Certified Adviser.

Certified Adviser acts exclusively for the Company and no-one else in connection with the Offering, and protection of Certified Adviser applies only to the Company. Certified Adviser will not regard any other person (whether or not a recipient of this Prospectus) as their respective client in relation to the Offering. Certified Adviser will not be responsible to anyone other than the Company for providing the protections afforded to their respective clients nor for giving advice in relation to the Offering or any transaction or arrangement referred to herein. Except for obligations and responsibilities, which may be incurred by Certified Adviser under the Finnish law or other Countries' compelling law, where the exclusion of liability would be illegal, invalid or unenforceable. Certified Adviser, nor any of their respective affiliates or representatives are not responsible of the information within the Prospectus or any claim or assumption made or presumed to be made based on the Prospectus or in regarding to the Company, the Offering or the Offer Shares.

NOTICE TO THE INVESTORS

In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Company and the terms of the Offering, including the merits and risks involved. No person has been authorised by BBS to give any information or to make any representation other than those contained in this Prospectus. The disclosure of the Prospectus under no circumstances implies that the information contained herein would be current otherwise than the date of this Prospectus nor in any circumstances mean that the disclosure of the Prospectus means that no changes could occur in the Company's business after the date of this Prospectus. The Prospectus will be supplemented if prior to the end of the offer period an error or omission of material information or material new information not included in this Prospectus is discovered and if information bears material significance to the investors. According to the law, such inaccurate, insufficient or new material information shall be published without undue delay by way of publishing a supplement to this Prospectus in the same manner as this Prospectus. The investors are advised to follow the Company releases published by the Company. Nothing contained in this Prospectus constitutes, or shall be relied upon as, a promise or representation by BBS of the future. Unless otherwise stated, the estimates presented on the Company or the industry sector related market developments are based on the Company's management's reasonably manner verified estimates. In a number of countries, the distribution of this Prospectus, the offer of the Offer Shares, as well as the sale of the Offer Shares, is subject to restrictions imposed by law. The Company and Certified Adviser requires persons into whose possession this Prospectus comes to inform themselves of and to observe all such restrictions. Neither the Company nor Certified Adviser accepts any legal responsibility for persons who have obtained this Prospectus in violation of these restrictions, irrespective of whether these persons are prospective subscribers or purchasers of the Offer Share. This prospectus does not constitute an offer to sell the Offer Shares nor an offer to issue Offer Shares to anyone in any jurisdictions where such an offer would be unlawful. No action has been or will be taken by the Company in offering the Offer Shares to the public outside of Finland and Sweden.

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SUMMARY

Prospectus summaries consist of information requirements presented in “items”. The items are numbered in sections A-E (A.1-E.7). The summary in this prospectus includes all of the items required in a summary for the relevant type of security and issuer. However, since certain items are not applicable to all types of prospectuses, there may be gaps in the numbering of these items. Even if an item is required to be included in the summary for the relevant type of security and issuer, it is possible that no relevant information is available regarding the item. In such a case, the information is replaced by a brief description of the item together with the indication “not applicable”.

SECTION A – INTRODUCTION AND WARNINGS

A.1	Warning	This summary should be read as introduction to this Prospectus. Any decision to invest in the Offer Shares should be based on consideration of this Prospectus as a whole by the potential investor. Where a claim relating to the information contained in this Prospectus is brought before a court, the plaintiff investor might, under the applicable national legislation, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the Prospectus or if it does not provide, when read together with the other parts of the Prospectus, key information in order to aid investors when considering whether to invest in the Offer Shares.
A.2	Consent for financial intermediaries	Not applicable

Section B – The Company

B.1	Legal and commercial name	The issuer's official name is BBS-Bioactive Bone Substitutes Oyj.
B.2	Domicile, legal form, legislation and country of incorporation	The company is based in Oulu, Finland. The company is a Finnish public limited company, formed under Finnish law and operates under Finnish law.
B.3	Current operations and principal activities	BBS-Bioactive Bone Substitutes Oyj is a Finnish healthcare company that develops, designs and prepares to produce an innovative new generation of bioactive bone graft substitutes for medical devices. The Company's medical device is at the end of the development phase and the Company has a production facility in Reisjärvi for future commercial products. The Company was founded in 2003 by Pekka Jalovaara and Elecster Oyj founder Tuomo Halonen.

		The Company's head office is located in Oulu and the Company's production facility is located in Reisjärvi. BBS had 12 employees in 2017. The Company has a scalable production facility in Reisjärvi with an annual potential production capacity of up to 25 000 implants. The Company's product, ARTEBONE®, is an injectable paste in a ready-to-use syringe. Paste's main components are TCP granules, which provide the support structure for bone growth in normal bone, and an active component in the form of bone protein extract from pure. In ARTEBONE® BBS has used technology that has required over 10 years of extensive research and development, and technology has been protected by five global patent families. ARTEBONE is classified as medical device. Academic, as well as official animal testing and clinical trials have shown that ARTEBONE® has better features to promote bone healing in comparison to other products on the market. ARTEBONE® is intended for use in orthopedic surgery for the treatment of bone damage and changes as well as the treatment of bone problems. The indication areas include extremities, such as hand and ankle, and the pelvis and shoulder blade. These indications constitute the Company's primary market for the Company's for its first stage operations according to BBS plans. All steps for the CE marking have been completed, excluding the improvements to be made in the production line, the completion of the clinical trial report and the completion of the license application process. For an FDA approval, the Company has made an FDA pre-submission application and the application process for the FDA 510 (k) approval will continue when the CE marking, which is necessary within the EU, has been granted.
B.4a	Significant recent trends affecting the Company and the industry in which it operates	Sales of bone substitute implants are growing steadily. The reason for this is that the younger generation of orthopedists would like to switch to using substitutes for surgery, which shortens operation time and reduces complications. In addition, market leaders, BMP-2 and BMP-7 products, have had problems that have led to a decrease in the sales of such products. The US regulatory environment, surgeons and hospitals now challenge the suppliers of orthopedic products by requiring wider clinical and economic data. The development of new technology is expected to come from smaller companies. When these companies invest, develop and

		verify the effectiveness of developed products, it is assumed that industry leaders will acquire or collaborate to scale these technologies. This is reflected in the activity increase of acquisitions of smaller companies. Clear growth products include products that are less complex and costly related to early actions by the major leaders. These are expected to increase the industry's sales growth.
B.5	Group structure	BBS is the Group's parent company at this prospectus date. BBS owns a wholly-owned subsidiary, Bio Bones Oy, which manages a property.
B.6	Major shareholders	31.12.2017 The company's largest shareholders is as follows. The company is not aware that it would be owned or controlled, directly or indirectly, by anyone.

Shareholder	Number of shares	%-of total shares and votes
Finha Capital Oy	814 229	18 %
Reisjärven kunta	702 182	16 %
EAKR - Aloitusrahasto Oy	575 000	13 %
Pekka Jalovaara	532 850	12 %
Paananen Ahti	267 879	6 %
Oulun Seudun Hyvinvointirahasto	260 000	6 %
Irma Halonen	259 240	6 %
Panvest Oy	250 000	6 %
Innovestor Kasvurahasto I Ky	207 800	5 %
Jukka Halonen	132 810	3 %
Others	452 011	9 %
Totalt	**4 454 001**	100 %

		All shares entitle to one (1) vote.
B.7	Selected historical key financial information	The following tables show the Company's financial statements and other information for the fiscal years ending December 31, 2017, December 31, 2016 and December 31, 2015. This section should be read in conjunction with this Prospectus by reference to the consolidated financial statements per 31.12.2017, 31.12.2016 and 31.12.2015 and Operating Profit, Financial Situation and Prospects in the Prospectus. BBS's revised financial statements for fiscal years ended December 31, 2017, December 31, 2016 and December 31, 2015 have been prepared in accordance with FAS. The summary below does not contain all financial information. The cash flow statement in the Prospectus has been prepared specifically to be included in this Prospectus. Auditing Company Ernst & Young Oy, with Chief Auditor Juhani Rönkkö, has reviewed the Company's financial statements for the period between 2015 and 2017. The above financial statements including

		audit reports are incorporated by reference to the prospectus and are available on the company's website at: http://www.bbs - artebone.fi/investor/releases. The company had no obligation to establish the consolidated financial statements for the financial periods ended December 31, 2017, December 31, 2016 and December 31, 2015.

Income statement

[thousand Euros]	1.1. - 31.12 2017 Audited*	2016 Audited	2015 Audited
Other operating income	20	19	21
Raw materials and services			
Raw materials and consumables			
Purchases during the financial year	-27	-6	0
External services	-75	-84	-9
Raw materials and services total	-101	-90	-9
Personnel expenses			
Wages and salaries	-525	-192	-200
Social security expenses			
Pension expenses	-61	-35	-32
Other social security expenses	-18	-13	-9
Personnel expenses total	-603	-240	-241
Depreciation and amortization			
Depreciation according to plan	-161	-108	-161
Impairment of non-current assets	-2 950	0	0
Depreciation and amortization total	-3 111	-108	-161
Other operating expenses	-551	-181	-158
OPERATING PROFIT (LOSS)	-4 346	-600	-550
Financial income and expenses			
Other interest income and other financial income			
From others	0	0	0
Other interest and financial expenses			
To others	-81	-78	-76
Financial income and expenses total	-81	-78	-76
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	-4 427	-678	-626
PROFIT (LOSS) OF THE FINANCIAL YEAR	-4 427	-678	-626

*The financials for the fiscal year 2017 are audited, but are not yet approved by BBS' shareholders' meeting at the date of this Prospectus.

Balance sheet

[thousand Euros]	31.12.2017	31.12.2016	31.12.2015
ASSETS	**Audited**	**Audited**	**Audited**
NON-CURRENT ASSETS			
Intangible assets			
Development expenditure[1)]	7 533	10 483	9 864
Other Intangible assets	507	581	604
Intangible assets total	8 040	11 064	10 468
Tangible assets			
Machinery and equipment [1)]	834	870	955
Tangible assets total	834	870	955
Investments			
Holdings in group member companies	714	714	714
Investments total	714	714	714
NON-CURRENT ASSETS TOTAL	9 588	12 648	12 138
CURRENT ASSETS			
Debtors			
Short term			
Other debtors	58	3	9
Subscribed capital unpaid	0	45	0
Prepayments and accrued income	2	1	0
Short term debtors total	60	49	9
Debtors total	60	49	9
Cash and cash equivalents	32	104	308
CURRENT ASSETS TOTAL	92	153	317
ASSETS TOTAL	9 681	12 802	12 454
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Equity			
Share capital	80	28	28
Equity total	80	28	28
Share premium account	1 395	1 395	1 395
Other reserves			
Invested unrestricted equity fund	7 837	6 977	6 167
Other reserves total	7 837	6 977	6 167
Retained earnings (loss)	-3 804	-3 126	-2 500
Profit (loss) of the financial year	-4 427	-678	-626
CAPITAL AND RESERVES TOTAL	1 081	4 596	4 464
CREDITORS			
Long term			
Capital loans	950	950	950
Loans from credit institutions	6 274	6 047	6 782
Long term loans total	7 224	6 997	7 732
Short term			
Loans from credit institutions	705	932	0
Trade creditors	239	108	83
Other creditors	100	6	4
Accruals and deferred income	332	162	171
Short term creditors total	1 376	1 209	258
CREDITORS TOTAL	8 600	8 206	7 990
EQUITY AND LIABILITIES TOTAL	9 681	12 802	12 454

*The financials for the fiscal year 2017 are audited, but are not yet approved by BBS' shareholders' meeting at the date of this Prospectus
1) The composition of the balance sheet item "Machinery and equipment" has been changed during the fiscal year of 2017 to provide more accurate information. Based on the changes, the prior capitalized machinery and equipment have been calculated as part of tangible assets and project based intangible assets balance sheet itemization have been changed to correspond the 30.6.2017 used itemization. To provide comparability, the historical balance sheet item "Machinery and equipment" from year 2015 to 2016 have been changed according to the calculation method used in year 2017.

Cash flow statement

[thousand Euros]	1.1. - 31.12 2017 Unaudited	2016 Unaudited	2015 Unaudited
Cash flow from business operations			
Loss before extraordinary items	-4 427	-678	-626
Adjustments			
Scheduled depreciation and amortization	161	108	161
Financial income and expenses	81	78	77
Other adjustments	2 950	0	0
Cash flow before changes in working capital	**-1 235**	**-492**	**-388**
Change in working capital			
Changes in short-term non-interest-bearing receivables (Increase (-) / Decrease (+))	-56	5	-8
Changes in inventory (Increase (-) / Decrease (+))	0	0	0
Changes in short-term non-interest-bearing loans (Increase (-) / Decrease (+))	294	17	39
Cash flow from business operations before financial items and taxes	-997	-470	-357
	0		
Interest paid and other financial expenses from business operations	-80	-76	-73
Interest received and other financial income from business operations	0	0	0
Cash flow before extraordinary items	0	0	0
Cash flow from business operations (A)	**-1 077**	**-546**	**-430**
Cash flow from investments			
Investments in tangible and intangible goods	-52	-619	-664
Investments in shares in subsidiaries	0	0	0
Loans granted	0	0	0
Cash flow from investments (B)	**-52**	**-619**	**-664**
Cash flow from financing			
Rights issue	957	765	600
Raised long-term loans	0	197	657
Repayment of long-term loans	0	0	0
Raised short-term loans	100	0	0
Repayment of short-term loans	0	0	0
Cash flow from financing (C)	**1 057**	**962**	**1 257**
Change in funds (A+B+C) (Increase (+) / Decrease (-))	**-72**	**-203**	**163**
Funds at the beginning of the financial year	104	307	144
Funds at the end of the financial year	32	104	307

Key financials

	1.1 - 31.12		
[thousand Euros]	**31.12.2017**	**31.12.2016**	**31.12.2015**
	Unaudited	**Unaudited**	**Unaudited**
EBITDA	-1 235	-492	-388
EBITDA margin (%)	Neg.	Neg.	Neg.
Equity ratio (%)	36%	36%	36%
The balancing of the selected financial metrics			
Operating profit (loss)	-4 346	-600	-550
Depreciation and amortization	-3 111	-108	-161
EBITDA	**-1 235**	**-492**	**-388**
Turnover	20	19	21
EBITDA margin (%)	**Neg.**	**Neg.**	**Neg.**
Capital and reserves total	1 081	4 596	4 464
Assets total	9 681	12 802	12 454
Equity ratio (%)	**11%**	**36%**	**36%**

Calculation of the key metrics

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) = OPERATING PROFIT (LOSS) + Depreciation and amortization

EBITDA margin = EBITDA / Turnover

Equity ratio = CAPITAL AND RESERVES TOTAL / (EQUITY AND LIABILITIES TOTAL - Advances received)

B. 8	Selected key pro forma financial information	Not applicable. No pro forma financial information has been included in this Prospectus.
B.9	Profit forecast or estimate	Not applicable. No Profit forecast or estimate has been included in this Prospectus.
B.10	Qualifications in audit reports	Not applicable. Auditors have not made any observations in the auditor's reports concerning financial statements 2015, 2016 and 2017. The audit's report of 2017 includes the following additional information: We want to draw your attention to the "Working capital"-section of the auditor's report and to the "Other notes"-section of notes and to the matters mentioned about the short-term financial needs. The beginning of production and sales and thus also the ability to make revenue with the capitalized non-tangible assets of balance sheet are dependent on the success of acquiring additional funding. Our statement has not been changed in this matter.
B.11	Working capital statement	The company's current working capital is not sufficient from the date of the prospectus for the next 12 months. The company has been in the product development stage and operating cash flow can start to be created only when the

		company has received CE marking for its main product. The CE marking is a prerequisite for the sale of the Company's main product. With the IPO, the Company plans to raise capital for the company's gross capital requirement of at least 2 million Euro. The company estimates EUR 1.3 - 1.6 million in operating expenses for the next 12 months. The company's estimated repayment of loans including interest rates for the same period is EUR 0.7 million and the company's planned investments in the business are EUR 0.3 million. In order for the working capital requirement to be covered in the next 12 months, assuming the lowest level of the IPO is met. The company has negotiated an extension of the loans due within one year, from Tekes 369,000 euros and from Finnvera 79,000 euros. In addition, Tekes has announced that they will write off the two oldest loans to a large extent, that part of the debt will be reduced by approximately EUR 2.22 million and accrued interest is reduced by approx. EUR 0.35 million, subject to the company's ability to receive working capital of 5.0 million euros in liquid funds by 31.3.2018. The company's management can affect the amount of investments and costs.

SECTION C – SECURITIES

C.1	Type and class of the securities issue	The Shares offered in the Initial Public Offering are Shares of BBS-Bioactive Bone Substitutes Oyj.
C.2	Currency of the securities issue	The currency of the securities is Euro The Subscription Price of Initial Public Offering Shares in Finland, delivered by Euroclear Finland, shall be paid in euros. The Initial Public Offering Shares in Sweden, delivered by Euroclear Sweden, shall be paid in Swedish krona. The final subscription price in Swedish krona is defined with EUR/SEK forward rate for the allocated amount corresponding to Swedish krona. The Company announces the final Subscription price in Swedish krona with a company release.
C.3	Share information	On the date of this Prospectus, the Company’s registered share capital was 80 000 euros. The Company has a total of 4 454 001 registered shares. The Company only has one series of shares and all the shares have been fully paid. The shares have no nominal value.
C.4	Rights attached to the Shares	All Shares of BBS-Bioactive Bone Substitutes Oyj will possess the same rights as the other shares of the Company and are entitled

		to the possible future dividends, if the Company pays dividends, after the IPO shares are recorded into the Finnish Trade Register and entered in the Company's register of shareholders. Each Share in the Company confers one vote at the Company's general meetings. All the Shares in the Company confer equal rights to dividend and to other distributions and to other rights in the Company related to the Shares in the Company.
C.5	Restrictions on the free transferability of the securities	Not applicable. There are no restrictions to transfer the Initial Public Offering Shares.
C.6	Admission to trading	The Company intends to submit an application to the Helsinki Stock Exchange to list the Company's Shares on Nasdaq First North Finland. The Company's ticker at Nasdaq First North Finland is expected to be BONEH. If the First North listing is successful, the first trading day on Nasdaq First North Finland is scheduled to be 28.2.2018. The Company will also submit an application to the Stockholm Stock Exchange to list the Company's Shares on Nasdaq First North Sweden. The ticker at Nasdaq First North Sweden is expected to be BONES. If the First North listing is successful, the first trading day at Nasdaq First North Sweden is scheduled to be 28.2.2018. Prior to the Initial Public Offering, the Company's Shares have not been traded on any regulated market or any multilateral trading system.
C.7	Dividend policy	Company's board of directors have not yet defined a dividend policy for the Company. The Company's possible future dividend payments are dependent on the Company's future developments and the Company's future financial position. The Company has never paid dividend. Provided that dividend is paid to the Company's shareholders, all of BBS' shares are entitled to the same dividend per share. The shares offered in the IPO, will possess the same rights as the other shares of the Company and are entitled to the possible future dividends, if the Company pays dividends, after the IPO shares are recorded into the Finnish Trade Register and entered in the Company's register of shareholders.

SECTION D – RISKS

D.1	The most significant risks associated with the	Risks related to the Company and the Company's business include:

	issuer or its business	• Currently BBS does not have any products in commercial production or in marketing phase, nor Company has generated operating profits historically and currently. • BBS' business operation is currently in the development stage and there are no guarantees that Company's business operations may become profitable. • As of the date of this Prospectus BBS' current level of working capital is not sufficient to meet the Company's needs over the next 12 months. The financial conditions required for the continuation of BBS' business operations depend on obtaining additional equity financing. • The production, preservation and reproducibility of production of BBS' extract and implant involve risks which may result in substantial additional costs • BBS' extract and implants are not necessarily marketable • BBS' commercial production is dependent on third parties. • BBS' product development and the clinical trials to be conducted in connection with it are dependent on third parties • Disputes and litigation between BBS and third parties may result in significant costs and delay research and development work and the commercialization of products • BBS may not necessarily be able to make commercialization agreements that are advantageous to it • Even if the extract and implant are placed on the market, BBS and its partners may not be able to create the extensive sales network required, and the products may not gain market acceptance at the end user level • Pricing and reimbursability of products may not materialize as planned • BBS is dependent on its ability to recruit and retain the necessary key personnel and employees • BBS' current intellectual property rights may not be adequate for protecting the Company's products effectively enough

		• BBS may be subjected to product liability and product safety claims, which may have an adverse effect on business operations • Awarded grants may have to be paid back in full or in part if their conditions are not met or complied with • Income from capitalized development costs and intangible rights may be less than expected • Ability to use confirmed losses may be uncertain • Future changes to accounting standards or a possible decision by BBS to begin applying IFRS accounting standards will expose the Company to risks related to changes to financial statements • The competitive situation of the industry and the downward pressure it has on prices, and the existence of competitive products may have an adverse effect on BBS' profitability and market shares • Risks related to the use of hazardous materials • Materialization of risks related to environmental, health and safety regulations may have an adverse effect on revenues and profitability of BBS Changes in regulation of medical devices and the pharmaceutical industry
D.3	Most significant risks related to the securities	Risks related to the Initial Public Offering, IPO Shares and FN-listing: • BBS' Offering or listing to Nasdaq First North may not be as expected, within the scheduled time frame, or at least the planned minimum IPO amount of EUR 2 million. • Concentration of share ownership • The amount of the dividend paid by BBS is uncertain and it is possible that no dividend will be paid for any financial year • Possible lack of liquidity of the shares and volatility of market price particularly on Nasdaq First North • Future share issues or future anticipated share issues may affect the value of the Share

		• Possible future issues will dilute a shareholder's proportional share of ownership • Irrevocability of subscription If the Company does not meet the requirements for the listing of First North Sweden, shareholders who have subscribed for shares in Sweden may receive shares that will not be traded on the Swedish First North marketplace.

SECTION E – OFFER

E.1	Net funds/ estimated total costs	If the Initial Public Offering is fully subscribed, the Company estimates to receive 6,8 million euros of new funds from the Initial Public Offering after the expenses, fees and costs related to the Initial Public Offering and to the FN-listing. The Company's management estimates, that the costs of the Initial Public Offering and FN-listing are about 0,9 million euros.
E.2	Reasons for the issue of shares and use of funds	Reasons for the issue of shares The funds obtained through the Initial Public Offering will make it possible for the Company to complete the application process, which is currently underway, for getting the CE marking and FDA approval for its main product, continue product development, develop and maintain its patent portfolio, market and sell its products, as well as begin production. In addition, the improved liquidity of funding and the public quotation of shares will improve the Company's position during possible future mergers and acquisitions and partnerships. Use of funds BBS aims pursue 7,7 million euros through its issue of IPO shares. Expenses and fees arising from the issue of shares are estimated to be around 0,9 million euros, and so the Company expects to receive 6,8 euros in net proceeds. The minimum amount for carrying out the Initial Public Offering is 2 million euros, which would translate into about 1,7 million euros in net proceeds. The Company estimates that it will spend the net proceeds from its share issue on the working capital and investments needed to implement its business plan, as well as on debt servicing and payments, including, but not limited to, the following: 1. The current production line, which is intended for clinical trials, will be updated to to meet the demands of commercial production through automation and mechanical production, in order to increase production potential and production speed (about 20-25% of the funds raised). 2. Successfully completing the application process, which is currently underway, for obtaining the CE Mark and FDA

		approval, continuing product development, as well as developing and maintaining the Company's patent portfolio. The Company has carried out all the main stages for its sales permit, including preclinical animal trials related to safety, tissue compatibility, and functionality, clinical trials, and construction of its production line. The final validations needed for production, the final CE Mark and FDA approval processes and official inspections carried out by a notified body (Notified Body BSI, Milton Keynes, London) require funding (about 20%). 3. The commercialization of ARTEBONE's new bone implant, the hiring of a CEO who is market-orientated and networked with the Company's market segment, building up a sales network, as well as implementing a sales strategy directed at the Nordic countries and select Central European countries (about 20-25%). 4. Hiring additional staff to market the Company and increase sales, as well as investing in production and manufacturing in order to increase production potential (about 30%). The estimated proportion of the funds allocated to the above-mentioned purposes could fluctuate based on the amount of capital raised and how the Company's business operations develop.
E.3	Terms of the Initial Public Offering	TERMS OF THE OFFERING Authorization for the Offering and the board's offering decision By the decision of the extraordinary general meeting on 17.10.2017, the shareholders of the Company authorized the board of directors of the Company to resolve on issuing up to 2 500 000 new shares in one lot or in several lots. The board of directors is authorized to resolve on all the terms on which Shares are issued. The board may also resolve on issuing Shares in a directed issue. The authorization is in force until 30.6.2018, unless cancelled before that date by the general meeting of the Company. On 26.1.2018, the board of directors of the Company has resolved on issuing up to 1 400 000 new shares of the Company ("Initial Public Offering Shares") for subscription of retail and institutional investors in a directed issue in Finland and in Sweden ("Initial Public Offering"). The Initial Public Offer-ing consists of Initial Public Offering Shares offered to the public ("Retail Offering") and of Initial Public Offering Shares offered to institutional investors ("Institutional Offering"). General terms of the Initial Public Offering 1. Initial Public Offering Shares

		The Company offers up to 1 400 000 new shares in the Company for subscription in the Initial Public Offering. The number of Initial Public Offering Shares will be determined based on subscriptions of investors in Finland and in Sweden ("Initial Public Offering Shares"). Assuming that all Initial Public Offering Shares are subscribed and all the subscriptions are approved, The Initial Public Offering Shares constitute approximately 31,4 percent of shares and votes in the Company carried by all shares prior to the Initial Public Offering and approximately 23,9 percent of shares and votes in the Company carried by all shares after the Initial Public Offering, provided that all the Initial Public Offering Shares offered in the Initial Public Offering are subscribed. 2. Directed Issue Deviating of the pre-emptive subscription right of the existing shareholders of the Company, the Initial Public Offering Shares are offered to investors in a directed issue. The grounds for deviating from the pre-emptive subscription right are the development of the Company's business and the broadening of the Company's shareholder base necessary for a planned listing of the Shares in the Company on the First North Finland and First North Sweden. On these grounds, the Company's board of direc-tors considers that in accordance with the Finnish Companies Act (624/2006 with changes), Chapter 9, Section 4 (1), a weighty financial reason exists for deviating from the pre-emptive subscription right of the existing shareholders of the Company. 3. Subscription Price The Shares of Initial Public Offering are offered to be subscribed at EUR 5,50 per share ("Subscription Price"). In defining the Subscription Price, the board of directors of the Company has considered and based the pricing of share in the Initial Public Offering on the pricing of shares of the companies in the same industry, on the acquisitions made in the industry, on the pricing of shares in the recent offerings of the Company and on the future expectations of the Company. 4. Subscription Place The subscription place of the Initial Public Offering Shares ("Subscription Place") in the Finnish Retail Offering is the Finnish branch of Nordnet Bank AB, www.nordnet.fi/bone. In the online service it is possible to subscribe with online bank user identifiers of Nordnet as well with identifiers of Aktia, Danske Bank, Handelsbanken, Nordea, Oma Säästöpankki, OP Bank, POP Bank, S-Bank, Säästöpankki and Ålandsbanken. When separately agreed the subscriber in the Retail Offering may make the subscription also at the customer service of the Finnish branch of Nordnet

Bank AB, address Yliopis-tonkatu 5, 00100 Helsinki on business day between 9.30 and 16.30.

The subscription place in the Finnish Institutional Offering is the Finnish branch of Nordnet Bank AB, address Yliopistonkatu 5, 00100 Helsinki, tel. +358 9 68178444 and the head office of the Company, the address of which is Kiviharjunlenkki 6, 90220 Oulu; info@bbs-artebone.fi.

The Subscription place in the Swedish Retail and Institutional Offerings is Nordnet Bank AB, www.nordnet.se/bbs. The subscriptions are made in the subscription system of Nordnet Bank AB.

5. Amount of Subscription

The minimum subscription in Retail Offering is 200 Shares of Initial Public Offering and the maximum subscription In Retail Offering is 20 000 shares. The subscriptions by the same investor are combined to one subscription. If the combined subscription by a private individual or entity exceeds the maximum subscription in Retail Offering, the combined subscription is considered as subscription in the Institutional Offering.

In the Institutional Offering in Finland the investors who subscribe 20 001 shares in minimum are eligible to participate.

6. Payment of the Subscription Price

The Subscription price in the Retail Offering shall be paid to the bank account indicated by the Subscription place when making the subscription.

The Subscription price in the Finnish Institutional Offering shall be paid in accordance with the instructions set out by the Subscription place to the bank account indicated by the Subscription Place on or about 22.2.2018. The Subscription Price in the Initial Public Offering shall be fully recorded in the reserve for invested unrestricted equity of the Company.

The Subscription price in the Retail and Institutional Offering in Sweden is debited with the transfer of shares. The subscription Price of the allocated Retail and Institutional Offering shares is charged from the account specified by the investor simultaneously against the allocated Initial Public Offering Shares. This is expected to take place on or about 23.2.2018.

The Place of Subscription is entitled to claim, either upon receipt of the subscription or upon approval of the subscription a verification of the investor of its ability to pay the shares corresponding to the subscription or to demand the corresponding amount to be paid in advance. The amount payable is then the Subscription Price multiplied by the number of shares subscribed.

		The Subscription Price of Initial Public Offering Shares in Finland, delivered by Euroclear Finland, shall be paid in euros. The Initial Public Offering Shares in Sweden, delivered by Euroclear Sweden, shall be paid in Swedish krona. The final subscription price in Swedish krona is defined with EUR/SEK forward rate for the allocated amount corresponding to Swedish krona. The Company announces the final Subscription price in Swedish krona with a company release. 7. Subscription Period The Subscription period of the Initial Public Offering Shares (”Subscription period”) begins on 5.2.2018 at 9.30 Finnish time (at 8.30 Swedish time) and it ends in Finland on 18.2.2018 at 24.00 Finnish time and in Sweden at 24.00 Swedish time unless the Company decides to shorten or extend the Subscription period during the Subscription period. The Company may at its discretion terminate, shorten or extend the Subscription period. The Subscription period can end at earliest on 16.2.2018 at 16.30 Finnish time (at 15.30 Swedish time) and it won’t be extended beyond 23.2.2018 at 16.30 Finnish time (at 15.30 Swedish time). Any changes to the Subscription period will be announced by way of a company release. The Company can’t terminate the Subscription period between 9.30 and 16.30 Finnish time (between 8.30 and 15.30 Swedish time) or change the Subscription period after the Subscription period has ended. In case the Subscription period is changed, the allocation date and the date of delivery of Initial Public Offering Shares will be changed accordingly. 8. Allocation of the Initial Public Offering Shares The Company will at is discretion resolve on the allocation of the Initial Public Offering Shares between the investors within Retail Offering and Institutional Offering in Finland and in Sweden. If the Initial Public Offering is oversubscribed, investors may be allocated fewer Initial Public Offering Shares than subscribed for, or no Initial Public Offering Shares at all. In case the Initial Public Offering is oversubscribed, the Company strives to fulfil the subscriptions placed by investors fully up to 200 shares. To the extent that an investor is allocated Initial Public Offering Shares less than what the investor subscribed for, the overpaid Subscription price will be repaid to the investor within five (5) bank days of the date when the board of directors resolved on the allocation of the Initial Public Offering Shares. No interest will be paid on the amounts returned. Information on the allocation is not separately announced to the investors, but the investors receive the information in connection with confirmation of the transaction and the possible

repayment of the subscription price. The customers of Nordnet Bank shall see their subscriptions and shares allocated to them on the transaction site of Nordnet Bank online service.

9. Subscription commitments received before the Initial Public Offering

The Company has received binding commitments to subscribe shares before the Initial Public Offering that are explained in the chapter "Arrangements related to the issue of the shares" of this Prospectus.

10. Publication of the outcome of the Initial Public Offering

Provided that no changes are made to the Subscription period, the Company will announce the outcome of the Initial Public Offering on or about 20.2.2018 by way of a company release.

11. Registration of the Initial Public Offering Shares and entry in the book-entry accounts

The Company will apply for the registration of the Initial Public Offering Shares with the Trade Register as soon as practically possible after the allocation of the Initial Public Offering Shares and after approval of the subscriptions. Provided that no changes are made to the Subscription period, the Company expects the issued Initial Public Offering Shares to be registered with the Trade Register on or about 26.2.2018. The Initial Public Offering Shares will be issued and entered in the book-entry system of Euroclear Finland as soon as possible after having been registered with the Trade Register. As soon as possible after registration with Euroclear Finland, the Initial Public Offering Shares will be delivered to investors through the book-entry system of Euroclear Finland and Euroclear Sweden. Provided that no changes are made to the Subscription period, the Company expects the delivery of the Initial Public Offering Shares to the investors to take place on or about 26.2.2018.

12. Shareholder rights

The Initial Public Offering Shares will confer all shareholder rights from the registration with the Trade Register and entry in an investor's book-entry account. Each Share in the Company confers one vote at the Company's general meetings. All the Shares in the Company confer equal rights to dividend and to other distributions and to other rights in the Company related to the Shares in the Company.

13. Listing application in Finland and in Sweden

Before the execution of the Initial Public Offering, the Shares of the Company have not been subject to trading on any regulated market or any multilateral trading facility. The Company submits

		listing application for Nasdaq Helsinki Oy to be processed at the Helsinki Stock Exchange and at the Stockholm Stock Exchange to list: a) on Nasdaq First North Finland the Initial Public Offering Shares issued and allocated in Finland and delivered through Euroclear Finland and all other Shares issued by the Company, that are not applied for listing on First North Sweden; b) on Nasdaq First North Sweden the Initial Public Offering Shares issued and allocated in Sweden and delivered through Euroclear Sweden The trading symbol on Nasdaq First North Finland is expected to be BONEH and on Nasdaq First North Sweden it is expected to be BONES. The Company expects trading to commence on First North Finland and First North Sweden on or about 28.2.2018. The Company will apply for primary listing to be on First North Finland and for the secondary listing to be on First North Sweden. 14. Supplements to the Prospectus and cancellation of subscriptions Subscriptions placed in the Finnish and Swedish Initial Public Offering are binding and irrevocable and may only be cancelled where the Finnish Securities Market Act provides for a cancellation right ("Arvopaperimarkkinalaki, 14.12.2012/746 with changes). In accordance with the Finnish Securities Market Act, the Company will be obliged to issue a supplement to the Prospectus in case a mistake or inaccuracy in the Prospectus is discovered, or a signifi-cant new factor arises, prior to the end of the Subscription period, if such mistake, inaccuracy or new factor may bear material significance to the investors. Such supplement will be published in the same manner as the Prospectus. Investors who have subscribed for Initial Public Offering Shares before the publication of a supplement to the Prospectus may choose to cancel their subscriptions. The cancellation right must be exercised within a cancellation period which may not be shorter than two Finnish banking days from the publication of the supplement to the Prospectus. An investor's cancellation of a subscription will be deemed to be made in respect of all the subscriptions of that investor. A precondition for the right to cancel is that the mistake, omission or material new information arose or was noted before the deliv-ery of the Initial Public Offering Shares. Cancellations must be filed with the Subscription place with which the subscription was placed.

		Information on the right to withdraw shall be issued in the supplement to the Prospectus. Where an investor has cancelled its subscription, any subscription price already paid by that investor will be returned to the bank account of the investor given by the investor in connection with the subscription. The funds will be repaid within five (5) local banking days of the cancellation of the subscription. No interest will be paid on the amounts returned. The Company will announce cancellation instructions by way of a company release, in connection with publishing the supplement to the Prospectus. 15. Company's right to withdraw the Initial Public Offering The Company may at its discretion withdraw the Initial Public Offering. The Initial Public Offering will be withdrawn, in case the amount of subscriptions in the Initial Public Offering remains under 2 000 000 euros. If the Initial Public Offering is withdrawn, any subscriptions given by investors will be automatically cancelled. In such case, the subscription price paid by investors will be returned to the bank accounts of the investors given by the investors in connection with the subscriptions. The funds will be repaid within five (5) local banking days of the Initial Public Offering being withdrawn. A withdrawal of the Initial Public Offering will be announced by the Company by way of a company release. The Company intends to apply for the listing of the Initial Public Offering Shares in Finland and in Sweden. If the Company's application to list the issued Initial Public Offering Shares is not approved in respect of either First North Finland or First North Sweden, the Company will withdraw the Initial Public Offering. The Company may not withdraw the Initial Public Offering after the board of directors of the Company has resolved on the allocation of the Initial Public Offering Shares. 16. Capital transfer tax and operating fees There is not expected to be charged any capital transfer tax for the subscription for Initial Public Offering Shares. Account operators may charge a fee in accordance with their price list for maintaining the book-entry account and storing the shares. 17. Offering of Initial Public Offering shares elsewhere in Finland and in Sweden Regulations of some countries may set limitations to participating in the Initial Public Offering. Additional information on limitations regarding offering of Initial Public Offering shares can be found in the Prospectus section "Important information about the Prospectus". The board of directors can at its discretion refuse for the investor's subscription in the Initial Public Offering, for example,

a) if the board of directors regards the subscription to be against law, provision or regulation;

b) if it is justified to believe, that the Company would be required to take other actions than publishing the Prospectus, so that delivering of Initial Public Offering Shares for the investor would be allowed.

18. Other matters

The board of directors of the Company may resolve on other matters relating to the Initial Public Offering.

19. Governing law

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

Terms specific to the Finnish Retail Offering

Persons entitled to subscribe in the Finnish Retail Offering

In the Finnish Retail Offering, all Initial Public Offering shares are offered to individuals and legal entities, whose permanent address or place of residence is in Finland and who give their subscription commitment in Finland. The subscription place may reject the subscription fully or partially, if it is not in compliance with these terms or if it is defective.

The provider of the Subscription commitment must have a book-entry account in a Finnish account operator or in an account operator operating in Finland he/she must provide the information on his/her book-entry account in his/her subscription commitment. The new shares subscribed and issued in the Initial Public Offering are registered to the investors' book-entry accounts, whose subscription commitments have been approved, on or about 26.2.2018.

Special terms to apply in the Finnish Institutional Offering

Persons entitled to subscribe in the Finnish Institutional Offering

In the Institutional Offering, all the Initial Public Offering shares are offered for the subscription of institutional investors in Finland. The investors, who subscribe for at least 20 001 Initial Public Offer-ing shares, are entitled to participate in the Institutional Offering.

The regulations of some countries may set limitations for participating in the Initial Public Offering. The board of directors has a right to reject the subscription for Initial Public Offering Shares, if the board regards the subscription to be against law, provision or regulation. The Initial Public Offering Shares are offered in the

		Institutional Offering outside the United States for institutional investors. The Initial Public Offering Shares have not been registered, and they will not be registered according to the U.S. 1933 Security law and they will not be offered or sold in the United States. Additional information about the limitations regarding Offering of Initial Public Offering Shares can be found in the Prospectus section “Important information about the Prospectus”. Terms specific to the Initial Public Offering in Sweden The subscription place in the Swedish Retail and Insitutional Offerings is Nordnet Bank AB. Subscription of the Retail Offering and payment The Subscriptions are made in the Internet service of Nordnet Bank in www.nordnet.se/bones. Announcement for the approval of subscription The Initial Public Offering Shares are delivered through the book-entry system of Euroclear Sweden for investors that participated in the Initial Public Offering in Sweden.
E.4	Relevant conflicts of interest/interests related to the issue	Aalto Capital Partners Oy is acting as BBS’ financial advisor for the Issue of Initial Public Offering Shares and for the FN-listing. Aalto Capital Partners Oy will receive the fee, that has been agreed to in advance for these services and a portion of the fees is tied to the amount of earnings generated by the Issue of IPO Shares. It is therefore in Aalto Capital Partners Oy's interests for the Issue of IPO Shares to be successful and to be oversubscribed. The current shareholders of the Company have provided subscription commitments, on the basis of which the current shareholders have committed to subscribe for Initial Public Offering Shares with 0,45 million euros, which is equivalent to 5,8 % of all Initial Public Offering Shares. The parties, that have provided subscription commitment, will receive a contractual remuneration in shares for the realized subscription commitment. The remuneration is 17 % of the amount of subscription commit-ment and the remuneration can be paid in the shares of the Company. The subscription commitment is irrevocable and conditional to the realization of the Initial Public Offering and for 0,1 million euros conditional to the realization of Initial Public Offering at or above 2,9 million euros.
E.5	Lock up-agreements	None
E.6	Dilution of ownership	1 400 000 new Initial Public Offering Shares will be issued in the IPO corresponding to approximately 31,4 % of all shares at the date of this prospectus and 23,9 % of all shares after the IPO,

		assuming that all Initial Public Offering Shares offered in the IPO are fully subscribed. If Company's current shareholders do not subscribe the IPO Shares offered in the IPO, shareholders' relative shareholding will be reduced in the same proportion and the dilution effect will be approximately 23,9 %, assuming that 1 400 000 IPO Shares are offered and offered IPO Shares are fully subscribed.
E.7	Estimated fees, that are charged from investors	None. Investors will not be charged fees related to the Initial Public Offering

SAMMANFATTNING

Prospektsammanfattningar består av informationskrav uppställda i punkter numrerade i avsnitten A-E (A.1-E.7). Denna sammanfattning innehåller alla de punkter som krävs i en sammanfattning för aktuell typ av värdepapper och emittent. Eftersom vissa punkter inte är tillämpliga för alla typer av prospekt kan det dock finnas luckor i punkternas numrering. Även om det krävs att en punkt inkluderas i sammanfattningen för aktuella värdepapper och emittent, är det möjligt att ingen relevant information kan ges rörande punkten. Informationen har då ersatts med en kort beskrivning av punkten tillsammans med angivelsen ”ej tillämplig”.

AVSNITT A – INTRODUKTION OCH VARNINGAR

A.1	Varning	Denna sammanfattning bör betraktas som en introduktion till prospektet. Varje beslut om att investera i de värdepapper som erbjuds ska baseras på en bedömning av prospektet i sin helhet från investerarens sida. Om yrkande avseende uppgifterna i prospektet anförs vid domstol kan den investerare som är kärande i enlighet med medlemsstaternas nationella lagstiftning bli tvungen att svara för kostnaderna vid översättning av prospektet innan de rättsliga förfarandena inleds. Civilrättsligt ansvar kan åläggas de personer som lagt fram sammanfattningen, inklusive översättningar därav, men endast om sammanfattningen är vilseledande, felaktig eller oförenlig med de andra delarna av prospektet eller om den inte, tillsammans med andra delar av prospektet, ger nyckelinformation för att hjälpa investerare i övervägandet att investera i de värdepapper som erbjuds.
A.2	Samtycke till finansiella mellanhänder	Ej tillämplig.

AVSNITT B – EMITTENT OCH EVENTUELL GARANTIGIVARE

B.1	Firma	Emittentens officiella namn är BBS-Bioactive Bone Substitutes Oyj.
B.2	Emittentens säte, bolagsform, lagstiftning och etableringsland.	Bolaget har sitt säte i Uleåborg, Finland. Bolaget är ett finskt publikt aktiebolag, som bildats enligt finsk lag och bedriver verksamhet enligt finsk rätt.
B.3	Verksamhet	BBS-Bioactive Bone Substitutes Oyj är ett finskt hälsotekniskt företag som utvecklar, konstruerar och förbereder sig för att producera en innovativ ny generation av bioaktiva bentransplantatssubstitut för medicintekniska produkter. Företagets medicintekniska produkt är i slutet av utvecklingsfasen och Bolaget har en produktionsanläggning i Reisjärvi för framtida kommersiella produkter. Företaget grundades 2003 av Pekka Jalovaara och Elecster Oyj grundaren Tuomo Halonen.

		Bolagets huvudkontor finns i Uleåborg och bolagets produktionsanläggning är belägen i Reisjärvi. BBS hade 12 anställda år 2017. Företaget har en skalbar produktionsanläggning i Reisjärvi med en årlig potentiell produktionskapacitet på upp till 25 000 implantat. Företagets produkt, ARTEBONE®, är en injicerbar pasta i en användningsklar spruta. Pastans huvudkomponenter är TCP-granulat, som utgör stödstrukturen för bentillväxt i normalt ben, samt en aktiv komponent i form av benproteinextrakt från ren. I ARTEBONE® som är klassad som medicinteknisk utrustning har BBS använt en teknologi som har krävt över 10 års omfattande forskning och utveckling och teknologin har skyddats av fem globala patentfamiljer. Akademiska, samt officiella djurförsök och kliniska tester har visat att ARTEBONE® har bättre egenskaper att främja benläkning i jämförelse med andra produkter på marknaden. ARTEBONE® är avsedd att användas i ortopedisk kirurgi för behandling av benskador och -förändringar samt vård vid benläkningsproblem. Indikationsområdena innefattar lemmar, såsom hand och fotled, och bäcken och axelbladet. Dessa indikationsområden utgör Bolagets primära marknad under den första tiden för företagets verksamhet enligt BBS-planer. Alla steg för CE-märkningen har slutförts förutom de förbättringar som skall genomföras vid slutförandet av produktionslinjen, slutförandet av den kliniska provrapporten och slutförandet av licensansökan. För ett FDA godkännande har bolaget gjort en FDA pre-submission ansökan och ansökningsprocessen för ett FDA 510 (k) godkännande kommer att fortsätta när CE-märkningen, som är nödvändig inom EU, har beviljats.
B.4a	Viktiga aktuella trender som påverkar Bolaget och den bransch i vilken det är verksamt	Försäljningen av bensubstitutsinplantat växer stadigt. Anledningen till detta är att den yngre generationen av ortopeder gärna går över till att använda substitut vid kirurgi vilket förkortar operationstider och minskar komplikationer. Dessutom har marknadsledarnas BMP-2 och BMP-7 produkter haft problem som har lett till en minskad försäljning av dem. USA:s regulatoriska miljö, kirurger och sjukhus utmanar nu leverantörer av ortopediska produkter genom att kräva bredare kliniska och ekonomiska data. Utvecklingen av ny teknik förväntas komma från mindre företag. När dessa företag investerar, utvecklar och verifierar effektiviteten hos utvecklade produkter antas det att branschledare

		kommer att förvärva eller samarbeta för att skala dessa teknologier. Detta återspeglas i aktivitetsökningen av förvärv av mindre företag. Tydliga tillväxtprodukter inkluderar produkter som är mindre komplexa och kostsamma relaterade till tidiga åtgärder av de stora lederna. Dessa förväntas öka branschens försäljningstillväxt.
B.5	Koncernstruktur	BBS är koncernens moderbolag vid detta prospektdatum, BBS äger ett helägt dotterbolag, Bio Bones Oy, som förvaltar en fastighet.
B.6	Större aktieägare	2017-12-31 Bolagets största aktieägare är följande. Företaget är inte medvetet om att det skulle ägas eller kontrolleras, direkt eller indirekt, av någon.

Aktieägare	Antal aktier	Andel av aktier och röster
Finha Capital Oy	814 229	18%
Reisjärven kunta	702 182	16%
EAKR - Aloitusrahasto Oy	575 000	13%
Pekka Jalovaara	532 850	12%
Paananen Ahti	267 879	6%
Oulun Seudun Hyvinvointirahasto	260 000	6%
Irma Halonen	259 240	6%
Panvest Oy	250 000	6%
Aloitusrahasto Vera Oy (Innovestor)	207 800	5%
Jukka Halonen	132 810	3%
Övriga	452 011	10%
Totalt	**4 454 001**	**100%**

		Alla aktier berättigar till en (1) röst.
B.7	Utvald historisk finansiell information i sammandrag	Följande tabeller visar Bolagets bokslut och annan information för räkenskapsåren som slutade 31 december 2017, 31 december 2016 och 31 december 2015. Avsnittet bör läsas tillsammans med i detta Prospekt genom hänvisning införlivade bokslut per 2017-12-31, 2016-12-31 och 2015-12-31 och "Operating profit, financial situation and prospects" i Prospektet. BBS: s reviderade bokslut för räkenskapsår som slutade 31 december 2017, 31 december 2016 och 31 december 2015 har upprättats i enlighet med FAS. Sammanfattningen nedan innehåller inte all finansiell information. Kassaflödesanalysen i Prospektet har utarbetats speciellt för att inkluderas i detta Prospekt. Revisionsbolaget Ernst & Young Oy, med huvudansvarig revisor Juhani Rönkkö har granskat Bolagets finansiella rapporter för perioden mellan 2015 - 2017. Ovanstående bokslut inklusive revisionsrapporter införlivas genom

		hänvisning till prospektet, och de finns tillgängliga på bolagets hemsida på adressen: http://www.bbs-artebone.fi/investor/releases. Bolaget hade inte någon skyldighet att upprätta koncernredovisningen för de finansiella perioderna som slutade 31 december 2017, 31 december 2016 och 31 december 2015.

Resultaträkning

	1.1. - 31.12		
[tusen Euro]	**2017**	**2016**	**2015**
	Reviderat*	**Reviderat**	**Reviderat**
Övriga rörelseintäkter	20	19	21
Råvaror och tjänster			
Råvaror och förbrukningsmaterial			
Inköp under räkenskapsåret	-27	-6	0
Externa tjänster	-75	-84	-9
Råvaror och tjänster totalt	-101	-90	-9
Personalkostnader			
Löner	-525	-192	-200
Sociala kostnader			
Pensionskostnader	-61	-35	-32
Övriga sociala kostnader	-18	-13	-9
Personalkostnader totalt	-603	-240	-241
Avskrivningar			
Avskrivningar enligt plan	-161	-108	-161
Nedskrivningar av anläggningstillgångar	-2 950	0	0
Avskrivningar och amorteringar totalt	-3 111	-108	-161
Övriga rörelsekostnader	-551	-181	-158
RÖRELSERESULTAT	-4 346	-600	-550
Finansiella intäkter och kostnader			
Övriga ränteintäkter och övriga finansiella intäkter			
Från andra	0	0	0
Övriga ränte- och finansiella kostnader			
Till andra	-81	-78	-76
Finansiella intäkter och kostnader totalt	-81	-78	-76
Vinst (förlust) före anslag och skatt	-4 427	-678	-626
ÅRETS RESULTAT	-4 427	-678	-626

* Finansiella siffror för räkenskapsåret 2017 har granskats av revisor, men siffror har ännu inte fastställts av årsstämman vid prospektets datum.

Balansräkning

[tusen Euro]	31.12.2017	31.12.2016	31.12.2015
TILLGÅNGAR	Reviderat*	Reviderat	Reviderat
ANLÄGGNINGSTILLGÅNGAR			
Immateriella anläggningstillgångar			
Utvecklingsutgifter [1)]	7 533	10 483	9 864
Övriga immateriella tillgångar	507	581	604
Immateriella tillgångar totalt	8 040	11 064	10 468
Materiella anläggningstillgångar			
Maskiner och utrustning [1)]	834	870	955
Materiella anläggningstillgångar totalt	834	870	955
Investeringar			
Innehav i koncernföretag	714	714	714
Investeringar totalt	714	714	714
ANNLÄGGNINGSTILLGÅNGAR	9 588	12 648	12 138
OMSÄTTNINGSTILLGÅNGAR			
Fordringar			
Kortfristiga			
Övriga fordringar	58	3	9
Obetalt tecknat kapital	0	45	0
Förutbetalda kostnader och upplupna intäkter	2	1	0
Kortfristiga fordringar totalt	60	49	9
Fordringar totalt	60	49	9
Likvida medel	32	104	308
OMSÄTTNINGSTILLGÅNGAR TOTALT	92	153	317
TILLGÅNGAR TOTALT	9 681	12 802	12 454

EGET KAPITAL OCH SKULDER	31.12.2017	31.12.2016	31.12.2015
EGET KAPITAL OCH RESERVER	Reviderat*	Reviderat	Reviderat
Eget kapital			
Aktiekapital	80	28	28
Eget kapital totalt	80	28	28
Andelskonto	1 395	1 395	1 395
Övriga reserver			
Investerad obegränsad aktiefond	7 837	6 977	6 167
Övriga reserver totalt	7 837	6 977	6 167
Behållat resultat (förlust)	-3 804	-3 126	-2 500
Årets vinst (förlust)	-4 427	-678	-626
EGET KAPITAL OCH RESERVER TOTALT	1 081	4 596	4 464
SKULDER			
Långfritiga skulder			
Kapitallån	950	950	950
Lån från kreditinstitut	6 274	6 047	6 782
Långfristiga skulder totalt	7 224	6 997	7 732
Kortfristiga skulder			
Lån från kreditinstitut	705	932	0
Handelskrediter	239	108	83
Övriga fordringar	100	6	4
Upplupna kostnader och förutbetalda intäkter	332	162	171
Kortfristiga skulder totalt	1 376	1 209	258
SKULDER TOTALT	8 600	8 206	7 990
EGET KAPITAL OCH SKULDER TOTALT	9 681	12 802	12 454

* Finansiella siffror för räkenskapsåret 2017 har granskats av revisor, men siffror har ännu inte fastställts av årsstämman vid prospektets datum.

1) Sammansättningen av balansposten Anläggningstillgångar har ändrats under räkenskapsåret 2017 för att ge mer exakt information. Baserat på förändringarna har den tidigare aktiverade ”Maskiner och utrustning” beräknats som en del av Materiella tillgångar och projektbaserade immateriella tillgångar i balansräkningen har ändrats för att motsvara den 2017-12-31 använda grupperingen. För jämförbarhet har den historiska balansposten Maskiner och utrustning från år 2015 till 2016 ändrats enligt beräkningsmetoden som användes år 2017.

Kassaflödesanalys

	1.1. - 31.12		
[tusen Euro]	**2017**	**2016**	**2015**
	Ej reviderat	**Ej reviderat**	**Ej reviderat**
Kassaflöde från den löpande verksamheten			
Resultat före extraordinära poster	-4 427	-678	-626
Justeringar			
Planenliga avskrivningar	161	108	161
Finansiella intäkter och kostnader	81	78	77
Övriga justeringar	2 950	0	0
Kassaflöde före förändringar i rörelsekapital	**-1 235**	**-492**	**-388**
Förändringar av rörelsekapital			
Förändringar i kortfristiga icke räntebärande fordringar (Ökning (-) / Minskning (+))	-56	5	-8
Förändringar i varulager (Ökning (-) / Minskning (+))	0	0	0
Förändringar i kortfristiga icke räntebärande lån (Ökning (-) / Minskning (+))	294	17	39
Kassaflöde från affärsverksamheten före finansiella poster och skatter	-997	-470	-357
	0		
Ränta och övriga finansiella kostnader från affärsverksamheten	-80	-76	-73
Räntor och övriga finansiella intäkter från affärsverksamheten	0	0	0
Kassaflöde före extraordinära poster	0	0	0
Kassaflöde från affärsverksamheten (A)	**-1 077**	**-546**	**-430**
Kassaflöde från investeringsverksamheten			
Investeringar i materiella och immateriella varor	-52	-619	-664
Investeringar i aktier i dotterbolag	0	0	0
Beviljade lån	0	0	0
Kassaflöde från investeringsverksamheten (B)	**-52**	**-619**	**-664**
Kassaflöde från finansieringsverksamheten			
Nyemission	957	765	600
Upptagna långfristiga lån	0	197	657
Återbetalning av långfristiga lån	0	0	0
Upptagna kortfristiga lån	100	0	0
Återbetalning av kortfristiga lån	0	0	0
Kassaflöde från finansieringsverksamheten (C)	**1 057**	**962**	**1 257**
Periodens kassaflöde (A+B+C) (Ökning (+) / Minskning (-))	**-72**	**-203**	**163**
Likvida medel vid periodens ingång	104	307	144
Likvida medel vid periodens utgång	32	104	307

Nyckeltal

	1.1 - 31.12		
[tusen Euro]	**31.12.2017**	**31.12.2016**	**31.12.2015**
	Ej reviderat	**Ej reviderat**	**Ej reviderat**
EBITDA	-1 235	-492	-388
EBITDA marginal (%)	Neg.	Neg.	Neg.
Soliditet (%)	36%	36%	36%
Härledning för alternativa nyckeltal			
Rörelseresultat	-4 346	-600	-550
Avskrivningar	-3 111	-108	-161
EBITDA	**-1 235**	**-492**	**-388**
Omsättning	20	19	21
EBITDA-marginal (%)	**Neg.**	**Neg.**	**Neg.**
Eget kapital och reserver totalt	1 081	4 596	4 464
Tillgångar totalt	9 681	12 802	12 454
Soliditet (%)	**11%**	**36%**	**36%**

Beräkning av Nyckeltal

EBITDA = Rörelseresultat plus avskrivningar och nedskrivningar

EBITDA-marginal = EBITDA i förhållande till Omsättning.

Soliditet = Eget kapital och reserver totalt / (Tillgångar totalt - erhållna förskott).

B. 8	Proforma-redovisning	Ej tillämpligt. Prospektet innehåller ingen proformaredovisning.
B.9	Resultatprognos eller förväntat resultat	Ej tillämpligt. Prospektet innehåller inte resultatprognoser eller förväntat resultat.
B.10	Revisors-anmärkningar	Ej tillämpligt. Bolagets revisionsberättelse per 2017-12-31, 2016-12-31 och 2015-12-31 innehåller inga anmärkningar från revisorn. Revisors rapport för räkenskapsåret 2017 innehåller följande ytterligare information: Vi vill uppmärksamma avsnittet "Rörelsekapital" i rapporten och noterna till avsnittet "Övriga noter till bokslutet" i bokslutet och detaljerna i företagets kortfristiga finansieringsbehov. Uppstarten av produktions- och försäljningsaktiviteter och i balansräkningen aktiverade immateriella rättigheters avkastningsförmåga är beroende av framgång när det gäller att erhålla ytterligare finansiering. Vårt uttalande är inte anpassad till denna punkt.
B.11	Otillräckligt rörelsekapital	Bolagets nuvarande rörelsekapital är inte tillräckligt från och med dagen för prospektet för de kommande 12 månaderna. Företaget har varit i produktutvecklingsstadiet och operativt kassaflöde kan börja skapas först när företaget har erhållit CE-märkning för sin huvudprodukt. CE-märkningen är en förutsättning för försäljningen av Bolagets huvudprodukt. Med Listningserbjudandet planerar Bolaget att samla in kapital för bolagets bruttokapitalbehov om minst 2 miljoner Euro. Bolaget uppskattar 1,3 – 1,6 miljoner euro i rörelsekostnader för de

		kommande 12 månaderna. Företagets uppskattade återbetalning av lån inklusive räntor under samma period är 0,7 miljoner euro och bolagets planerade investeringar i verksamheten är 0,3 miljoner euro. För att rörelsekapitalbehovet skall täckas de närmaste 12 månaderna, förutsätter att Listningserbjudandets lägsta nivå möts. Bolaget har förhandlat fram förlängning till de lån som förfaller inom ett år, från Tekes 369 000 euro och från Finnvera 79 000 euro. Dessutom har Tekes meddelat att de kommer att avskriva de två äldsta lånen till stora delar, den delen av skulden reduceras med ca. 2,22 miljoner euro och upplupen ränta reduceras med ca. 0,35 miljoner euro detta är villkorat av att bolaget har möjlighet att erhålla rörelsekapital om 5,0 miljoner euro i likvida medel senast 2018-03-31. Företagets ledning kan påverka mängden investeringar och kostnader.

AVSNITT C – VÄRDEPAPPER

C.1	Slag och kategori av värdepapper	Listningserbjudandet avser teckning av aktier i BBS-Bioactive Bone Substitutes Oyj.
C.2	Valuta	Bolagets aktier är denominerade i euro. Erbjudandet till den finska allmänheten att teckna aktier i samband med notering och de aktier som levereras i det institutionella Erbjudandet betalas i euro. Erbjudandet till den svenska allmänheten betalas emissionserbjudandets aktier i svenska kronor. Erbjudandeaktier som levereras av Euroclear Sweden till investerare inom ramen för det Institutionella Erbjudandet betalas i svenska kronor eller euro på investerarens begäran. Teckningskursen i svenska kronor kommer att fastställas utifrån terminskursen EUR/SEK till ett belopp som motsvarar det sammanlagda eurobeloppet av aktier som ska betalas i svenska kronor. Teckningskursen i svenska kronor kommer tillsammans med resultatet av Erbjudandet att tillkännages i ett pressmeddelande från Bolaget. Aktier upptagna till handel på First North Sweden handlas och betalas i svenska kronor.
C.3	Aktier och aktiekapital	Vid tidpunkten för detta Prospekt är bolagets registrerade aktiekapital 80 000 euro och Bolaget har 4 454 001 registrerade Aktier. Vid tidpunkten för detta Prospekt har Bolaget inte emitterat Aktier som inte skulle ha registrerats än. Aktierna har inget nominellt värde.
C.4	Rättigheter	BBS-Bioactive Bone Substitutes Oyjs samtliga aktier berättigar till utdelning och andra utbetalningar till aktieägarna samt andra

		rättigheter förknippade med aktierna i enlighet med finsk rätt och Bolagets bolagsordning. Alla aktier i Bolaget är av samma klass och har samma rösträttigheter. Varje aktie i Bolaget ger innehavaren rätt till en(1) röst vid bolagsstämmor.
C.5	Eventuella inskränkningar	Ej tillämpligt. Det föreligger inga inskränkningar att fritt överlåta emissionserbjudandets aktier.
C.6	Upptagande till handel	Bolaget avser att lämna in en ansökan till Helsingfors Börsen för att lista bolagets aktier på Nasdaq First North Finland. Handelskoden vid Nasdaq First North Finland förväntas vara BONEH. Om First North-listningen blir av beräknas den första handelsdagen på Nasdaq First North Finland vara den 28 februari 2018. Bolaget kommer även att skicka in en ansökan till Stockholmsbörsen för att lista bolagets aktier på Nasdaq First North Sweden. Handelssymbolen vid Nasdaq First North Sweden förväntas vara BONES. Om First North-listningen blir av beräknas den första handelsdagen vid Nasdaq First North Sweden vara den 28 februari 2018. Före Notering har Aktier inte handlats på någon reglerad marknad eller MTF.
C.7	Utdelningspolitik	Styrelsen har inte fastställt utdelningspolitik för bolaget. Den framtida utdelningen beror på bolagets framtida utveckling och företagets finansiella ställning. Om utdelningar fördelas, berättigar alla aktier i bolaget till samma utdelning. Aktier i Erbjudandet har lika rättigheter med Bolagets övriga aktier och berättigar till framtida utdelningar från den tidpunkt de erbjudna aktierna är införda i Handelsregistret och Bolagets aktieägare register.

AVSNITT D – RISKER

D.1	Riskfaktorer som är specifika för emittenten och branschen	Riskerna för företaget och dess verksamhet inkluderar bl.a. följande: • BBS har inga produkter i den kommersiella produktions- eller marknadsfasen, och har heller inte bevisad resultatförmåga. • BBS verksamhet är i utvecklingsstadiet och det finns ingen garanti för att verksamheten kommer att utvecklas till en lönsam verksamhet. • Från och med dagen för detta Prospekt är bolagets nuvarande nivå på rörelsekapital inte tillräckligt för att möta behoven under de kommande 12 månaderna. De finansiella förutsättningarna för fortsatt affärsverksamhet för BBS är beroende av att man erhåller ytterligare finansiering av det egna kapitalet.

		• Produktionen, bevarandet och reproducerbarheten av BBS extrakt och implantat innebär risker som kan leda till väsentliga tilläggskostnader. • BBS: s extrakt och implantat är inte nödvändigtvis marknadsförbara. • BBS kommersiella produktion är beroende av tredje part. • BBS produktutveckling och de kliniska prövningarna som utförs i samband med den är beroende av tredje part. • Tvister och skiljeförfarande mellan BBS och tredje part kan leda till betydande kostnader och förseningar av forsknings- och utvecklingsarbete och kommersialisering av produkter. • BBS kanske inte nödvändigtvis kan ingå kommersialiseringsavtal som är fördelaktiga för dem. • Även om extraktet och implantatet släpps ut på marknaden kan BBS och dess partner inte kunna skapa det omfattande försäljningsnätet som krävs, och produkterna inte få marknadsaccept på slutanvändarnivå. • Prissättning och ersättningsnivåer för produkter förverkligas inte som planerat. • BBS är beroende av förmågan att rekrytera och behålla nödvändig nyckelpersonal och anställda. • BBS nuvarande immateriella rättigheter kanske inte är tillräckliga för att skydda företagets produkter tillräckligt effektivt. • BBS kan bli föremål för produktansvar och produktsäkerhetskrav, vilket kan ha en negativ inverkan på affärsverksamheten. • Beviljade bidrag kan behöva betalas tillbaka i sin helhet eller delvis om deras villkor inte är uppfyllda eller inte följs. • Intäkter från aktiverade utvecklingskostnader och immateriella rättigheter kan vara mindre än väntat. • Möjlighet att använda ansamlade förluster kan vara osäkra. • Framtida förändringar av redovisningsstandarder eller ett eventuellt beslut av BBS att börja tillämpa IFRS redovisningsstandarder kommer att utsätta företaget för risker i samband med förändringar av finansiella rapporter. • Konjunktursituationen för industrin, prispress och förekomsten av konkurrerande produkter kan ha en negativ inverkan på BBS lönsamhet och marknadsandelar. • Risker vid användning av farliga ämnen. • Uppkomsten av risker relaterade till miljö, hälsa och säkerhet kan ha en negativ effekt på intäkter och lönsamhet hos BBS.

		• Förändringar i reglering av medicintekniska produkter och läkemedelsindustrin kan ha negativ inverkan på BBS.
D.3	Risker relaterade till värdepapperen	De risker som sammanhänger med aktierna och Erbjudandet är bland andra: • BBSs emission och notering på Nasdaq First North kanske inte lyckas enligt förväntan, enligt planerad tidtabell eller når inte upp till minimi nivån 2 miljoner euro. • Koncentration av aktieägande • Storleken av den utdelning som BBS betalar är osäkert och det är möjligt att inga utdelningar kommer att betalas för något räkenskapsår • Möjlig brist på likviditet på aktierna och volatiliteten på marknadspriserna, särskilt på Nasdaq First North • Framtida aktieemissioner eller framtida förväntade aktieemissioner kan påverka Aktiens värde • Eventuella framtida aktieemissioner kommer att utspäda aktieägarnas proportionella andel av ägande • Oåterkallelig teckning • Om Bolaget inte uppfyller kraven för notering på First North Sweden kan investerarna i Sverige få aktier som inte kommer att handlas på den svenska First North-marknaden.

AVSNITT E – ERBJUDANDE

E.1	Nettolikvid och emissions-kostnader	Om Aktieemissionen blir fulltecknad beräknar Bolaget att cirka 6,8 miljoner euro kommer att finnas tillgängliga efter betalningar, avgifter och beräknade kostnader relaterade till Erbjudandet och FN-noteringen. Bolagsledningen bedömer att emissionen och FN-noteringen kommer att leda till att bolaget får emissionskostnader om cirka 0,9 miljoner euro.
E.2	Motiven för Erbjudandet och användningen av de medel Erbjudandet förväntas tillföra	Skäl till notering De medel som erhålls genom erbjudandet kommer att möjliggöra den pågående CE-märkningen av bolagets huvudprodukt samt slutförandet av FDA-processen, produktutvecklingen, utveckling av patentportfölj och underhåll av den, produktmarknadsföring och försäljning samt produktionsstart. Dessutom förbättras Bolagets likviditet och noteringen av aktien ger bolaget en bättre ställning i framtida potentiella fusioner och förvärv. Användning av medel BBS kommer att försöka skaffa in 7,7 miljoner euro i Erbjudande. Erbjudandets kostnader uppskattas till cirka 0,9 miljoner euro och därigenom kommer de nettotillgångar som bolaget erhåller

		vid noteringen att uppgå till 6,8 miljoner euro. Minimibeloppet för att genomföra noteringen är 2 miljoner euro, vilket resulterar i en nettofinansiering på 1,7 miljoner euro. Bolaget uppskattar att det kommer att använda de nettotillgångar som erhålls i Erbjudandet för att säkerställa tillräckligt med kapital för tillväxtinvesteringar i enlighet med strategin, inklusive men inte begränsat till följande: 1. Den nuvarande produktionslinjen, som är lämplig för kliniska prövningar, kommer att uppdateras för att uppfylla kraven på den kommersiella produktionen genom ökad automatiseringen och maskinell produktion för att öka produktionskapaciteten och produktionshastigheten (cirka 20–25% av de upptagna medlen). 2. Framgångsrikt genomförande av de pågående CE- och FDA-processerna, ytterligare produktutveckling, utveckling och underhåll av patentportföljen. Företaget har genomfört alla de viktigaste stegen i godkännandet för försäljning, inklusive preklinisk säkerhet, vävnadskompatibilitet och prestationsrelaterade djurförsök, kliniska prövningar och byggandet av produktionslinjen. Den slutliga valideringen av produktionen, de slutliga CE- och FDA-märkningsprocesserna och de officiella inspektionerna (Notified Body BSI, Milton Keynes, London) kommer att kräva resurser (ca 20%). 3. Kommersialiseringen av BBS nya benimplantat ARTEBONE, anställning av en marknadsorienterad VD med erfarenhet av Bolagets marknadssegment, byggandet av ett försäljningsnätverk och genomförandet av Bolagets försäljningsstrategi för de nordiska länder och utvalda länder i central Europa (ca 20–25%). 4. Rekrytering av ytterligare personal för att öka marknadsföring och försäljning samt bygga upp Bolagets produktions- och tillverkningsverksamhet för att öka produktionspotentialen (ca 30%). Beräknad andel av finansierade medel kan variera beroende på hur mycket kapital som samlas in och Bolagets affärsutveckling.
E.3	Erbjudandets former och villkor	Villkor för Erbjudandet Bemyndigande och styrelsebeslut om nyemission Bolagets aktieägare har 2017-10-17 på en extra bolagsstämma gett bemyndigande till bolagets styrelse att besluta om nyemission om högst 2 500 000 nya aktier att ges ut vid ett eller flera tillfällen. Styrelsen bemyndigades att besluta om alla villkor för emission av aktier. Styrelsen kan också besluta om emission av aktier genom riktad emission. Bemyndigandet gäller till och med den 30 juni 2018, om inte bolagsstämman återkallar bemyndigandet före detta datum.

		Den 26 januari 2018 beslutade bolagets styrelse att emittera högst 1 400 000 nya aktier ("Listningserbjudandets aktier") i en emission riktad till allmänheten och institutionella investerare i Finland och Sverige ("Listningserbjudande"). Listningserbjudandet består av Listningserbjudandets aktier som erbjuds till allmänheten ("Erbjudande till allmänheten") och Listningserbjudandets aktier som erbjuds Institutionella investerare ("Erbjudande till Institutioner"). Allmänna Villkor för Erbjudandet 1. Listningserbjudandets aktier Bolaget kommer i Listningserbjudandet att emittera högst 1 400 000 nya aktier. Antalet aktier som ska utfärdas kommer att fastställas på grundval av teckningar från investerare i Finland och Sverige ("Listningserbjudandets aktier"). Om alla Listningserbjudandets aktier tecknas och teckningarna accepteras representerar andelarna av aktierna cirka 31,4 procent av bolagets aktier och rösträtter före emittentens Listningserbjudande och upp till cirka 23,9 procent efter Listningserbjudandet, förutsatt att alla Listningserbjudandets aktier som erbjuds i Listningserbjudandet tecknas. 2. Riktad nyemission Listningserbjudandets aktier erbjuds investerare med avvikelse från aktieägarnas företrädesrätt i en riktad nyemission. Skälen till avvikelse från aktieägarnas företrädesrätt är utvecklingen av bolagets affärsverksamhet och utvidgningen av aktieägarbasen som krävs för den planerade listningen på Nasdaq First North Finland och Nasdaq First North Sweden. Bolagets styrelse anser således att det föreligger betydande ekonomiska skäl som avses i 9 kap. 4 § 1 mom. Aktiebolagslagen (624/2006 i ändrad lydelse) för en avvikelse från aktieägarnas företrädesrätt. 3. Teckningskurs Listningserbjudandets aktier erbjuds för teckning till en kurs av 5,50 euro per aktie ("Teckningskurs"). Vid fastställandet av Teckningskursen har bolagets styrelse beaktat och fastställt prissättningen av aktien i Listningserbjudandet i jämförelse med prissättning av aktier för företag i samma bransch, förvärv gjorda i branschen, prissättning av aktier i Bolagets senaste nyemissioner och framtida förväntningar på Bolaget. 4. Teckningsställe Listningserbjudandets aktier kan tecknas ("Teckningsställe") för Erbjudandet till allmänheten i Finland på Nordnet Bank AB filial i Finland, www.nordnet.fi/bone. Webbtjänsten kommer att ha möjlighet att ta emot teckningar från innehavare av Nordnets samt Aktias och Danske Banks, Handelsbankens, Nordeas, Oma

		Säästöpankkis, Osuuspankkis, POP Pankkis, S-Bankens, Sparbanks och Ålandsbankens e-legitimation. Om så avtalats separat, i Erbjudandet till allmänheten, kan investeraren teckna hos Nordnet Bank AB filial i Finland kundservicekontor på adressen Universitetsgatan 5, 00100 Helsingfors, Finland, på vardagar 9:30-16:30. Teckningsställe för Erbjudandet till Institutioner i Finland är Nordnet Bank AB filial i Finland, Nordnet Bank AB finska kontor, Universitetsgatan 5, 00100 Helsingfors, tfn +358 9 6817 8444, och Bolagets huvudkontor, vars adress är Kiviharjunlenkki 6, 90220 Oulu; info@bbs-artebone.fi. Teckningsställe för Erbjudandet till allmänheten och institutioner i Sverige är Nordnet Bank AB, www.nordnet.se/bbs. Teckning görs i Nordnet Bank ABs teckningssystem. 5. Antal poster Minsta teckning i Erbjudandet till allmänheten är 200 aktier i Finland och den maximala är 20 000. Om samma investerare lämnat in flera teckningar kombineras det till en enda teckning. Om det totala antalet tecknade aktier för en enskild person eller juridisk person överstiger det maximala beloppet som fastställs Erbjudandet till allmänheten, beräknas den sammanlagda teckningen som en institutionell teckning. Investerare i Finland är berättigade att delta Erbjudandet till institutioner om man tecknar minst 20 001 aktier. 6. Betalning av teckningskurs Teckningskursen i Finland betalas till det bankkonto som anges av Teckningsstället. Teckningskursen i Erbjudandet till institutioner i Finland, betalas enligt instruktionerna från Teckningsstället som ska betalas till angivet bankkonto runt 2018-02-22. Teckningskursen för aktieandelar kommer att registreras fullt ut i Bolagets balanspost Investerad obegränsad aktiefond. Teckningspriset för allmänheten och institutioner i Sverige debiteras vid överlåtelse av aktierna. Teckningskursen för Listningserbjudandets aktier debiteras samtidigt med aktierna som tilldelas från det konto som kunden anger. Detta beräknas ske omkring den 23 februari 2018. Teckningsstället har rätt att antingen efter mottagandet av teckningen eller vid godkännande av teckningen kräva en kontroll av investeraren om dess förmåga att betala de aktier som motsvarar teckningen eller att kräva motsvarande belopp som skall betalas i förskott. Det belopp som betalas är då Teckningskursen multiplicerat med antalet tecknade aktier.

		Teckningskursen för Listningserbjudandets aktier i Finland, levererat av Euroclear Finland, ska betalas i euro. Listningserbjudandets aktier i Sverige, levererat av Euroclear Sweden, ska betalas i svenska kronor. Slutliga teckningskursen i svenska kronor sätts med EUR/SEK terminskurs för allokerat belopp motsvarande svenska kronor. Bolaget tillkännager det slutliga Teckningskursen i svenska kronor med ett pressmeddelande. 7. Teckningsperiod Teckningsperioden för Listningserbjudandets aktier ("Teckningsperiod") börjar den 2018-02-05 klockan 9.30 finsk tid (kl. 8.30 svensk tid) och slutar i Finland den 2018-02-18 klockan 24.00 finsk tid och i Sverige klockan 24.00 svensk tid om inte bolaget beslutar att förkorta eller förlänga Teckningsperioden under Teckningsperioden. Företaget kan efter eget gottfinnande säga upp, förkorta eller förlänga Teckningsperioden. Teckningsperioden kan sluta tidigast 2018-02-16 klockan 16.30 finska tid (kl. 15:30 svensk tid) och det kommer inte att förlängas utöver 2018-02-23 klockan 16.30 finsk tid (kl. 15.30 svensk tid). Eventuella ändringar i Teckningsperioden kommer att meddelas genom pressmeddelande. Företaget kan inte avsluta Teckningsperioden mellan 9.30 och 16.30 finska tid (mellan 8.30 och 15.30 svensk tid) eller ändra Teckningsperioden efter Teckningsperioden är avslutad. Om Teckningstiden ändras, ändras allokeringsdatumet och datum för leverans av Listningserbjudandets aktier. 8. Allokering av Listningserbjudandets aktier Bolaget kommer att efter eget gottfinnande besluta om fördelningen av Listningserbjudandets aktier mellan investerarna från Erbjudandet till allmänheten och Erbjudandet till institutioner i Finland och i Sverige. Om Listningserbjudandet övertecknas kan investerare tilldelas färre Listningserbjudande aktier än vad investeraren tecknat eller inga Listningserbjudande aktier alls. Om Listningserbjudandet övertecknas, strävar företaget efter att uppfylla de teckningar som tecknats av investerare om lägst 200 aktier. I den utsträckning som en investerare tilldelas Listningserbjudande aktier mindre än vad investeraren tecknat för, kommer det överbetalda Teckningskursen att återbetalas till investeraren inom fem (5) bankdagar från det datum då styrelsen beslutade om allokering av Listningserbjudandets aktier. Ingen ränta kommer att betalas på de återbetalade beloppen. Information om tilldelningen lämnas inte separat till investerarna, men investerarna får informationen i samband med bekräftelse av transaktionen och eventuell återbetalning av teckningskursen. Nordnets kunder kan se sin teckning och till dem

		allokerade Listningserbjudandets aktier på transaktionsplatsen på Nordnets onlinetjänst. 9. Teckningsförbindelser som mottogs före Listningserbjudandet Bolaget har erhållit bindande åtaganden att teckna aktier före Listningserbjudandet som förklaras i kapitlet "*Arrangements related to the issue of the shares*" i detta prospekt. 10. Offentliggörande av resultatet av Listningserbjudandet Förutsatt att inga ändringar görs i Teckningsperioden, kommer Bolaget att meddela resultatet av Listningserbjudandet den 2018-02-20 via ett pressmeddelande. 11. Registrering av Listningserbjudandets aktier och registrering i värdepapperssystemet Bolaget kommer att ansöka om registrering av Listningserbjudandets aktier i Handelsregistret så snart som praktiskt möjligt efter allokering av Listningserbjudandets aktier och efter godkännande av teckningar. Förutsatt att inga ändringar görs i Teckningsperioden förväntar sig Bolaget att Listningserbjudandets aktier ska registreras i Handelsregistret 2018-02-26. Listningserbjudandets aktier kommer att utfärdas och införas i Euroclear Finlands värdepapperssystem så snart som möjligt efter att ha registrerats i Handelsregistret. Så snart som möjligt efter registrering hos Euroclear Finland kommer de Listningserbjudandets aktier att levereras till investerare genom värdepapperssystemet Euroclear Finland och Euroclear Sweden. Förutsatt att inga ändringar görs i Teckningsperioden, förväntar sig Bolaget att leveranserna av Listningserbjudandets aktier till investerarna ska äga rum omkring 2018-02-26. 12. Aktieägares rättigheter Listningserbjudandets aktier kommer att ge samtliga aktieägares rättigheter efter registreringen i Handelsregistret och leverans till investerarnas värdepapperskonto. Varje aktie i bolaget ger en röst vid bolagets bolagsstämmor. Samtliga aktier i bolaget ger lika rätt till utdelning och andra utdelningar och andra rättigheter i bolaget som är relaterade till aktierna i bolaget. 13. Listningsansökan i Finland och i Sverige Före genomförandet av Listningserbjudandet har Bolagets aktier inte varit föremål för handel på någon reglerad marknad eller någon multilateral handelsplats. Bolaget lämnar noteringsansökan till Nasdaq Helsinki Oy för att behandlas på Helsingforsbörsen och på Stockholmsbörsen för att lista: a) På Nasdaq First North Finland Listningserbjudandet aktier utgivna och allokerade i Finland och levererade via Euroclear

		Finland och alla övriga aktier som emitterats av Bolaget, som inte ansökts om notering på First North Sweden. b) På Nasdaq First North Sweden Listningserbjudandet aktier utgivna och allokerade i Sverige och levereras genom Euroclear Sweden Handelsbeteckning på Nasdaq First North Finland förväntas bli BONEH och på Nasdaq First North Sweden förväntas det vara BONES. Företaget förväntar sig att handel börjar på First North Finland och First North Sweden 2018-02-28. Bolaget kommer att ansöka om primärnotering på First North Finland och för sekundärnotering på First North Sweden. 14. Tillägg till Prospektet och återkallande av aktieteckningar Teckningar gjorda i finska och svenska Listningserbjudandet är bindande och oåterkalleliga och får endast återkallas där lagen om värdepappersmarknaden föreskriver en återkallningsrätt ("Arvopaperimarkkinalaki, 14.12.2012 / 746 med ändringar). I enlighet med lagen om värdepappersmarknaden är Bolaget skyldigt att utfärda ett tillägg till Prospektet om ett misstag eller felaktighet i Prospektet upptäcks eller en signifikant ny faktor uppstår före utgången av Teckningsperioden, om sådant misstag, felaktighet eller ny faktor kan bära väsentlig betydelse för investerarna. Ett sådant tillägg kommer att offentliggöras på samma sätt som Prospektet. Investerare som har tecknat Listningserbjudande aktier före offentliggörandet av ett tillägg till Prospektet kan välja att återkalla sin teckning. Sådan återkallelserätt ska utövas inom en återkallelseperiod som inte får vara kortare än två finska bankdagar från offentliggörandet av tillägget till Prospektet. En investerares återkallelse av en teckning kommer att anses göras för samtliga teckningar från investerarens sida. En förutsättning för återkallelserätt är att misstaget, avsaknad av information eller väsentlig ny information uppstod eller upptäcktes före leverans av Listningserbjudandets aktier. Återkallelse måste lämnas in med Teckningsställe där teckningen placerades. Information om rätten att återkalla ska utfärdas i tillägget till Prospektet. Om en investerare har återkallat sin teckning, kommer eventuellt teckningskurs som redan betalats av investeraren att återföras till det belopp som investeraren betalat i samband med teckningen. Medlen kommer att återbetalas inom tre lokala bankdagar efter återkallande av teckning. Ingen ränta kommer att betalas på de återbetalade beloppen. Bolaget kommer att meddela återkallelseinstruktioner genom ett pressmeddelande i samband med offentliggörande av tillägget till Prospektet.

15. Bolagets rätt att återkalla det ursprungliga Listningserbjudandet

Bolaget kan efter eget gottfinnande dra tillbaka det ursprungliga Listningserbjudandet. Listningserbjudandet kommer att återkallas, om teckningar i Listningserbjudandet understiger 2 000 000 euro. Om Listningserbjudandet återkallas, avbryts eventuella teckningar som ges av investerare automatiskt. I sådant fall kommer det teckningskurs som betalas av investerare att returneras till de investerare som investerarna ger i samband med teckningen. Medlen kommer att återbetalas inom tre lokala bankdagar då den ursprungliga Listningserbjudandet återkallas. Ett återkallande av Listningserbjudandet kommer att meddelas av Bolaget genom ett pressmeddelande. Bolaget avser att ansöka om notering av Listningserbjudandets aktier i Finland och i Sverige. Om Bolagets ansökan om att lista utgivna Listningserbjudandets aktier inte är godkänd för First North Finland eller First North Sweden, kommer företaget att dra tillbaka Listningserbjudandet. Bolaget får inte återkalla Listningserbjudandet efter att bolagets styrelse har beslutat om allokering av Listningserbjudandets aktier.

16. Kapitalöverföringsskatt och transaktionsavgifter

Det finns ingen förväntan om en överföringsskatt på teckning av Listningserbjudandets aktier. Kontoadministratörer kan ta ut en avgift i enlighet med deras prislista för att hålla kontot och förvaring av aktierna.

17. Erbjudande av Listningserbjudandets aktier utanför Finland och Sverige

Förordningar i vissa länder kan begränsa deltagande i Listningserbjudandet. Tilläggsinformation om begränsningar avseende Listningserbjudandets aktier finns i Prospekt avsnittet "*Important information about the Prospectus*".

Styrelsen kan efter eget gottfinnande vägra investerarens teckning i Listningserbjudandet, till exempel,

a) om styrelsen anser att teckningen är mot lag, bestämmelse eller reglering

b) Om det är berättigat att tro att Bolaget skulle vara skyldigt att vidta andra åtgärder än att publicera Prospektet, så att leverans av Listningserbjudandets aktier för investeraren skulle kunna lämnas.

18. Övrigt

Styrelsen beslutar om andra frågor och praktiska åtgärder i samband med Listningserbjudandet.

19. Tillämplig lag

Listningserbjudandet och Listningserbjudandet aktier regleras av finsk lag. Finlands domstolar har exklusiv behörighet att lösa eventuella tvister som kan uppstå ur eller i samband med Listningserbjudandet.

Särskilda villkor som gäller för Erbjudandet till allmänheten i Finland

Personer berättigade att teckna i Erbjudandet till allmänheten i Finland

Erbjudande till allmänheten I Finland erbjuds alla Listningserbjudandets aktier till privatpersoner och juridiska personer vars fasta adress eller bostadsort är i Finland och som lämnar sina teckningar i Finland. Teckningsstället kan avslå teckningen helt eller delvis, om det inte överensstämmer med dessa villkor eller om det är felaktigt.

Den som inlämnar en teckning måste ha ett värdeandelskonto hos en finsk kontooperatör eller hos en kontooperatör som är verksam i Finland måste han/hon måste uppge informationen på hans/hennes värdeandelskonto i samband med sin teckning. De nya aktierna som tecknats och utgivits i Listningserbjudandet är registrerade på investerarnas värdeandelskonton, vars teckningar har godkänts, omkring 2018-02-26.

Särskilda villkor som gäller i Erbjudandet till institutioner i Finland

Personer som är berättigade att teckna i Erbjudandet till institutioner i Finland

I Erbjudandet till institutioner erbjuds Listningserbjudandets aktier för teckning av institutionella investerare i Finland. Investerarna, som tecknar för minst 20 001 Listningserbjudandets aktier, har rätt att delta i Erbjudandet till institutioner.

Reglerna i vissa länder kan begränsa deltagande Listningserbjudandet. Styrelsen har rätt att avvisa teckningar av Listningserbjudandets aktier om styrelsen anser att teckningen strider mot lag, bestämmelse eller regelverk. Listningserbjudandets aktier i Erbjudandet till institutioner erbjuds till institutioner utanför USA. Listningserbjudandets aktier har inte registrerats, och de kommer inte att registreras enligt US 1933 säkerhetslagen och de kommer inte att erbjudas eller säljas i USA. Ytterligare information om begränsningarna avseende erbjudande av Listningserbjudandets aktier finns i avsnittet *"Important information about the Prospectus"* i Prospektet.

Villkor som är specifika för Erbjudandet till allmänheten i Sverige

		Teckningsställe för Erbjudandet till allmänheten och Erbjudandet till institutioner i Sverige är Nordnet Bank AB. *Teckning och betalning för Erbjudandet till allmänheten* Teckningen görs på Nordnet Banks internettjänst www.nordnet.se/bones. *Meddelande om godkännande av teckning* Listningserbjudandets aktier levereras via Euroclear Swedens värdepapperssystem för investerare som deltog i Listningserbjudandet i Sverige.
E.4	För Erbjudandet betydande intressen och intresse-konflikter	Aalto Capital Partners Oy ger finansiell rådgivning och andra tjänster till BBS i samband med Erbjudandet och First North-noteringen. Aalto Capital Partners Oy erhåller en överenskommen avgift för dessa tjänster och en del av ersättningen är knuten till beloppet i Erbjudandet. Därför, har Aalto Capital Partners Oy: s intresse i att, Erbjudandet kommer att lyckas och övertecknas. Bolagets befintliga aktieägare har lämnat teckningsförbindelser, som ligger till grund för att de befintliga aktieägarna har förbundit sig att teckna aktier i Listningserbjudandet till ett värde om 0,45 miljoner euro, vilket motsvarar cirka 5,8% av samtliga aktier i Listningserbjudandet. De parter som undertecknat teckningsförbindelser ska betalas en avtalad avgift i form av Bolagets aktier. Ersättning utgår om 17% av teckningsförbindelsens storlek. Teckningsförbindelsen är oåterkallelig och är villkorad av genomförandet av Listningserbjudandet och för åtagande om 0,1 miljoner att Listningserbjudandet anskaffar kapital om minst 2,9 miljoner euro.
E.5	Lock up-avtal	Ej tillämpligt.
E.6	Utspädning	Upp till 1 400 000 nya Aktier kommer att emitteras i samband med Erbjudandet, vilket motsvarar cirka 31,4 % av alla Aktier vid tidpunkten för detta Prospekt och cirka 23,9 % av det totala antalet aktier efter Listningserbjudandet, förutsatt att Listningserbjudandets aktier är fulltecknade. Om den nuvarande aktieägaren inte tecknar de Listningserbjudna aktierna i Listningserbjudandet kommer det relativa aktieinnehavet att minskas i proportion och utspädningseffekten kommer att uppgå till cirka 23,9 %, förutsatt att 1 400 000 Listningserbjudande aktier kommer att utfärdas i Listningserbjudandet och att Listningserbjudandet kommer att vara fulltecknad.
E.7	Kostnader som åläggs investerare	Ej tillämpligt. Bolaget tar inte ut några kostnader relaterade till noteringen från investerarna.

RISK FACTORS

Investing in the Offered Shares involves risks, some of which may be substantial. For the shares offered in the Offering, carefull consideration should be given to this Prospectus as the basis for the investment decision, and in particular, the risk factors described below. The following description of risk factors is based on information known and assessed on the date of this Prospectus and, therefore, is not necessarily exhaustive. Should one or more of the risk factors described herein materialise, it could have a material adverse effect on BBS' business, financial condition and results of operations and the market value of the offered shares. BBS also faces many additional risks not currently known or not currently deemed material that could also impair its business, financial condition and results of operations. Potential investors should note that the order in which the risk factors are presented does not reflect the probability of their realisation or order of importance. This Prospectus also contains forward looking statements, which involve risks and uncertainties. BBS' actual results of operations could materially differ from those anticip ated in these forward-looking statements as a result of certain factors, including the risks described below and elsewhere in this Prospectus.

Risks related to the Company

Currently BBS does not have any products in commercial production or in marketing phase, nor Company has generated operating profits historically and currently.

Currently BBS does not have any products in the commercial production or in marketing phase, nor Company has generated positive operating profits historically nor currently. BBS has not accumulated any revenues during its operating history. BBS loss for the accounting period ending on 31.12.2017 was 4,4 million euros. As a growth and research stage company, the Company's financial and operational planning is considerably more challenging when compared to the financial and operative planning of companies with well-established business operations, due to the nature of the pharmaceutical development industry and the Company's lack of operational history. Therefore, the execution of the Company's business plan and the achievement of its goals involve more risks and uncertainties compared to companies with well-established business operations. The realization of the risks described above can have a significant adverse effect on the Company's business operations, operating profit and financial position and the market value of the Company's shares.

BBS' business operation is currently in the development stage and there are no guarantees that Company's business operations may become profitable.

BBS' business operations are currently in the stage where the Company is still developing its products, therefore, the Company has not generated any revenues from sales. It is possible that BBS will not generate significant revenues in the coming years, however launching the Company's marketing and products' R&D projects will result in considerable expenses. Therefore, it is possible that BBS' business will incur substantial losses in the coming years as well. In order to make the Company's business profitable, as well as the future prospects of the Company's business, depend essentially on whether the Company is capable of making its products into marketable ones, is the Company able to enter commercial and other forms of cooperation agreements, and obtaining the necessary regulatorial approvals. Additionally, obtaining the necessary funding will have significant impact on the Company's financial position and the Company's ability to implement and follow the Company's business plan. Many of the factors affecting the result of BBS business operations, such as cooperative agreements to be entered with third parties and grants and subsidies to be received, are largely beyond the control of the Company. There are no guarantees that BBS' business will become profitable in the future. The

realization of the risks described above can have a significant adverse effect on the Company's business operations, operating profit and financial position and the market value of the Company's shares.

As of the date of this Prospectus BBS' current level of working capital is not sufficient to meet the Company's needs over the next 12 months. The financial conditions required for the continuation of BBS' business operations depend on obtaining additional equity financing.

As of the date of this Prospectus, the Company's current level of working capital is not sufficient for the Company's needs for the next 12 months (see "*Capital structure– Working capital statement*").

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

The plan is to ensure sufficient capital for 12 months after the date of this Prospectus and the first estimated day of trading of Shares on Nasdaq First North with funding obtained in an IPO and other equity and debt financing. The Company estimates it will need approximately 1,7 million euros of financing for working capital during the aforementioned period. The Company's management assumes that if the Company can raise at least 5 million euros in equity and debt financing, the Company will be able to cover the majority of its expenses incurred from executing its business plan in the 24 months following the date of this Prospectus.

Success in product development and commercialization, as well as development of future products, will materially affect the long term financial prospects of BBS. Any commercial agreements and research and development subsidies will have a material effect on the Company's financial conditions and the development of cash flow in the future. However, some of these factors are beyond the control of management. Hence obtaining additional equity financing is a particularly important factor in ensuring the financial conditions necessary for continuing the Company's business. A possible unstable situation prevailing in the financial markets may make it difficult for BBS to obtain new equity financing.

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

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

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

BBS' extract is manufactured through chemical or biotechnological processes. Products that are produced through these kinds of processes involve risks regarding their preservation, production reproducibility and the preservation and availability of bones or chemicals used as starting material. Products that are produced by means of biotechnology involve production risks because biotechnological

production methods are often based on biotechnological unit operations executed at different production phases and subsequent analyzes, in which there may be variations between production batches. Likewise the final yield from each production batch may vary, thereby affecting the costs of the final product and hence its profitability or a production batch may need to be rejected due to detected impurities, for instance. There are also risks associated with the transport of products. If one or more of the aforementioned risks materialize, BBS may have to produce new batches, which results in substantial additional costs and delays, which may have a material adverse effect on the Company's operations, operational profit and financial position and on the market value of the Share.

BBS' extract and implants are not necessarily marketable

BBS' extracts and implants might not be marketable. The marketability of the Company's products is demonstrated with extensive animal experiments and in clinical trials carried out with human trial subjects. Both animal experiments and clinical trials require regulatory approvals; obtaining them requires favorable results from previous studies, which have been received and the studies have been conducted and reported properly, with the exception of a clinical trial. The patients of the clinical trial have been operated on and examined afterwards but the analysis is still in progress and the report is underway.

All animal testing has been made, but the authority has asked for additional analyzes of the large animal test for ARTEBONE for the added value of the bone protein extract. By the date of this Prospectus, the Company has made additional analyzes required by the Authority. Although the analyzes would seem to be the added value of the bone proteins abstract, it is not certain that the results are satisfactory to the authorities. The Company's production line has been inspected for the bone protein extract and the pharmaceutical production license for the extract has been obtained from the Fimea (FIMEA) Pharmaceutical Center in 2015. The ARTEBONE implant production line is ready except for the following line sections: the design of a planned filling machine is ready and manufacturing is underway), the manufacture of a specially designed syringe (syringe design and express model ready for injection molding) and the sterilization validation of ARTEBONE implants. BBS has progressed as planned in the Company's product development, but there is no certainty of the official approval required for commercial operations and the Company's commercial operation is not possible without them.

If the Company is not able to develop its products into marketable ones, or obtain the regulatory approvals required for its products, the Company may be required to conduct additional tests or to restrict or suspend its operations, which may have a material adverse effect on the Company's operations, operating profit and financial position and the market value of the Share.

BBS' commercial production is dependent on third parties.

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

There may be restrictions or interruptions in the supply of raw materials, components and services that are needed in the development and production of products. It is also possible that disputes develop between the Company and third parties, or that some other circumstance, such as a restriction of the supply of materials and components due to some kind of loss or damage or other reasons, prevent or slow down the development, manufacturing and commercialization process of the products. Even

though certain commercially available raw materials and components and subcontracting services provided by third parties are important to the manufacturing of BBS' products and for its operations and earnings, the Company's management belives that these kinds of raw materials, components and subcontractors can be replaced; this may, however, result in delays and additional costs to the Company.

However, in the event of an interruption in the provision of raw materials, components or services provided to BBS by third parties, it is possible that the Company would not be able to bring its products to market according to the intended timetable, which would have a material adverse effect on the Company's operations, operating profit and financial position and the market value of the Share.

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

The Company's dependence on third parties such as hospitals, other pharmaceutical companies, researchers, members and clinical research organizations and consultants and other third parties which are not employees of the Company additionally poses a risk that the third parties may not act with care or do not stay on schedule while performing these studies, and they may not have the necessary financial resources to continue operations, as a result of which the clinical trials may be delayed or fail. Furthermore the Company cannot control how much time and resources they use for its programs. The Company's product development work may be delayed or the Company may incur other setbacks if third parties do not properly perform their contractual obligations, meet the requirements of laws and authorities concerning the performance of clinical trials or other trials and studies related to drug development, or stick to agreed deadlines. This may have a material adverse effect on the Company's operations, operating profit and financial position and the market value of the Share.

Disputes and litigation between BBS and third parties may result in significant costs and delay research and development work and the commercialization of products

There is no assurance that disputes do not arise between the Company and third parties in contractual relationships or with regard to the ownership of intellectual property rights, technologies or other exclusive rights. As of the date of this Prospectus, BBS does not have any pending or threats of material litigation, official proceedings or administrative procedures. It is possible that the in the future the Company will need to be involved in litigation or arbitration or official proceedings either in Finland or abroad. The risks and costs associated with any of the aforementioned processes or proceedings can have a material adverse effect on the Company's operations, operating profit and financial position.

It is also possible that the Company will have to carry out various personnel arrangements within the Company in the future. These kinds of arrangements involve the risk of various claims against the Company, which can have a material adverse effect on BBS' operations, operating profit and financial position and the market value of the Share.

BBS may not necessarily be able to make commercialization agreements that are advantageous to it

The direction in which the Company's business develops in the future depends on, among other things, whether the Company is able to successfully take the development work of its current and future products to a development stage in which the Company has the possibility to make commercial agreements with thirty parties that are advantageous to the Company. Making commercial agreements will require finding suitable partners; no guarantees can be given of this. Additionally it is possible that the Company does not enter commercial agreements according to the planned schedule or in accordance with terms that are in its favor, which may have a material adverse effect on the Company's operations, operating profit and financial position and the market value of the Share.

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

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

Pricing and reimbursability of products may not materialize as planned

Successful pricing of products will play a crucial role in the future commercial success and profitability of the Company's products. Furthermore the reimbursability of the drugs in public and private health care systems will have a significant effect on the prices of the product and thereby on the Company's profitability. In the EU area each state decides on its own reimbursement policy but there is no reimbursement scheme in North America. There is a growing desire to reduce the costs of the public health care system. The entities that maintain reimbursement systems are seeking to reduce costs of health care as far as possible by influencing the pricing of medicines and health care services. The future reimbursement situation of new health care products and services is uncertain, and there are no guarantees that the Company's future products will be reimbursable or will get a level of reimbursement that would ensure the profitability of the Company's products. This may have a material adverse effect on the Company's operations, operating profit and financial position and the market value of the Share.

BBS is dependent on its ability to recruit and retain the necessary key personnel and employees

BBS' current business operation and the development work it is engaged in are based on the experience and know-how of experts, management and other employees working in the Company. BBS is dependent on its ability to recruit and retain the necessary key personnel and employees and the Company's future development will be influenced by the know-how, experience and commitment of its key personnel. There are no guarantees that BBS will be able to retain the necessary key personnel and employees or that it will be able to recruit new skilled staff. The Company is small in size, it is not well known, it has limited financial resources and there is competition for the best employees, which may affect the recruitment and retaining of the necessary key personnel and employees, which may have a material adverse effect on the Company's operations, operating profit and financial position and the market value of the Share.

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

Competitors of the Company may simultaneously develop product concepts similar to BBS and it is possible that a competitor has pending patent applications, or they may have been granted or will be granted patents and other exclusive rights related to product concepts, technologies, methods and intended uses, which may prevent the patenting of products, technologies, methods and intended uses developed by the Company or compete with them. Additionally it is possible that the Company is not aware of pending patent applications or granted patents that concern the products it has developed.

Patents or other exclusive rights granted to BBS may be challenged, invalidated or infringed in the future.

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

For the Company's business operations it is important that it does not infringe patents or other intellectual property rights of third parties. There are no guarantees that the current products, technologies, methods of the Company or their usage do not violate the patents or other exclusive rights of third parties currently or in the future. If this happens, the Company may be the subject of legal proceedings and the research and development activity of the Company and its partners and the commercialization of products could be prohibited, which could lead to termination or cancellation of agreements entered with partners. If legal action is taken against the Company, this may have a material adverse effect on the Company's operations, operating profit and financial position and the market value of the Share.

If a claim concerning intellectual property rights brought by a third party succeeds against the Company, the Company and its partners may have to obtain licenses to said patents or other intellectual property rights or develop or obtain alternative technologies. There may not be alternative technologies and necessary licenses available, which may delay the Company's product development work and the process of commercializing medical devices and drug concepts. This may have a material adverse effect on the Company's operations, operating profit and financial position and the market value of the Share.

The Company is also dependent on trade secrets and the know-how of its management and employees. There is no assurance that the Company's employees, consultants, advisors or other entities aware of trade secrets do not violate their obligation to not disclose trade secrets and know-how, or that the Company's competitors do not become aware of the trade secrets and know-how in a way which the Company cannot effectively protect itself against. The materialization of the aforementioned risks may have a material adverse effect on the Company's operations, operating profit and financial position and the market value of the Share.

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

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

During clinical trials, claims concerning product liability and safety can be brought against the Company's products even before their commercial marketing and sales. Product liability and safety claims may result in significant liabilities to the Company, including the liability to pay compensation, and the obligation to pay punitive damages, and they may result in significant costs to the Company. Litigation

requires resources, takes time and is expensive, and there is no assurance that the Company would win such a case, or that a product liability claim against the Company will not lead to the removal of its future products from the market or a modification of their permissible uses.

The risk of becoming the subject of product liability and product safety claims highlights the existance of adequate insurance coverage. However, there are no guarantees that the Company will be able to obtain and keep adequate insurance cover or that insurance is sufficient to cover possible liabilities of the Company. As a result, a product liability claim or other claim which is not covered fully by insurance may have a material adverse effect on the Company's operations, operating profit and financial position and the market value of the Share.

In addition, the Company may face product liability claims related to operation according to its cooperation agreements. Even if some of the future cooperation agreements would include disclaimers intended to protect the Company against product liability claims, the disclaimers may not, however, be sufficient to cover all potential claims. There are no guarantees that BBS' future partners comply with the terms of the cooperation agreements; that a violation of the terms of these agreements does not lead to claims brought against the Company, or that the Company will not be held liable for something related to operations of its partners. The materialization of the aforementioned risks may have a material adverse effect on the Company's operations, operating profit and financial position and the market value of the Share.

Awarded grants may have to be paid back in full or in part if their conditions are not met or complied with

Tekes (Finnish Funding Agency for Technology and Innovation) has granted BBS large subsidized loans in order to enable the development of products and it is possible that grants and subsidies will be applied for in the future. Some of the current grants and subsidies have been awarded under certain conditions, and also some of the possible future grants and subsidies will be awarded under certain conditions. The Company believes it has complied with all of the rules and statutory obligations related to the grants and subsidies it has received and is in constant contact with the entities providing them. The awarded grants and subsidies, however, always involve the risk of having to pay back all or part of the amount of an awarded grant or subsidy, if the conditions of the grant or subsidy are not met or complied with. This may have a material adverse effect on the Company's operations, operating profit and financial position and the market value of the Share.

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

During 2017, it became apparent that the total amount of activated project development for native projects 2004-2008 can not be utilized in the future. The matter has been assessed together with Tekes and the same has been applied for Tekes project loan of two partial recovery of failure. For the financial year 2017: During the BBS' capitalized development costs written down by EUR 2,95 million. The amount of intangible rights in the Company's balance sheet on 31.12.2017 was EUR 8,04 million.

If the decision on the non-recovery of the capital loan and the R&D loan decided by Tekes in August 2017 will be realized, the write-down of the capital loan and the development debt will amount to about EUR 2,22 million and the non-recurring income of EUR 0,35 million.

The Company capitalizes expenditures used for developing products and technologies, and personnel costs and procurements to the extent they are expected to generate income in the future. The total amount of capitalized development costs on the Company's balance sheet on 31.12.2017 was 7 532 827 euros, of which EUR 6 369 319 for the Native Project, including EUR 781 281 for machinery and equipment and for a follow-on clinical project EUR 1 163 508. These items will be depreciated over a

period of ten (10) years on a straight line method except for the additional investments and renovation expenditures of the Reisjärvi production facilities, which is depreciated over 5 years on a straight line method. Unfavorable changes to expected future profitability can result in changes to depreciation sequencing or recognition of impairment losses. If the Company needs to change depreciation sequencing or recognize impairment losses, this may have a material adverse effect on the Company's operations, operating profit and financial position.

If the decision by Tekes not to collect a capital loan and a R&D loan is carried out, it will result in non-recurring other income item of 2 million euros, and at the same time, an estimated 2,8 million euros in write-downs will need to be made to capitalizations for these.

Ability to use confirmed losses may be uncertain

BBS' business has incurred substantial losses over its history; it has 8,2 million euros in tax losses as of 31.12.2017. The losses are mainly the result of R & D activity conducted by companies. There are no guarantees that the Company will be profitable in the future and be able to use the confirmed losses fully or partly.

Future changes to accounting standards or a possible decision by BBS to begin applying IFRS accounting standards will expose the Company to risks related to changes to financial statements

The Company compiles its financial statements in accordance with generally accepted accounting principles in Finland (Finnish Accounting Policy). Any future changes in the financial reporting standards that are applied or the Company's decision to begin applying international financial reporting standards (International Financial Reporting Standards, IFRS) will expose the Company to risks related to changes in Company's accounting principles, financial reporting standards and accounting methods, which may affect the figures reported by the Company, and on the Company's operations, operating profit and financial position and the market value of the Share. The Company has not made a decision to begin applying international IFRS accounting standards.

Risks associated with the Company's industry

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

Other companies in the sector may develop products that compete with BBS' products and are intended for treating the same indications and diagnoses as BBS' products. The existence of competing products may weaken the Company's profitability and reduce its market share. Additionally the development of competing products may lead to a situation in which a competitor develops an exclusive position in certain areas, which further weakens the Company's position in the market. Due to the competitive situation, there is downward pressure on prices of medical devices and drugs. Pricing of future products will have a major impact on the commercial success of the Company and its financial profitability. If the Company fails in pricing its products, if competition reduces the market share of the Company's products, or if competition forces prices of the Company's products down, the materialization of the aforementioned risks may have a material adverse effect on the Company's operations, operating profit and financial position and the market value of the Share.

Risks related to the use of hazardous materials

BBS and its partners may use dangerous chemicals and substances in their activities whose usage may involve risks. Even though the Company believes that the safety procedures it follows in the handling and disposal of these materials are in compliance with applicable regulations, the Company cannot fully rule out the risk of accidental contamination or injury resulting from these substances. If such an

accident were to happen, the Company could be held liable for damages. Even though the Company has insurance for such risks, the liabilities in question may exceed the maximum amount covered by the insurance and the Company's financial resources to the extent that it may have a material adverse effect on the Company's operations, operating profit and financial position and the market value of the Share.

Materialization of risks related to environmental, health and safety regulations may have an adverse effect on revenues and profitability of BBS

The research and development of medical devices and drugs may involve risks related to the environment, health and safety, which, if materialized, may have a material adverse effect on the BBS' operations, operating profit and financial position and the market value of the Share. The business operations and product development activities of BBS are regulated by environmental, health and safety regulations concerning, among other things, emissions into the atmosphere, liquid emissions, and the use, production, manufacture, storage, handling and disposal of certain substances. Even though the Company believes it is, in all material respects, in compliance with all of the laws, rules, regulations and procedures related to its operations, there is not absolute certainty that BBS will not incur substantial costs in complying with environmental, health and safety legislation and regulations in the future. The materialization of the risks described above may have a material adverse effect on the Company's operations, operating profit and financial position and the market value of the Share.

Changes in regulation of medical devices and the pharmaceutical industry

There is a risk that the laws, regulations and guidelines that regulates the Company's activities change. Changes in legislation and especially new responsibilities and obligations may have an adverse effect on the Company's operations and the product development it is engaged in. The operations of the Company are particularly influenced by regulation of clinical trials. Responsibility for the licensing procedures for clinical trials usually lies with national drug authorities, such as the Finnish Medicines Agency FIMEA in Finland and the FDA in the United States of America. Additionally the Company's operations are regulated by regulations on protecting the environment, health and safety, which concern emissions into the atmosphere, liquid emissions, and the use, production, manufacture, storage, handling and disposal of certain substances. If any of the risks described above related to legislation and regulatory approval and regulation, this may have a material adverse effect on the Company's operations, operating profit and financial position and the market value of the Share.

Risks related to Share issue and Shares

BBS' Offering or listing to Nasdaq First North may not be as expected, within the scheduled time frame, or at least the planned minimum IPO amount of EUR 2 million.

The purpose of the Share issue is to create the conditions for listing BBS on Nasdaq First North. Although the Company believes that the Company meets the conditions for listing, no guarantees can be given that the listing will not be delayed by requirements imposed by authorities or Nasdaq First North. It is also possible that the Share issue is executed only partially or that the listing is not carried out at all if the demand for the Shares Offered by the Company is not adequate and not all of the Shares Offered in the Issue are subscribed for. If the Share issue is executed only partially, it is possible that not all of the actions of the Company according to the business plan can be carried out as planned.

Concentration of share ownership

The ownership of the Company is concentrated on the date of this Prospectus as well as possibly immediately after the Share issue. The largest shareholders of the Company can exercise substantial influence in the Company. On the date of this Prospectus the nine largest shareholders, Finha Capital Oy, Irma Halonen, Reisjärven kunta, EAKR-Aloitusrahasto Oy, Innovestor Kasvurahasto Ky, Pekka Jalovaara, Ahti Paananen, Panvest Oy and Oulun Seudun Hyvinvointirahasto Ky own a total of 87 percent of the Company's share capital and voting rights. Assuming that the Share issue is carried out in full and the six mentioned shareholders do not participate in the Share issue, after the Share issue the total ownership and voting rights in the Company will be about 68 percent. The aforementioned shareholders may exercise significant decision-making power in the Company's Annual General Meetings in the selection of members of the Company's board of directors, dividend payment and other matters governed by the Annual General Meeting.

The amount of the dividend paid by BBS is uncertain and it is possible that no dividend will be paid for any financial year

BBS' ability to pay a dividend to its shareholders in the future depends on many factors, such as the Company's earnings, financial position and capital needs, as well as provisions in the Limited Liability Companies Act on the distribution of profits. BBS has not made a profit throughout its history. Turning the Company's business into a profitable one depends on many factors such as obtaining financing and getting sales started. (See "*Operating profit, financial position and outlook – Outlook"*). One of the conditions for paying a dividend is that the Company must have distributable assets pursuant to the Limited Liability Companies Act. In accordance with its dividend payment policy and as a medical devices and drug development company, the Company follows a dividend policy tied to earnings and solvency, which is a very restrained dividend payment policy (see "*Company, shares and share capital – Dividend and dividend payment policy"*). Additionally the payment of dividends shall not jeopardize the Company's solvency pursuant to the Limited Liabilities Companies Act. One of the responsibilities of the board of directors of BBS is to ensure the solvency and liquidity of the Company before deciding on payment of a dividend. There is no assurance that the Company will be able to pay a dividend for any financial year. The Company did not have distributable assets on 31.12.2017.

Possible lack of liquidity of the shares and volatility of market price particularly on Nasdaq First North

Before listing, the Company's shares have not been traded publicly or multilaterally at any marketplace and there is no assurance that after listing there will be an active market for the Shares or that such a market can be maintained. Hence there cannot be certainty regarding the liquidity of the Shares. Investing in shares of companies listed on Nasdaq First North has generally been considered to involve more risk than investments in shares of companies listed on the Helsinki or Stockholm Exchange list

because the marketplace is small and there are fewer players. The liquidity of shares of companies listed on Nasdaq First North and the possibility to sell them may be poor. The Offered Shares have not been traded publicly or multilaterally during the subscription period and the Offered Shares that are subscribed for in the Share issue cannot be sold before the end of the subscription period and the start of trading on Nasdaq First North. The market price of BBS' Shares after listing may fluctuate substantially due to various factors such as success of BBS' product development, regulatory approvals, obtaining additional financing, changes in assessments by financial experts, development and changes in legislation, political decisions and general market conditions. The Company is not able to forecast or assess price volatility. Additionally international financial markets have occasionally experienced price and volume fluctuations independent of the development and outlook of individual companies. Also, a general market downturn or a downturn in the market for similar types of securities may have a material adverse effect on the market and liquidity of the Shares. Consequently the market price of the Offered Shares may rise or fall below the Subscription price in the Share issue.

Future share issues or future anticipated share issues may affect the value of the Share

The issue or sale of a significant number of shares, either as issued by the Company or as sold by its shareholders after restrictions on issuing and selling that are binding on the Company and its shareholders have lapsed, or the idea that these kinds of issues or sales may occur in the future, may have a material adverse effect on the market value of the Shares and BBS' ability to obtain equity financing in the future.

Possible future issues will dilute a shareholder's proportional share of ownership

In the future BBS may require additional equity financing by means of new share issues or other equity instruments. For this purpose share issues may be arranged in accordance with the shareholders' pre-emptive subscription right, or as directed share issues without a pre-emptive subscription right if the Annual General Meeting grants the power to do so. Directed share issues and subscription right issues in which a shareholder does not participate in at all or participates in only partially, dilute that shareholder's proportional share of ownership in the Company.

Irrevocability of subscription

A subscription is binding and it cannot be cancelled or changed, except for the exception mentioned in the terms and conditions of the IPO after the subscription has been made (see "Terms and conditions of IPO"). Hence investors must make their investment decisions at a stage when the final result of the IPO is not yet known.

If the Company does not meet the requirements for the listing of First North Sweden, shareholders who have subscribed for shares in Sweden may receive shares that will not be traded on the Swedish First North marketplace.

For successful listing to First North Finland and First North Sweden marketplaces, the Company must meet the criteria for listing in the marketplace in Sweden and Finland. Nasdaq has announced that if the Company is successfully listed on the First North Finland marketplace, Nasdaq aims to list the Company's shares in the First North Sweden marketplace. If the listing of the Company's First North Sweden fails, the investors in Sweden will receive shares in the Company that will not be traded on the Stockholm First North marketplace.

IMPORTANT INFORMATION REGARDING THIS PROSPECTUS

Statements concerning the future

Certain statements contained in this prospectus, such as those found within the sections entitled "*Summary*", "*Risk Factors*", "*Business Description*", "*Financial Situation*", and "*Future Prospects*", are based on the views and understandings of the corporate management, as well as on the management's assumptions that have been made on the basis of the information that it is currently aware of. Therefore, they can be said to be statements concerning the future. Such statements concerning the future contain known and unknown risks, uncertainties, as well as other important factors, which is why the Company's profits, activities, achievements, and outcome of its field of operations might markedly differ from the profits, activities, achievements, or outcomes of its field of operations that are presented either expressly or indirectly in these kinds of statements concerning the future. These sorts of risks, uncertainties, and other important factors include, among others, investments in product development and the need for additional funding, which are assessed by the Company, the general economic and market conditions, as well as the other risks described in the section entitled "*Risk Factors*". Statements about the future do not represent a guarantee of the Company's future operational or financial performance. In addition to the factors described elsewhere in this prospectus, the factors addressed in section entitled "*Risk Factors*" have the potential to make the Company's actual operating results or financial situation differ significantly from what is described by these statements concerning the future. In the event that one or more of the said risks or uncertainties is realized or some other assumption turns out to be false, the Company's actual operating results or financial situation might differ significantly from the predictions, assumptions, estimates, or expectations contained in this prospectus. It is not the Company's intention or obligation to update the statements concerning the future contained in this prospectus, unless required by legislation that applies to it. Additional information about circumstances that might affect things like the Company's business operations, operating results, future prospects, as well as share prices, are presented under the section entitled "*Risk Factors*".

Financial information

The Company wrote its financial statement in accordance with the Accountancy Act (Dec. 31, 1997/1336, incl. subsequent amendments), the Accountancy Decree (Dec. 31, 1997/1337, incl. subsequent amendments), as well in keeping with the general guidelines and official opinions of the Accounting Standards Board ("Finnish Accounting Practices"). BBS' financial statement for the accounting period that ended on Dec. 31, 2017, containing the audited reference data from the accounting period that ended on Dec. 31, 2016, was audited by auditing firm Ernst & Young Oy, with Juhani Rönkkö as the auditor-in-charge. The Company's official financial statements as well as its official auditor's reports are in Finnish.

The audited financial statement for the accounting period that ended on Dec. 31, 2017, containing the audited reference data from the accounting period that ended on Dec. 31, 2016, the financial statement and auditor's report for the accounting period that ended on Dec. 31, 2016 and Dec. 31, 2015, have been included in this prospectus and can be viewed during the period of validity of this prospectus at the Company's main office during weekdays from 9 am to 5 pm, which is located at the following address: Kiviharjunlenkki 6 90220 Oulu. They can also be viewed on the Company's websites: http://www.bbs-artebone.fi/sijoittaja/listautuminen and http://www.bbs-artebone.fi/investor/IPO.

BBS has not written a consolidated financial statement, as stipulated by the Finnish Accounting Practices guideline, in accordance with the exception granted to small consolidated corporations by Chapter 6, Section 1, Subsection 3 of the Accountancy Act (1336/1997, incl. subsequent amendments).

Availability of this prospectus

This prospectus will be made available by 31.1.2018 on the Company's website (http://www.bbs-artebone.fi/sijoittaja/listautuminen and http://www.bbs-artebone.fi/investor/IPO), on Aalto Capital Partners Oy's website (www.aaltocapital.com), as well as on Nordnet Bank's website (www.nordnet.fi/bbs). In addition, this prospectus will be made available as a printed version at the registered address of the Company's office (Kiviharjunlenkki 6, 90220 Oulu) and at the Helsinki Stock Exchange (Fabianinkatu 14, 00100 Helsinki) by approximately 31.1.2018.

Other details

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

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

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

This prospectus contains data about the market and field of operation in which BBS is active, the size of the market, as well BBS' possible competitive position. Whenever the data contained in this prospectus originates from third-party sources, the sources are cited. Even though the Company has duly reproduced the data obtained from third-party sources, the Company has not verified the accuracy of this data, market data, or other data on which third parties have based their research. Insofar as the Company is aware of and has been able to verify the data published by such third parties, it has not omitted anything that could make the data it has reproduced imprecise or misleading. Furthermore, market research is often based on data and assumptions that can be imprecise or unsuitable, and the methodology used is inherently future-related and speculative. This prospectus also contains evaluations concerning the Company's market position, which cannot be gathered from publications by individuals or organizations that conduct market research or from other independent sources. In many cases, the data in question is not publicly available from sources such as trade associations, public authorities, or other organizations or institutions. The Company believes that the internal data contained in this prospectus regarding market data and data derived from it will help investors get a better picture of the field of operation in which the Company is active, as well as the Company's position within it. Although the Company believes that its internal market estimates are correct, no outside expert has inspected or verified them, and the Company cannot guarantee that an outside expert would arrive at the same results using different methods.

Information on the website is not part of this prospectus

The prospectus will be published on the Company's website at http://www.bbs-artebone.fi/sijoittaja/listautuminen and http://www.bbs-artebone.fi/investor/IPO. Any information or prospectus on

the Company's website other than this Prospectus and the material included within it as references are nevertheless not part of this prospectus, and potential investors should not base their decision to invest in the Company's shares on such information.

ALTERNATIVE PERFORMANCE MEASURES

In this prospectus, BBS presents certain performance measures that describe its financial earnings and financial situation, which, according to the European Securities and Markets Authority's (ESMA) "Guidelines on Alternative Performance Measures", are alternative performance measures. BBS presents these alternative performance measures as supplementary information to the performance measures presented in the operating statement and balance sheet that were written in accordance with the Finnish Accounting Practices' guideline. In the Company's opinion, these alternative performance measures provide significant further information about the Company to the Company's management, investors, stock market analysts, and others who are interested in the Company's earnings and financial situation, and they are often used by analysts, investors, etc. Alternative performance measures should not be examined separately from the Finnish Accounting Practices' own accounting measures, nor should they be seen as substitutes for them. Not all companies calculate alternative performance measures in a uniform way, and so the alternative performance measures within this prospectus are not necessarily commensurable with the performance measures used by other companies, even if they use the same names. The alternative performance measures presented in this prospectus are unaudited. BBS believes that the following alternative performance measures are helpful in analyzing the Company's business operations:

1. EBITDA
2. EBITDA margin
3. Equity ratio

EBITDA = Earnings (-losses) plus depreciations and write-downs

EBITDA margin = EBITDA in relation to turnover

Equity ratio = Equity / (balance sheet total – advances received).

IMPORTANT DATES

Finland

The subscription period for the Offering begins in Finland on 5.2.2018

The subscription period can be suspended (as of the earliest) on 16.2.2018

The subscription period ends in Finland on 18.2.2018, unless the subscription period is shortened or lengthened

The results from the Offering will be published (estimate) 20.2.2018

The Offering shares will be registered in the Trade Register (estimate) 26.2.2018

The Offering shares transferred through Euroclear Finland will be transferred to subscribers' book entry accounts (estimate) 26.2.2018

Share trading is estimated to begin on Nasdaq First North in Helsinki (estimate) 28.2.2018

Sweden

The subscription period for the Offering begins in Sweden on 5.2.2018

The subscription period can be suspended (as of the earliest) on 16.2.2018

The subscription period ends in Sweden on 18.2.2018, unless the subscription period is shortened or lengthened

The results from the Offering will be published (estimate) 20.2.2018

The Offering shares will be registered in the Trade Register (estimate) 26.2.2018

The Offering shares transferred through Euroclear Sweden will be transferred to subscribers' book entry accounts (estimate) 26.2.2018

Share trading is estimated to begin on Nasdaq First North in Stockholm (estimate) 28.2.2018

ASSURANCE REGARDING THIS PROSPECTUS

The Company has prepared this Prospectus and is responsible for the accuracy of the information it contains. The Company declares that it has verified with sufficient diligence that, to the best of its knowledge, the information presented in this prospectus is factual and no information has been left out that is likely to be of significance.

In Oulu, Jan. 26, 2018

BBS-BIOACTIVE BONE SUBSTITUTES OYJ

Board of Directors

BACKGROUND AND REASONS FOR THE ISSUE OF SHARES AND PLANNED LISTING ON THE STOCK EXCHANGE AND HOW THE FUNDS WILL BE USED

Reasons for the issue of shares

The funds obtained through the Initial Public Offering will make it possible for the Company to complete the application process, which is currently underway, for getting the CE marking and FDA approval for its main product, continue product development, develop and maintain its patent portfolio, market and sell its products, as well as begin production. In addition, the improved liquidity of funding and the public quotation of shares will improve the Company's position during possible future mergers and acquisitions and partnerships.

Use of funds

BBS aims pursue 7,7 million euros through its issue of IPO shares. Expenses and fees arising from the issue of shares are estimated to be around 0,9 million euros, and so the Company expects to receive 6,8 euros in net proceeds. The minimum amount for carrying out the Initial Public Offering is 2 million euros, which would translate into about 1,7 million euros in net proceeds. The Company estimates that it will spend the net proceeds from its share issue on the working capital and investments needed to implement its business plan, as well as on debt servicing and payments, including, but not limited to, the following:

1. The current production line, which is intended for clinical trials, will be updated to to meet the demands of commercial production through automation and mechanical production, in order to increase production potential and production speed (about 20-25% of the funds raised).
2. Successfully completing the application process, which is currently underway, for obtaining the CE Mark and FDA approval, continuing product development, as well as developing and maintaining the Company's patent portfolio. The Company has carried out all the main stages for its sales permit, including preclinical animal trials related to safety, tissue compatibility, and functionality, clinical trials, and construction of its production line. The final validations needed for production, the final CE Mark and FDA approval processes and official inspections carried out by a notified body (Notified Body BSI, Milton Keynes, London) require funding (about 20%).
3. The commercialization of ARTEBONE's new bone implant, the hiring of a CEO who is market-orientated and networked with the Company's market segment, building up a sales network, as well as implementing a sales strategy directed at the Nordic countries and select Central European countries (about 20-25%).
4. Hiring additional staff to market the Company and increase sales, as well as investing in production and manufacturing in order to increase production potential (about 30%).

The estimated proportion of the funds allocated to the above-mentioned purposes could fluctuate based on the amount of capital raised and how the Company's business operations develop.

TERMS OF THE OFFERING

Authorization for the Offering and the board's offering decision

By the decision of the extraordinary general meeting on 17.10.2017, the shareholders of the Company authorized the board of directors of the Company to resolve on issuing up to 2 500 000 new shares in one lot or in several lots. The board of directors is authorized to resolve on all the terms on which Shares are issued. The board may also resolve on issuing Shares in a directed issue. The authorization is in force until 30.6.2018, unless cancelled before that date by the general meeting of the Company.

On 26.1.2018, the board of directors of the Company has resolved on issuing up to 1 400 000 new shares of the Company ("Initial Public Offering Shares") for subscription of retail and institutional investors in a directed issue in Finland and in Sweden ("Initial Public Offering"). The Initial Public Offering consists of Initial Public Offering Shares offered to the public ("Retail Offering") and of Initial Public Offering Shares offered to institutional investors ("Institutional Offering").

General terms of the Initial Public Offering

1. Initial Public Offering Shares

The Company offers up to 1 400 000 new shares in the Company for subscription in the Initial Public Offering. The number of Initial Public Offering Shares will be determined based on subscriptions of investors in Finland and in Sweden ("Initial Public Offering Shares"). Assuming that all Initial Public Offering Shares are subscribed and all the subscriptions are approved, The Initial Public Offering Shares constitute approximately 31,4 percent of shares and votes in the Company carried by all shares prior to the Initial Public Offering and approximately 23,9 percent of shares and votes in the Company carried by all shares after the Initial Public Offering, provided that all the Initial Public Offering Shares offered in the Initial Public Offering are subscribed.

2. Directed Issue

Deviating of the pre-emptive subscription right of the existing shareholders of the Company, the Initial Public Offering Shares are offered to investors in a directed issue. The grounds for deviating from the pre-emptive subscription right are the development of the Company's business and the broadening of the Company's shareholder base necessary for a planned listing of the Shares in the Company on the First North Finland and First North Sweden. On these grounds, the Company's board of directors considers that in accordance with the Finnish Companies Act (624/2006 with changes), Chapter 9, Section 4 (1), a weighty financial reason exists for deviating from the pre-emptive subscription right of the existing shareholders of the Company.

3. Subscription Price

The Shares of Initial Public Offering are offered to be subscribed at EUR 5,50 per share ("Subscription Price"). In defining the Subscription Price, the board of directors of the Company has considered and based the pricing of share in the Initial Public Offering on the pricing of shares of the companies in the same industry, on the acquisitions made in the industry, on the pricing of shares in the recent offerings of the Company and on the future expectations of the Company.

4. Subscription Place

The subscription place of the Initial Public Offering Shares ("Subscription Place") in the Finnish Retail Offering is the Finnish branch of Nordnet Bank AB, www.nordnet.fi/bone. In the online service it is possible to subscribe with online bank user identifiers of Nordnet as well with identifiers of Aktia,

Danske Bank, Handelsbanken, Nordea, Oma Säästöpankki, OP Bank, POP Bank, S-Bank, Säästöpankki and Ålandsbanken. When separately agreed the subscriber in the Retail Offering may make the subscription also at the customer service of the Finnish branch of Nordnet Bank AB, address Yliopistonkatu 5, 00100 Helsinki on business day between 9.30 and 16.30.

The subscription place in the Finnish Institutional Offering is the Finnish branch of Nordnet Bank AB, address Yliopistonkatu 5, 00100 Helsinki, tel. +358 9 68178444 and the head office of the Company, the address of which is Kiviharjunlenkki 6, 90220 Oulu; info@bbs-artebone.fi.

The Subscription place in the Swedish Retail and Institutional Offerings is Nordnet Bank AB, www.nordnet.se/bbs. The subscriptions are made in the subscription system of Nordnet Bank AB.

5. Amount of Subscription

The minimum subscription in Retail Offering is 200 Shares of Initial Public Offering and the maximum subscription In Retail Offering is 20 000 shares. The subscriptions by the same investor are combined to one subscription. If the combined subscription by a private individual or entity exceeds the maximum subscription in Retail Offering, the combined subscription is considered as subscription in the Institutional Offering.

In the Institutional Offering in Finland the investors who subscribe 20 001 shares in minimum are eligible to participate.

6. Payment of the Subscription Price

The Subscription price in the Retail Offering shall be paid to the bank account indicated by the Subscription place when making the subscription.

The Subscription price in the Finnish Institutional Offering shall be paid in accordance with the instructions set out by the Subscription place to the bank account indicated by the Subscription Place on or about 22.2.2018. The Subscription Price in the Initial Public Offering shall be fully recorded in the reserve for invested unrestricted equity of the Company.

The Subscription price in the Retail and Institutional Offering in Sweden is debited with the transfer of shares. The subscription Price of the allocated Retail and Institutional Offering shares is charged from the account specified by the investor simultaneously against the allocated Initial Public Offering Shares. This is expected to take place on or about 23.2.2018.

The Place of Subscription is entitled to claim, either upon receipt of the subscription or upon approval of the subscription a verification of the investor of its ability to pay the shares corresponding to the subscription or to demand the corresponding amount to be paid in advance. The amount payable is then the Subscription Price multiplied by the number of shares subscribed.

The Subscription Price of Initial Public Offering Shares in Finland, delivered by Euroclear Finland, shall be paid in euros. The Initial Public Offering Shares in Sweden, delivered by Euroclear Sweden, shall be paid in Swedish krona. The final subscription price in Swedish krona is defined with EUR/SEK forward rate for the allocated amount corresponding to Swedish krona. The Company announces the final Subscription price in Swedish krona with a company release.

7. Subscription Period

The Subscription period of the Initial Public Offering Shares (”Subscription period”) begins on 5.2.2018 at 9.30 Finnish time (at 8.30 Swedish time) and it ends in Finland on 18.2.2018 at 24.00 Finnish time and in Sweden at 24.00 Swedish time unless the Company decides to shorten or extend the Subscription period during the Subscription period. The Company may at its discretion terminate, shorten or

extend the Subscription period. The Subscription period can end at earliest on 16.2.2018 at 16.30 Finnish time (at 15.30 Swedish time) and it won't be extended beyond 23.2.2018 at 16.30 Finnish time (at 15.30 Swedish time). Any changes to the Subscription period will be announced by way of a company release. The Company can't terminate the Subscription period between 9.30 and 16.30 Finnish time (between 8.30 and 15.30 Swedish time) or change the Subscription period after the Subscription period has ended. In case the Subscription period is changed, the allocation date and the date of delivery of Initial Public Offering Shares will be changed accordingly.

8. Allocation of the Initial Public Offering Shares

The Company will at is discretion resolve on the allocation of the Initial Public Offering Shares between the investors within Retail Offering and Institutional Offering in Finland and in Sweden. If the Initial Public Offering is oversubscribed, investors may be allocated fewer Initial Public Offering Shares than subscribed for, or no Initial Public Offering Shares at all. In case the Initial Public Offering is oversubscribed, the Company strives to fulfil the subscriptions placed by investors fully up to 200 shares.

To the extent that an investor is allocated Initial Public Offering Shares less than what the investor subscribed for, the overpaid Subscription price will be repaid to the investor within five (5) bank days of the date when the board of directors resolved on the allocation of the Initial Public Offering Shares. No interest will be paid on the amounts returned.

Information on the allocation is not separately announced to the investors, but the investors receive the information in connection with confirmation of the transaction and the possible repayment of the subscription price. The customers of Nordnet Bank shall see their subscriptions anf shares allocated to them on the transaction site of Nordnet Bank online service.

9. Subscription commitments received before the Initial Public Offering

The Company has received binding commitments to subscribe shares before the Initial Public Offering that are explained in the chapter "*Arrangements related to the issue of the shares*" of this Prospectus.

10. Publication of the outcome of the Initial Public Offering

Provided that no changes are made to the Subscription period, the Company will announce the outcome of the Initial Public Offering on or about 20.2.2018 by way of a company release.

11. Registration of the Initial Public Offering Shares and entry in the book-entry accounts

The Company will apply for the registration of the Initial Public Offering Shares with the Trade Register as soon as practically possible after the allocation of the Initial Public Offering Shares and after approval of the subscriptions. Provided that no changes are made to the Subscription period, the Company expects the issued Initial Public Offering Shares to be registered with the Trade Register on or about 26.2.2018. The Initial Public Offering Shares will be issued and entered in the book-entry system of Euroclear Finland as soon as possible after having been registered with the Trade Register. As soon as possible after registration with Euroclear Finland, the Initial Public Offering Shares will be delivered to investors through the book-entry system of Euroclear Finland and Euroclear Sweden. Provided that no changes are made to the Subscription period, the Company expects the delivery of the Initial Public Offering Shares to the investors to take place on or about 26.2.2018.

12. Shareholder rights

The Initial Public Offering Shares will confer all shareholder rights from the registration with the Trade Register and entry in an investor's book-entry account. Each Share in the Company confers one vote

at the Company's general meetings. All the Shares in the Company confer equal rights to dividend and to other distributions and to other rights in the Company related to the Shares in the Company.

13. Listing application in Finland and in Sweden

Before the execution of the Initial Public Offering, the Shares of the Company have not been subject to trading on any regulated market or any multilateral trading facility. The Company submits listing application for Nasdaq Helsinki Oy to be processed at the Helsinki Stock Exchange and at the Stockholm Stock Exchange to list:

a) on Nasdaq First North Finland the Initial Public Offering Shares issued and allocated in Finland and delivered through Euroclear Finland and all other Shares issued by the Company, that are not applied for listing on First North Sweden;

b) on Nasdaq First North Sweden the Initial Public Offering Shares issued and allocated in Sweden and delivered through Euroclear Sweden

The trading symbol on Nasdaq First North Finland is expected to be BONEH and on Nasdaq First North Sweden it is expected to be BONES. The Company expects trading to commence on First North Finland and First North Sweden on or about 28.2.2018. The Company will apply for primary listing to be on First North Finland and for the secondary listing to be on First North Sweden.

14. Supplements to the Prospectus and cancellation of subscriptions

Subscriptions placed in the Finnish and Swedish Initial Public Offering are binding and irrevocable and may only be cancelled where the Finnish Securities Market Act provides for a cancellation right ("Arvopaperimarkkinalaki, 14.12.2012/746 with changes).

In accordance with the Finnish Securities Market Act, the Company will be obliged to issue a supplement to the Prospectus in case a mistake or inaccuracy in the Prospectus is discovered, or a significant new factor arises, prior to the end of the Subscription period, if such mistake, inaccuracy or new factor may bear material significance to the investors. Such supplement will be published in the same manner as the Prospectus.

Investors who have subscribed for Initial Public Offering Shares before the publication of a supplement to the Prospectus may choose to cancel their subscriptions. The cancellation right must be exercised within a cancellation period which may not be shorter than two Finnish banking days from the publication of the supplement to the Prospectus. An investor's cancellation of a subscription will be deemed to be made in respect of all the subscriptions of that investor. A precondition for the right to cancel is that the mistake, omission or material new information arose or was noted before the delivery of the Initial Public Offering Shares. Cancellations must be filed with the Subscription place with which the subscription was placed.

Information on the right to withdraw shall be issued in the supplement to the Prospectus. Where an investor has cancelled its subscription, any subscription price already paid by that investor will be returned to the bank account of the investor given by the investor in connection with the subscription. The funds will be repaid within three local banking days of the cancellation of the subscription. No interest will be paid on the amounts returned. The Company will announce cancellation instructions by way of a company release, in connection with publishing the supplement to the Prospectus.

15. Company's right to withdraw the Initial Public Offering

The Company may at its discretion withdraw the Initial Public Offering. The Initial Public Offering will be withdrawn, in case the amount of subscriptions in the Initial Public Offering remains under 2 000

000 euros. If the Initial Public Offering is withdrawn, any subscriptions given by investors will be automatically cancelled. In such case, the subscription price paid by investors will be returned to the bank accounts of the investors given by the investors in connection with the subscriptions. The funds will be repaid within three local banking days of the Initial Public Offering being withdrawn. A withdrawal of the Initial Public Offering will be announced by the Company by way of a company release. The Company intends to apply for the listing of the Initial Public Offering Shares in Finland and in Sweden. If the Company's application to list the issued Initial Public Offering Shares is not approved in respect of either First North Finland or First North Sweden, the Company will withdraw the Initial Public Offering. The Company may not withdraw the Initial Public Offering after the board of directors of the Company has resolved on the allocation of the Initial Public Offering Shares.

16. Capital transfer tax and operating fees

There is not expected to be charged any capital transfer tax for the subscription for Initial Public Offering Shares. Account operators may charge a fee in accordance with their price list for maintaining the book-entry account and storing the shares.

17. Offering of Initial Public Offering shares elsewhere in Finland and in Sweden

Regulations of some countries may set limitations to participating in the Initial Public Offering. Additional information on limitations regarding offering of Initial Public Offering shares can be found in the Prospectus section "*Important information about the Prospectus".*

The board of directors can at its discretion refuse for the investor's subscription in the Initial Public Offering, for example,

a) if the board of directors regards the subscription to be against law, provision or regulation;

b) if it is justified to believe, that the Company would be required to take other actions than publishing the Prospectus, so that delivering of Initial Public Offering Shares for the investor would be allowed.

18. Other matters

The board of directors of the Company may resolve on other matters relating to the Initial Public Offering.

19. Governing law

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

Terms specific to the Finnish Retail Offering

Persons entitled to subscribe in the Finnish Retail Offering

In the Finnish Retail Offering, all Initial Public Offering shares are offered to individuals and legal entities, whose permanent address or place of residence is in Finland and who give their subscription commitment in Finland. The subscription place may reject the subscription fully or partially, if it is not in compliance with these terms or if it is defective.

The provider of the Subscription commitment must have a book-entry account in a Finnish account operator or in an account operator operating in Finland he/she must provide the information on his/her book-entry account in his/her subscription commitment. The new shares subscribed and issued in the Initial Public Offering are registered to the investors' book-entry accounts, whose subscription commitments have been approved, on or about 26.2.2018.

Special terms to apply in the Finnish Institutional Offering

Persons entitled to subscribe in the Finnish Institutional Offering

In the Institutional Offering, all the Initial Public Offering shares are offered for the subscription of institutional investors in Finland. The investors, who subscribe for at least 20 001 Initial Public Offering shares, are entitled to participate in the Institutional Offering.

The regulations of some countries may set limitations for participating in the Initial Public Offering. The board of directors has a right to reject the subscription for Initial Public Offering Shares, if the board regards the subscription to be against law, provision or regulation. The Initial Public Offering Shares are offered in the Institutional Offering outside the United States for institutional investors. The Initial Public Offering Shares have not been registered, and they will not be registered according to the U.S. 1933 Security law and they will not be offered or sold in the United States. Additional information about the limitations regarding Offering of Initial Public Offering Shares can be found in the Prospectus section "*Important information about the Prospectus".*

Terms specific to the Initial Public Offering in Sweden

The subscription place in the Swedish Retail and Insitutional Offerings is Nordnet Bank AB.

Subscription of the Retail Offering and payment

The Subscriptions are made in the Internet service of Nordnet Bank in www.nordnet.se/bones.

Announcement for the approval of subscription

The Initial Public Offering Shares are delivered through the book-entry system of Euroclear Sweden for investors that participated in the Initial Public Offering in Sweden.

INSTRUCTIONS FOR INVESTORS IN FINLAND

Subscription of the Retail Offering and payment

The subscriptions are made in the Internet service of Nordnet Bank in www.nordnet.fi/bone. There is a possibility to subscribe for Initial Public Offering Shares in the Internet service with Internet banking personal identity codes of Nordnet, Aktia, Danske Bank, Handelsbanken, Nordea, Oma Säästöpankki, Osuuspankki, POP Bank, S-Bank, Säästöpankki or Ålandsbanken. If agreed separately, a Retail investor can also subscribe for Initial Public Offering Shares in the customer service office of Finnish branch of Nordnet Bank Ab, the address of which is Yliopistonkatu 5, 00100 Helsinki, between 9.30 and 16.30 on working days. The payment for Subscription made via the Internet service of Nordnet Bank is charged, when the investor confirms the subscription with his/her Internet banking personal identity codes.

The subscription is deemed to be made, when the signed subscription form has been submitted in the Internet service and the subscription has been paid. In subscribing for the Initial Public Offering Shares, the payment must be paid from a Finnish bank account belonging to the subscribing investor. The board of directors may reject the subscription, if the payment for the subscription is not in the bank account of the Subscription place by the end of the Subscription period.

Announcement for the approval of the subscription

Information on the allocation is not separately announced to the investors, but the investors receive the information in connection with the confirmation of the subscription and the possible repayment of the subscription price. Nordnet's customers see their subscription commitments and the Initial Public Offering Shares allocated and offered to them in the event page of the Internet service of Nordnet Bank.

The subscription is binding regardless of the confirmation announcement and receiving of it.

Entry of Initial Public Offering Shares in the book-entry system

The Initial Public Offering Shares will be issued and entered in the book-entry system of Euroclear Finland and they will be delivered to investors through the book-entry system of Euroclear Finland and Euroclear Sweden.

The Initial Public Offering Shares are delivered to investors participating in the Finnish Offering through Euroclear Finland to the extent, that the investor has chosen delivery through Euroclear Finland. These investors must have a book-entry account in the account operator of Euroclear Finland. The number of book-entry account must be provided together with the subscription. The book-entry account must belong to the investor.

Subscriptions of individuals

The subscriptions commitments made by persons under the age 18 or by persons elsewise under guardianship or the subscription commitments provided on their behalf, must be provided by their legal guardians and they may require the approval of the Finnish local guardianship authority. The legal guardian may not buy Initial Public Offering Shares without the approval of local guardianship authority, because the Initial Public Offering Shares are not quoted at the time of the provision of the subscription commitment.

The subscription requires a decision from the board of the Company, unless investing is part of the industry of the subscribing company. The subscription place may require the investor to evidence or confirm his/her right to participate in the Finnish Retail offering.

The Company and Nordnet Bank have a right to reject the subscription commitment partially or fully, if it has not been provided according to these terms. The reception of the subscription commitment as a subscription place also requires the approval of the terms of the subscription service of Nordnet from subscribers, who subscribe via Nordnet and are not Nordnet's customers at the time of subscription.

The payment of subscription in the Institutional Offering

Institutional investors are to pay the Initial Public Offering Shares of approved subscription according to the instructions of the Subscription place on or around 22.2.2018. The Subscription place can reject the subscription fully or partially, if it is not in accordance with these terms or if it is deficient.

Subscriptions of legal entities

The Company or Nordnet may ask the legal entity subscribing for Initial Public Offering Shares to deliver documents, that indicate the right of the legal entity to subscribe for Initial Public Offering Shares and the right of the agent of the legal entity to represent the legal entity.

The subscription requires a decision from the board of the Company, unless investing is part of the industry of the subscribing company. The subscription place may require the investor to evidence or confirm his/her right to participate in the Finnish Retail offering.

Subscribing as an agent

Investors may also subscribe for Initial Public Offering Shares through an agent. In that case, the agent must demonstrate his or her authorization to act on behalf of the investor by presenting a power of attorney that is written in a format that is accepted by Nordnet.

Investors will not be charged a fee

The Company or Nordnet will not charge investors subscribing for Initial Public Offering Shares any fees or payments. However, Nordnet has the right to charge investors who have not paid for Initial Public Offering Shares they have subscribed for by the payment date for interest and expenses. Securities dealers and other service providers may however charge investors for fees that are based on the agreement between the service provider and investor.

Taxation

Certain matters related to the taxation of the Initial Public Offering Shares will be dealt with under the section of this Prospectus entitled "Taxation".

INSTRUCTIONS FOR INVESTORS IN SWEDEN

Entry of Initial Public Offering Shares in the book-entry system

The Initial Public Offering Shares are delivered through Euroclear Sweden for investors participating in the Swedish Offering to the extent that the investor had chosen delivery through Euroclear Sweden. These investors must have a book-entry account in the account operator of Euroclear Sweden. The number of the book-entry account must be provided together with subscription. The book-entry account must belong to the investor.

Subscription for Initial Public Offering Shares via Nordnet Bank AB

The customers of Nordnet Bank AB can apply for subscription of Initial Public Offering Shares in the Internet service of Nordnet. The subscription application can be done with Nordnet until 18.2.2018 at 24.00. In order the subscriber to retain the subscription right for Initial Public Offering Shares, the account customers of Nordnet must have adequately cash on their accounts from 18.2.2018 at 24.00 Swedish time until the value day, that is on or about 26.2.2018. Additional information on the process is available in www.nordnet.se/bbs.

Allocation of Initial Public Offering Shares via Nordnet Bank AB

The customers, who have applied for the subscription of Initial Public Offering Shares in Sweden via the Internet service of Nordnet, will receive a decision on the allocation of Initial Public Offering Shares through the delivery of allocated Initial Public Offering Shares to their accounts. The charging for the subscription price of allocated Initial Public Offering Shares is done simultaneously from the account defined by the customer. This is estimated to happen on or about 23.2.2018.

Payment of subscription price via Nordnet Bank AB

The charging of Subscription price of allocated Initial Public Offering shares happens simultaneously from the account defined by the customer for the allocated Initial Public Offering Shares. This is estimated to happen on or about 23.2.2018.

ARRANGEMENTS RELATED TO THE INITIAL PUBLIC OFFERING

Financial Advisor and Certified Advisor

Aalto Capital Partners Oy is acting as the Company's financial advisor for the Issue of Initial Public Offering Shares according to the conditions of the agreement made between them. The agreement stipulates the services that Aalto Capital Partners Oy offers in relation to the Issue of Initial Public Offering Shares and deals with the rights and obligations of the two parties. In the agreement concerning financial advice, the Company has agreed to release Aalto Capital Partners Oy from certain obligations and has committed to pay for the expenses resulting from the Issue of Initial Public Offering Shares and their sale.

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

Aalto Capital Partners Oy is acting as the Company's Approved Advisor in Finland, and Stockholm Certified Advisers AB is acting as the Company's Approved Advisor in Sweden.

Issuer agents

Nordnet AB is acting as the Company's issuer agent regarding Euroclear Finland and Euroclear Sweden.

Market making

At the time this Prospectus was written, the Company had not made an agreement regarding market making.

Underwritings and underwriting guarantees

Subscription commitments received by the Company before the Initial Public Offering

The current shareholders of the Company have provided subscription commitments, on the basis of which the current shareholders have committed to subscribe for Initial Public Offering Shares with 0,45 million euros, which is equivalent to 5,8 % of all Initial Public Offering Shares. The parties, that have provided subscription commitment, will receive a contractual remuneration in shares for the realized subscription commitment. The remuneration is 17 % of the amount of subscription commitment and the remuneration can be paid in the shares of the Company. The subscription commitment is irrevocable and conditional to the realization of the Initial Public Offering and for 0,1 million euros conditional to the realization of Initial Public Offering at or above 2,9 million euros.

CAPITAL STRUCTURE AND INDEBTEDNESS

BBS' 31.12.2017 capital structure and indebtedness are presented in the following table. The Company hasn't prepared consolidated financial statements. The content of the Company's capital structure and indebtedness table should be read together with the Prospectus' section "*Selected Historical Financial Information*" and the Company's financial statements attached with the Prospectus.

	31.12.2017 Unaudited (EURk)
Short-term interest-bearing loans	
Secured loan	705
Unsecured loan	100
Total	**805**
Long-term interest-bearing loans	
Long term interest bearing loan	6 274
Unsecured loan	950
Total	**7 224**
Equity attributable to equity holders of the Company	
Equity	80
Share premium account	1 394
Invested unrestricted equity fund	7 837
Retained earnings	-3 804
Result of the financial period	-4 427
Total	**1 080**
Equity attributable to the equity holders and interest-bearing loans total	**9 109**
Net debt	
Short-term interest-bearing loans	805
Long-term interest-bearing loans	7 224
Interest bearing debt total (A)	**8 029**
Cash and cash equivalents (B)	32
Net debt (C = A - B)	**7 997**
Equity attributable to equity holders of the Company (D)	1 080
Net gearing-% (= C / D)	**740 %**

The Company has no bank loans. BBS' R&D is funded through shareholders' equity investments, low interest rate R&D loans, subordinated R&D capital loans and grants. R&D loans' interest rate is defined as the base interest rate minus 3 percentage units, however the minimum interest rate is set at 1%. Subordinated R&D capital loans' interest rate is defined as the base interest rate minus 1 percentage unit, however the minimum interest rate is set at 3%. The accrued unpaid interest from subordinated capital loans totals at 341 thousand euros. The repayment of the subordinated capital loans is due to begin 20.10.2009, however the Company has no distributable funds. BBS' capital loans are described in detail within the Prospectus' section "*Capital loans*". Company's loan from Finnvera totalled at 277 690 Euros (31.12.2017) and the loan's interest rate is EB6 + 4,1%. If the Company's planned IPO is not successful, the Company must negotiate with its debtors to extend the Company's loans' payment time, which could result in changes in loan terms. After the financial statement of 2017, the Company has raised a 249 997 euros short-term loan. The interest rate for the raised short-term loan is 3%.

LOAN MATURITIES 31.12.2017	EURk
Maturity within 1 year	705
Maturity within 1 - 5 years	5 525
Maturity after 5 years	1 799
Total	**8 029**

Loans raised by the Company's subsidiary Bio Bones

The Company's subsidiary Bio Bones has 642 thousand euros in loans (31.12.2017). Bio Bones' loans' interest rate is EB6 + 2,9% and 500 thousand euros in mortgage on property has been given against the loan.

Off-balance-sheet liabilities

LIABILITIES 31.12.2017	EURk
Collateral on own commitments	0
Business mortgage	300
Other collaterals, subsidiary's	0
Leasing and other rental liabilities	19
Short term unsecured loan	100
Subsidiary Bio Bones' property mortgage	500
Capital loan's unpaid interests	341
TOTAL	**1 260**

Working capital statement

BBS estimates that its current working capital is insufficient to satisfy the Company's needs for the next 12 months.

BBS has been a R&D stage company. The Company is expected to generate positive operative cashflows after the Company has successfully acquired the CE-mark as the CE-mark is the prerequisite for initiating the sales of the Company's lead product in countries that CE-mark applies to.

Through the IPO and listings on Nasdaq First North Finland and First North Sweden, the Company intends to raise a minimum of 2 million Eeuros before the issue expenses to finance the Company's deficit in working capital. BBS estimates that for the period of the next 12-month its operative costs total at 1,3-1,6 million Euros, loan repayment totals at 0,7 million euros and investments to the business operations totals at 0,3 million Euros. The intended proceeds from the IPO is expected to be sufficient to secure the Company's working capital for the upcoming 12 months, if the Company's is able to raise at or above the minimum amount for carrying out the Initial Public Offering.

Company expects that extension of time for payment can be negotiated for the Company's loan repayments due during the period of the upcoming 12-month. Tekes, the Finnish Funding Agency for Innovation, has announced that it will leave the two oldest loans issued to the Company mainly uncollected, therefore reducing the Company's total level of loans by approximately 2,2 million euros and the accrued interests by approximately 0,35 million Euros. The terms for the issued loans' uncollection, is that the Company must acquire 5,0 million Euros in working capital before 31.3.2018. The written decision of Tekes has not been taken into account in the financial statement of 2017 due to the unrealization of the term concerning working capital in the financial statement.

Tekes has decided to provide repayment-free period until 30.6.2020 for the R&D-loan it has provided. The repayment of 369 000, that expires in June 2018, falls due to payment on 30.6.2020 reducing the amount of repayments to be paid within one year from the date of this Prospectus.

Finnvera made a conditional decision to postpone the repayments expiring in 2018 to the next years. The terms relate to the realization of the Initial Public Offering. The decision for the conditional postponing of repayments concern BBS' repayment of 79 thousand euros and Bio Bones' repayment of 192 thousand euros.

BBS' management can influence the level and amount of Company's planned investments and costs.

DIVIDEND AND DIVIDEND POLICY

Company's board of directors have not yet defined a dividend policy for the Company. The Company's possible future dividend payments are dependent on the Company's future developments and the Company's future financial position. The Company has never paid dividend.

Provided that dividend is paid to the Company's shareholders, all of BBS' shares are entitled to the same dividend per share. The shares offered in the IPO, will possess the same rights as the other shares of the Company and are entitled to the possible future dividends, if the Company pays dividends, after the IPO shares are recorded into the Finnish Trade Register and entered in the Company's register of shareholders.

31.12.2016 BBS had no distributable funds.

MARKET OVERVIEW

The Prospectus contains information about the Company's activities and the markets where BBS operates. Information on market growth, market size and BBS' future market position relative to competitors listed in this Prospectus relates to BBS' overall assessment based on both internal and external sources. Unless otherwise stated, the information in this section is based on the Company's analysis and internal market information (Marketing studies done in 2013 and 2016 by Paul Watkins and in 2017 by Heikki Laurila). The sources, which act as the basis for BBS' assessment include information from medical research publications and market surveys. Although the information has been accurately considered and BBS believes that the stated sources are reliable, Company has not independently verified the information, therefore information's accuracy and completeness can not be fully guaranteed. As far as BBS is aware and has been able to ascertain by means of comparison with other information published by these sources, no information has been omitted in a manner that would make the information incorrect or misleading. Aalto Capital Partners Oy does not accept liability for the accuracy of any such information and prospective investors are advised to use such information with caution.

Market and industry information contains estimates regarding future market development and other so-called forward-looking information. Forward-looking information is not a guarantee of future results or developments and actual results may differ essentially from forward-looking-information. The content of the Company's website and any third-party websites referred to herein do not form any part of the Prospectus.

Introduction

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

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

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

[1] SS. Lim, et al. A comparative risk assessment of burden of disease and injury attributable to 67 risk factors and risk factor clusters in 21 regions, 1990-2010: a systematic analysis for the Global Burden of Disease Study 2010. Lancet. 2012.
[2] H. Shergafi, et al. Bone transplantation and immune response. Journal of Orthopaedic Surgery. 2009.

Different bone grafting methods

Autograft and Allograft

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

Bone-graft substitutes

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

The main available alternatives for autografts and allografts are synthetic mineral-based bone substitutes and Demineralized Bone Matrix (DBM) products, both of which are moderately priced. However, they are not always effective enough for sufficient bone healing. The products leading the market have been based on technology of producing recombinant bone morphogenetic proteins (rhBMP) which are quite expensive compared to those previously mentioned. In addition, they also have a few disadvantages such as overgrowth and malign degeneration[4].

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

Market

Total market Size

The worldwide orthopedic market's total sales according to Orthoworlds (The Orthopaedic Industry Annual Report 2016) was $46,6 billion in year 2015 of which the worldwide orthobiologic product sales was $4,58 billion (varying from 4,5 – 6,0 billion based on different sources), and with an estimated

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

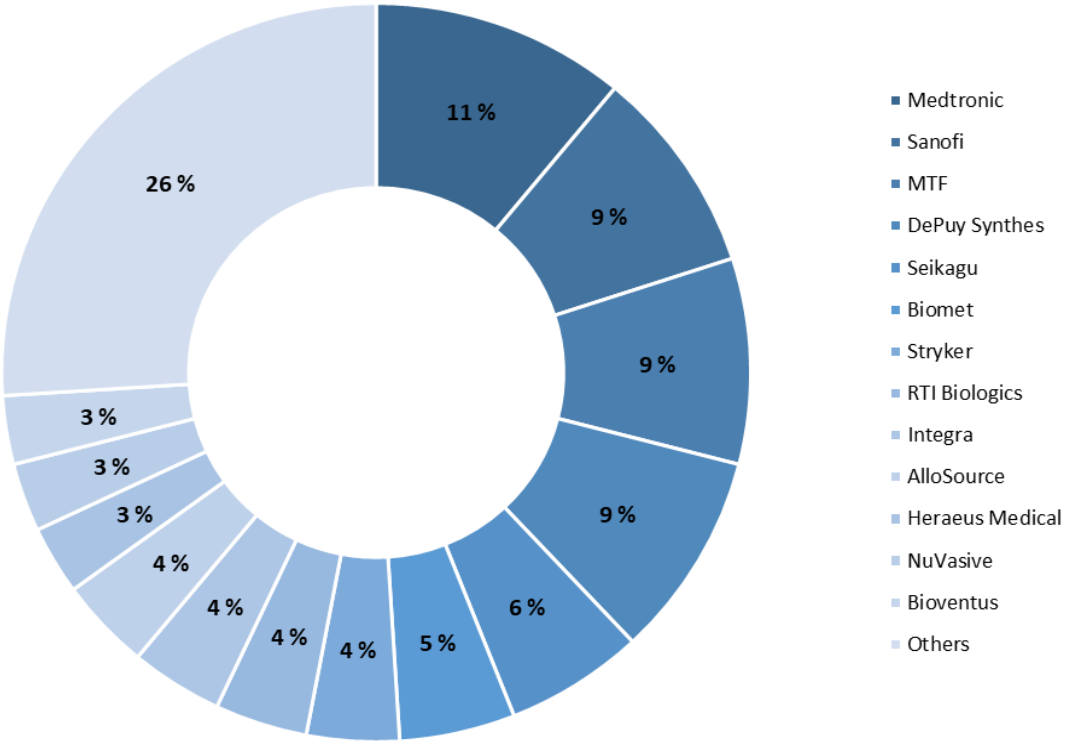
[4] Tannoury CA et al. Complications with the use of bone morphogenetic protein 2 (BMP-2) in spine surgery. The Spine Journal 14(3). 2013.

annual growth rate at approximately 2,4 – 2,8 percent[5]. The bone substitutes market (allograft and synthetic products) was valued at approximately $2,3 – 2,7 billion in year 2015[6] and this represents the current serviceable market for BBS. In addition to the existing bone substitutes market, a latent market also exists for bone graft substitutes, as approximately 2/3 of all relevant operations are made with autograft. Therefore, the potential bone graft substitute market, estimated by BBS, the current market could triple up to $7,5 billion. Young generation orthopedic surgeons are gladly and readily moving from autografts to the use of bone graft substitutes, which is one of the main force driving the market.

Competition landscape within the market

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

Companies market shares in orthobiologics are shown in the following graph[8].



A handful of companies, including Anika, Baxter, Orthofix, Wright Medical and Zimmer, control a market share of over a quarter of the remaining 26% of the orthobiologics market. As smaller companies

[5] The Orthopaedic Industry Annual Report, Orthoworld's publication from March 2016
[6] Transparency Market Research Bone Grafts and Substitutes Market - Global Industry Analysis, Size, Share, Growth, Trends and Forecast, 2015 – 2023, Global Industry Analysts – Bone Graft Substitutes – A Global Strategic Business Report, Allied Market Research - Bone Grafts and Substitutes Market by Product (Allografts, Bone Grafts Substitutes, and Cell-based Matrices), by Application (Spinal Fusion, Long Bone, Foot & Ankle, Craniomaxillofacial, Joint Reconstruction, and Dental Bone Grafting) - Global Opportunity Analysis and Industry Forecast, 2014 – 2022, Grand View Research - Bone Grafts And Substitutes Market Analysis By Material (Natural - Autografts, Allografts; Synthetic - Ceramic, Composite, Polymer, Bone Morphogenetic Proteins (BMP)), By Application (Craniomaxillofacial, Dental, Foot & Ankle, Joint Reconstruction, Long Bone, Spinal Fusion) Forecasts To 2024
[7] The orthopaedic industry annual report – published March 2015 by Orthoworld
[8] The orthopaedic industry annual report – published March 2015 by Orthoworld

develop and prove the efficacy of the novel orthobiologics, it's expected that the industry's top companies will invest in acquisitions or collaborations to scale these new technologies and bring the developed technologies to the market. Mergers and acquisitions do happen within the market such as Zimmer bought Biomet, which was announced in year 2014 and realized in year 2015[18].

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

The key factors which enable the underlying market's biggest players' market dominance are:

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

Global Bone Grafts and Substitutes market

The global Bone Substitutes market was valued at $2,3 – 2,7 billion in year 2015. According to a study by Grand View Research, Inc, the market is expected to reach over $3,6 billion by the year 2024 with a CAGR of 7,5%. The adaptation of new operation techniques and the demand of minimally invasive surgery coupled with the rising number of orthopedic surgeries are the main factors driving the growth of global bone substitutes market[9]. Moreover, the availability of advanced products in varied shapes and sizes providing high osteoconductive and osteoinductive properties are factors that drive the bone substitutes demand and usage globally[11].

Bone-graft substitutes are used in orthopedic surgeries for various applications. The increasing geriatric population contributes to occurrence of orthopaedic problems, which are for example connected with osteoporosis and the weakening of bones related with osteoporosis. According to the United Nations, Department of Economic and Social Affairs, Population Division, in year 2013 the number of people above age 60 reached 841 million and the number is expected to reach 2 billion by the year 2050. With the rise in the elderly population, the number of orthopedic surgeries is expected to grow considerably. The aging population and the growing amount of orthopedic surgeries and operations, therefore are expected to have a positive effect on the overall bone-graft market and the market's growth[10]. However, of of the limiting factors for the growth of the bone-graft market is the risk of disease transmission. In addition to the risk of disease transmission, the high cost of some of the products and the stringent official regulation are also limiting the market growth[12].

Bone-graft segment is predicted to grow considerably in the near future[13]. Allografts (bone banks ect.) are commonly used biomaterials worldwide [11]. Allografts are acquired from hospitals' bone banks, but also as commercial products based on donations by will. Products based on demineralized bone are a type of allografts, which have a somewhat better osteoinductive potential than other allografts. Recombinant BMP products was the market leader within the market, however due to severe side effects, the sales of BMP-products have declined[8]. Synthetic bone-graft substitutes such as ceramic combination products and polymers, are more cost efficient and due to their cost efficiency challenge the

[9] The Orthopaedic Industry Annual Report, Orthoworld's publication from March 2016
[10] Allied Market Research Report: Bone Grafts And Substitutes Market by Productl (Allografts, Bone Grafts Substitutes, and Cell-baced Matrices), by Application (Spinal Fusion, Long Bone, Foot & Ankle, Craniomaxillofacial, Joint Reconstruction, and Dental Bone Grafting) – Global Opportunity Analysis and Industry Forecast, 2014- 2022
[11] MedMarket Diligence report, 2009

market position of allografts. Furthermore, the lack of microbe contamination risk is another advantage of synthetic bone-grafts.

Market trends within the bone-graft market

The sales of the bone-graft substitutes are showing steady annual growth and one of the possible reasons are the young generation of orthopedic surgeons' preference towards the usage of substitutes, which shortens the operation theatre time and lowers the number of complications. One of the market's growth areas include the early intervention products, especially in major joints such as the human knee and products that are less complex and expensive. These products are expected to have a positive effect on the increase of sales[12]. The recent overall market growth, however have been negatively affected by the market leading products BMP-2 and BMP-7, due to the BMP-2 and BMP-7 assosiated adverse events, which has resulted in the decrease in sales. However, despite of the recent decrease in BMP products and the resulting slowing of overall market growth[13], the steady growth of the bone-graft market is expected to continue due to several factors, including:

- The rapid increase of the population over 45 years old.
- People are more active and have longer life expectancies.
- Wider access to information, particularly though online sources.
- Newer generations of orthopaedic surgeons are more prone and acceptable in the usage of orthobiologics.
- The cost/benefit-ratio of health care costs
- The increase in standard of life and improvements in health care infrastucture in developing countries, such as in: Brazil, Russia, India, China, South Africa, Mexico, Indonesia, Nigeria and Turkey.
- New technologies and procedures that expand and/or create new market opportunities and niches.

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

- Companies with orthobiologic products are challenged by the US regulatory environment, which requests for broader clinical and economic data.
- The responcibility of the development of novel technologies is expected to come from the smaller market participants.

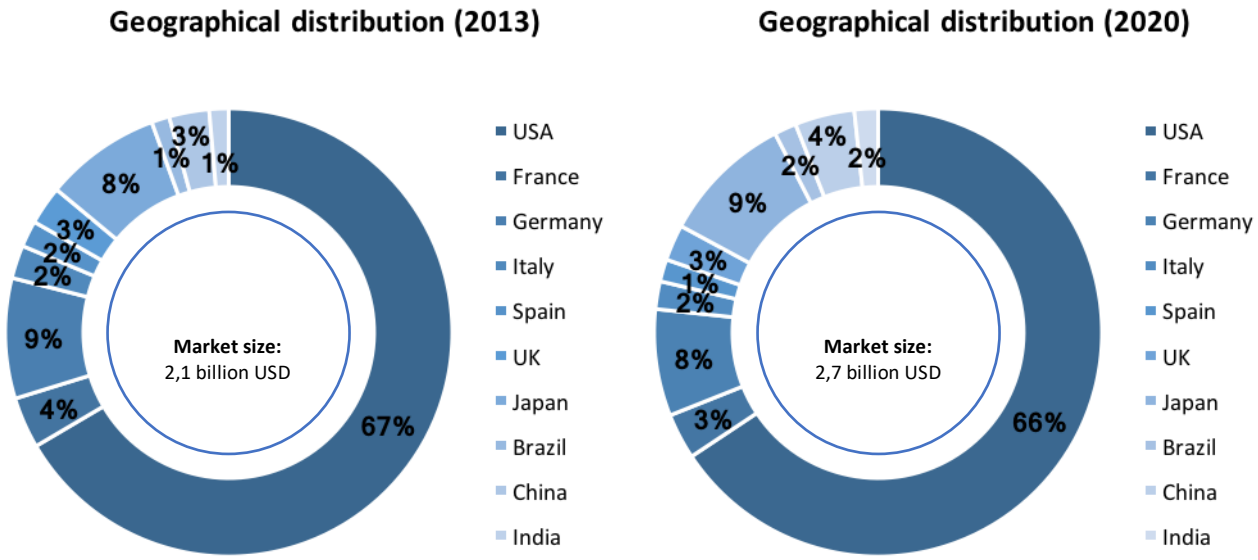
As smaller companies invest in, develop and prove the efficacy of the products, it's expected that industry leaders will acquire or collaborate in order to scale these new technologies. This reflects in a rise of number of acquisitions targeting the small companies.

[12] *The orthopaedic industry annual report 2016, p 117-118.*

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

The geographical segmentation of the bone-graft market

In year 2013, the USA, Europe and Japan accounted for approximately 83% of the global orthopaedic market. Almost 50% of all orthopedic procedures were performed in the US, approximately 31% in the Europe and approximately 7% in Japan. These geographical markets accounts for approximately 95% of the approximately $2,1 billion global bone-graft substitutes market in year 2013. Almost 67% of the $2,1 billion market is compriced of the US (20%), Europe and Japan (8,4%).



The main geographical market areas for Bone-graft substitutes in year 2013 and the expected geographical distribution for year 2020[14]

From the presented geographical market areas, The United States represent the largest market, which is due to the increase in number of elderly people, the increase in bone disorders among the elderly and the favorable reimbursement policies for orthopedic procedures.

[14] https://www.marketresearch.com/product/sample-8021855.pdf :

BUSINESS DESCRIPTION

Overview

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

BBS was established in 2003 as a spinoff of a research project at University of Oulu, Finland. The goal for the Company was to develop and commercialize a bone implant product promoting bone healing. The implant is based on reindeer bone proteins, which contains effective bone growth factors for the bone-graft markets. The product aimes to fill the market gap between the osteoconductive or weakly osteoinductive bone-graft substitutes, such as demineralized human bone matrix (DBM) and synthetic bone substitute products (TCP, hydroxyapatite), and the very expensive recombinant bone morphogenetic protein products.

Vision

The vision of BBS is to become one of the leading international enterprises on the field of bioactive bone implants (orthobiologics) aimed at healing various bone defects and at bone healing problems.

Mission

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

The people behind BBS are passionate about using the BBS platform technology in order to improve the surgical outcomes of bone-graft substitutes and patiens' recovery outcome.

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

The core competence of BBS is in R&D and manufacturing of bone-graft substitute implants based on reindeer bone protein extract. BBS has developed a bone implant, which can be used in bone healing and in bone defect treatment. All main development stages including clinical trials have been completed. The application of the CE-mark is in process. BBS' manufacturing line has been audited by FIMEA and the authorization for the commercial production of BBS' reindeer bone protein extract was received in September 2015. The manufacturing facility is completely owned by BBS and is located in Reisjärvi, Finland. The manufacturing facility is equipped with appropriate clean rooms and production equipment capable of up to 25 000 units per year.

BBS will initially focus on indication areas in extremities, scapula and pelvis area. The indication areas can be later expanded to other indications areas such as spinal fusions. After the successful business achieved though BBS' own implant, the Company may also license and sell bone extract as a raw material.

Strategy

Manufacturing license for the production of bone protein extract was obtained in September 2015 and BBS' current strategic focus is to successfully apply the CE-mark and FDA-approval. All steps required for the CE-mark applications have been completed and the application is in its final stages. After the successful CE certification, BBS will be able to implement its sales strategy. The Nordic market and the chosen European markets will serve as the initial geographical market area for BBS, which is then,

according to BBS' business plans, followed by the US (successful FDA approval is the prerequisite for entering the US market) and finally global key markets.

BBS sales strategy is based on the direct sales to hospitals with a strong focus on distributor sales and distributor partner model in European markets and sales agents in the US market. Traumatologists and orthopedic surgeons will be the focus of BBS marketing activity.

Market strategy

- The first phase of the commercialization is to initiate the sales of ARTEBONE® implants to selected Nordic countries and to other main markets like Italy, Germany, France, the Netherlands and UK by utilizing BBS' own sales people and product experts. This allows the Company to receive direct feedback from customers. BBS currently doesn't have any sales people, but BBS will recruit sales people according to the commercialization plan, based on BBS' management's assessments. After the successful market entry, BBS is able to expand to the other markets and indication areas though planned product modifications (2 – 3 mm granules and blocks). One of the possible targets and goals for the Company at the time of this Prospectus is to expand into the dental and veterinary market.
- The FDA 510(k) approval prosess has been started and will be continued after when CE-mark is completed in Europe for BBS' ARTEBONE. The sales of ARTEBONE within the US market begins though selected partners once the marketing authorization has been gained from the FDA. Such partners are the existing operators within the market which already have established existing distribution channels. BBS' own sales network is not perceived to be a realistic option at this stage within the US market.
- During the second phase of the commercialization process, BBS' bone protein extract could also be sold to other implant manufacturers. This could bring added value to other manufacturers' products by increasing the bioactivity in their implant, which improve the performance of partners own products. BBS have signed Material Transfer Agreements with three US companies, two of whom have tested the bone protein extract in animal studies with good results.

Pricing Strategy

Product 1 ARTEBONE: According to the market surveys conducted by BBS, the competing products are sold in EU for a price range varying between €500 – €1 000 per unit and with an average price at €750. Based on this information, ARTEBONE's end user pricing is set between the range of €900 – 1 000 per impland, whereas one implant is for one implant procedure.

BBS, based on its own market surveys, if the price of the implant remains below €1 000, the surgeon is able to make the decision to use the underlying implant without the need for an applying a format approval from the administration. In addition, the storage logistics is more flexible. Based on BBS' surveys, despite of ARTEBONE's significant advantages over existing products, ARTEBONE® will be priced very competitively, varying slightly country by country depending on differences in national reimbursement policies.

Product 2 Extract as a raw material: Extract raw material can be offered to the selected partners as a component for their products. The buyer is responsible for the required regulatory approvals. As an example of a co-operation agreement is the deal between Wyeth and Medtronic where Wyeth manufactures and sells their rhMBP-2 to Medtronic at 50% of Medtronic's end user value. In cases where protein extract is sold as a raw material, bone protein extracts will have a unit price, planned by the Company, totaling at €250.

Distribution strategy

BBS' the first target geographical market will be the selected Nordic and Central European countries. BBS will use Hybrid Sales Strategy, where Company's own product specialists will contact and visit the key customers and train the customers to use ARTEBONE® implants, whilst other markets will be served by well know bone-graft specialized distributors. Though this method BBS is able to avoid the high sales investments typically associated with the implant business.

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

Business model and Earning logic

General characteristics and challenges of medical device implant markets and how BBS' ARTEBONE's chracteristics related to the general market characteristics are presented in the following table:

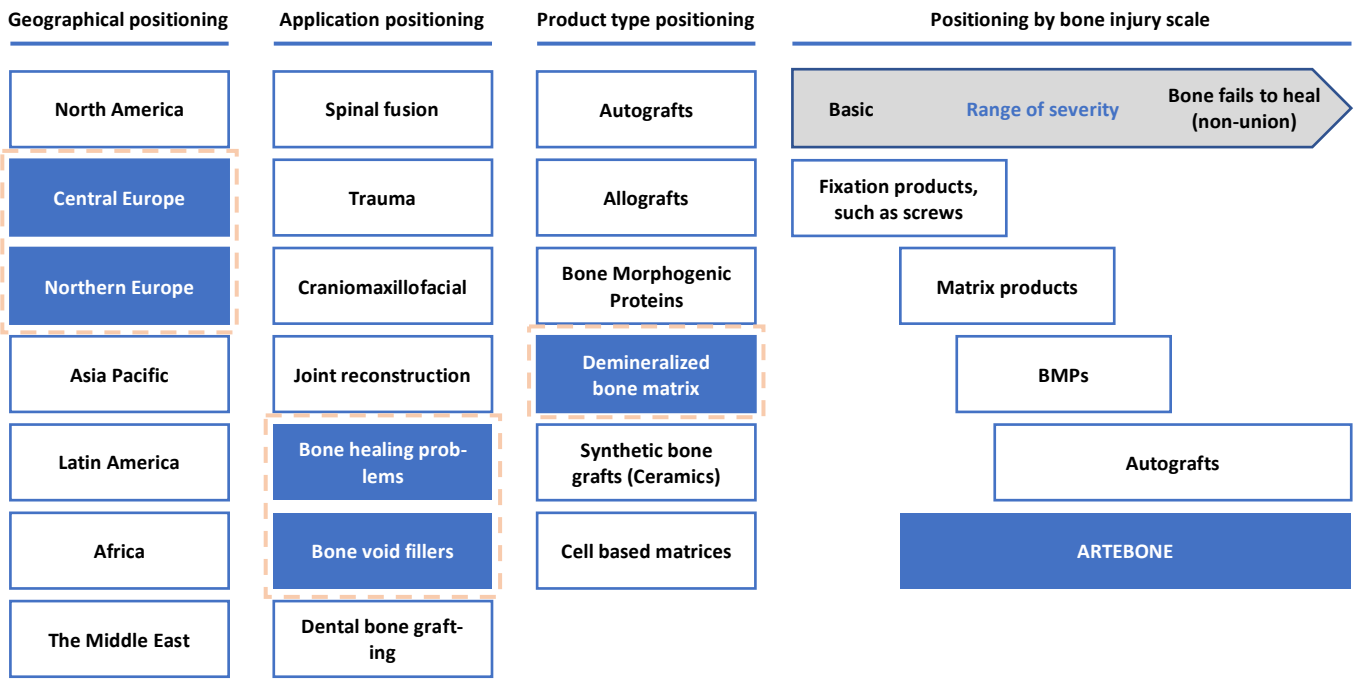
	Market characteristics						
	Margin structure	**Sales investments**	**Intellectual Property (IP)**	**Barriers to entry**	**Customer training**	**Clinical hurdles**	**Financial requirements**
Cost	**High**	**High**	**High**	**High**	**High**	**High**	**High**
BBS' strategic response	Low Cost of Goods Sold (COGS)	Hybrid sales structure	Comprehensive patent coverage in key markets	Key Opinion Leader (KOL) relationships, such as key surgeons	Company's own and third party dedicated product specialists	Comprehensive and reliable test results, which support BBS' ARTEBONE's efficacy	ARTEBONE is in late stage product development and the application process of regulator approvals are in process

Challenges regarding on the margin structure are partly won as the material costs for BBS' products are low. BBS attempts to avoid high sales investments by using hybrid distribution strategy. Patent coverage is comprehensive and key opinion leader relationships will be fostered to decrease entry barrier levels. Customer training will be carefully conducted through the Company's own and outside product specialists. BBS attempts to clear the possible clinical challenges with supportive clinical data available. Financial requirements are relatively low due to that ARTEBONE's product development is nearly completed and the chosen low-cost sales strategy.

Bone-graft market's market segmentation and BBS' possible positioning within the market

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

BBS' planned positioning within the bone graft market



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

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

Product type positioning: ARTEBONE's main product segment is demineralized bone matrix (DBM), however ARTEBONE is also targeting closely the BMP as well as the synthetic bone-graft substitute subsegments.

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

BBS' first wave market size

The initial market entrance for BBS is to enter the market with the Company's ARTEBONE® implant, which combines the TCP granules and the reindeer bone protein extract in a ready-to-use syringe. In addition to ARTEBONE-implant, the protein extract used in the implant can also be licensed and sold separately as a stand-alone product.

BBS' possible global market potential

The global sales of Oorthobiologics products was value at $4,6 billion in year 2015 and the annual growth rate is expected to vary between approximately 2,4 – 2,8%. The market is predicted to surpass $5 billion in year 2019[15].

The estimates show that the total treatment cases within the selected application areas total at approximately 12 million cases per year. Alternative treatment methods also exist within the market such as ultrasound, electric stimulation and so on. According to AAOS' (American Academy of Orthopaedic

[15] *The Orthopaedic Industry Annual Report, Published March 2016 by Orthoworld*

Society) estimate, around 2,2 million cases within the American market are treated with Bone-grafts or with bone-graft substitutes.

BBS' history

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

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

One of BBS' bone-graft substitutes' main components is the bone protein extract manufactured from reindeer bones. The bone extract from reindeer bone has proved to be more effective in bone formation that the bone extracts from other domestic animals. The logical explanation to this phenomenon is that reindeer in itself is a bone factory growing antlers (even 30% of body weight) and shedding them every year. This ability seems to reflect the whole skeletal system of reindeer. Thus, the ecological raw material is fully natural and renewable.

It was evident that the reindeer protein extract's high bioactivity could be utilized in bone healing. A research and product development project were initated at aiming at the development of bone substitute based on bone extract from reindeer bones with similar properties with demineralized bone matrix (DBM) products.

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

Sales and launch	2015 -	• Sales permit application (CE-mark) in process, all steps required finalized • FDA 510(k) pre-submission package filed • Building of direct sales channel in the Europe • Product launch to the market
Production and manufacturing sertification	2015	• Production line for reindeer bone protein extract established • License for manufacturing obtained by FIMEA
Clinical trial	2013 - 2017	• Report of clinical trials in process • All patients operated, and follow-up examinations completed • First approval for clinical trial received in year 2013 for the patients requiring ankle fusion for posttraumatic osteoarthritis
Manufacturing for clinical trial	2009 - 2012	• Patented manufacturing line for clinical trial
Pre-clinical development	2007 - 2014	• Preclinical animal trials for ARTEBONE® • Preclinical animal trials for reindeer bone extract
Company founded	2003	• Establishment of BBS-Bioactive Bone Substitutes Company
R&D & prototyping	1997 - 2007	• Development of the BBS ARTEBONE® Medical Device • Building of small scale manufacturing facilities for preclinical animal trials • R&D Project in Bone Transplantation Research Group of Oulu University
Academic research and innovation	1980 - 90's	• Scientific research in the Universities of Tampere and Oulu

Translating science into high-technology medical products

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

Based on the scientific reasech conducted by the Company, BBS had successfully demonstrated the proof of concept for an innovative bone-graft substitute product based on reindeer bone extract, and the method for making the product. After the successful proof of concept, BBS focused on developing a large-scale manufacturing process that would meet the stringent criteria for the quality and consistency of manufacturing ARTEBONE-implant and of the bioactive extract containing the natural spectrum of bone proteins necessary for optimal bone regeneration[16,17]. In addition, BBS has secured exclusive rights with Finland's largest abattoir in order to access a supply of reindeer bone raw material. BBS recently 2012 – 2017 completed the full construction of a dedicated facility for commercial production of ARTEBONE®.

Today BBS has its headquarters in Oulu, Finland and has received the manufacturing authorization for reindeer bone protein extract in Reisjärvi and Oulu, Finland, granted by the Finnish Medicines Agency FIMEA in September 2015. The production site in Reisjärvi, which is already full scale, contains the bioprocess instrumentation, clean rooms and quality systems and controls, which fulfills the requirements for manufacturing of medical device product.

[16] Pekkarinen T. *et al.* New bone formation induced by injection of native reindeer bone morphogenetic protein extract. Scand J Surg 92: 227-230. 2003
[17] Pekkarinen T *et al.* Reindeer BMP extract in the healing of critical-size bone defects in the radius of the rabbit. Acta Orthop 77(6): 952-959. 2009

TECHNOLOGY AND PRODUCTS

BBS has developed ARTEBONE - a novel bioactive and natural bone-graft substitute derived from reindeer, which is based on the reindeer bone protein extract and TCP. The Company's substance is based on producing bone implant based on protein extract from reindeer for clinical use. The reindeer bone protein extract is a Demineralized Bone Matrix (DBM)-like product from reindeer obtained with minimal manipulation. The extract contains a spectrum of natural bone growth factors and other proteins. Combination of the extract with optimised carrier is the solution of BBS for an ideal bone-graft substitute to be used in key indication areas as osteopromotive bone void filler. The products are suitable for use in orthopaedic and trauma indications (the ongoing CE-mark application progress is focused on these indications), and later dental, maxillofacial and veterinary indications.

Technology

While allograft provides such a support structure, its osteoinductive capability is limited. Synthetic bone graft substitutes are osteoconductive but have only minimal osteoinductive capacity[18]. Demineralized bone matrix materials on the other hand vary greatly in their osteoinductive capacity. While recombinant bone growth factors such as the bone morphogenetic proteins BMP-2 and BMP-7 are highly osteoinductive, they can be associated with side effects often found with potent drug-like molecules.

The performance of BBS' protein extract and ARTEBONE® implant has been shown in numerous publications (four doctoral theses and over 20 scientific publications). ARTEBONE® has been engineered to deliver a complex mix of osteoinductive growth factors together with an osteoconductive matrix (TCP) for optimal bone regeneration. Bone growth is stimulated by the release of growth factors in a process known as osteoinduction. These factors provide the signal to mesenchymal cells to start the process of differentiation of stem cells into bone-forming (osteoblast) cells. A suitable physical environment is needed to provide the passive trellis structure, which acts as a support matrix for new bone formation. This property is called osteoconduction, which in case with ARTEBONE is performed by TCP.

ARTEBONE® and the protein extract is manufactured by using BBS' proprietary patented manufacturing process that is based on ten years of pioneering research in product development and large-scale production. The technology has been developed by BBS' strong scientific team with expertise in bone surgery, biochemistry, molecular biology and bioprocessing. ARTEBONE® solves the problems in bone healing by providing clinicians and patients a reliable, safe, and high-performing bone-graft substitute, capable of stimulating the production of new bone for the effective repair of bone defects, fractures and fusions. Unlike synthetic materials, ARTEBONE® has been shown to be effective in stimulation of bone healing. Compared to DBM products can't reach ARTEBONE's superior manufacturing quality and lot-to-lot consistency[19,20]. Because ARTEBONE® is obtained from a animal source there is no risk of transmitting human disease pathogens that could escape the monitoring and surveillance controls used by human based DBM suppliers.

[18] Metsger et al. Tricalcium Phosphate Ceramic – A Resorbable Bone Implant: Review and Current Status. J Am Dental Ass. 105(6): 1035-1038, 1982
[19] Bae et al. Variability across ten production lots of a single demineralized bone matrix product. J Bone Joint Surg Am. 92(2):427-35, 2010
[20] Bae et al. Intervariability and intravariability of bone morphogenetic proteins in commercially available demineralized bone matrix products. Spine (Phila Pa 1976) 20;31(12):1299-306; 2006

Safety

ARTEBONE® has been extensively evaluated in formal animal studies under GLP conditions normally reserved for new drugs or medicinal products. The results so far have demonstrated a high degree of safety and no toxicity have been detected. ARTEBONE® has been evaluated in a high-quality study performed in humans to document the safety and performance features of the product.

Human DBM products are all derived from human donor bone and thus carry a risk of transmission of communicable human diseases. On the other hand, ARTEBONE® is obtained from wild animal sources and thus is incapable of transmitting a human disease pathogen such as HIV, hepatitis B or C, or a *Treponema pallidum* organism. A comprehensive risk assessment was performed in conformance with ISO 22442-1 on TSE (Transmissible Spongiform Encephalopathy) related risks with the use of the reindeer derived bone tissue incorporated in the ARTEBONE® device. Aspects like nature and source of the animal tissue, collection, handling, controls, TSE-infectivity distribution in tissues, TSE-infectivity clearance capacity of the processing steps, geographical risk assessment and epidemiology were taken into consideration. The risk assessment concludes that there is negligible risk for transmission of a TSE agent from the processed reindeer bone, considering that there is no evidence of natural or experimental transmission of a TSE agent to or from reindeer (*Rangifer tarandus tarandus*), no evidence of chronic wasting disease (CWD) of deer in any European country, and no evidence to date of human susceptibility to a CWD agent. Reindeer harvested from Northern Finland (source of the reindeer bone tissue) are processed as food for human consumption. Reindeer husbandry and slaughtering are strictly monitored and regulated by a host of EC and Finnish regulations. The TSE risk assessment report includes a Quality Overall Summary prepared by an independent expert (Dr. Vanopdenbosch, Doctor of veterinary medicine, Master in zootechnics, Head of Dept. of Virology and Agrochemical Research Center, Brussels, Belgium). It also concludes that TSE risks from reindeer bone sources controlled and processed according to the ARTEBONE® BVF manufacturing process of BBS can be considered as negligible. In addition, the Finnish Food Safety Authority Evira concluded in its assessment report that even though statistically representative active surveillance has not been carried out, the occurrence of CWD in reindeer population in Finland seems to be very unlikely based on historical data. They indicated that so far there are no reports on any sporadic CWD cases in any animal species in Finland, Nordic countries or in the EU. Valvira does not see any reason for extensive future test trials. It is therefore justified to conclude that the risks associated with the non-viable reindeer bone extract incorporated in the ARTEBONE® BVF device when applied for its intended clinical use are negligible and acceptable when weighed against the benefits to the patient.

The possible immunogenicity of the bone protein extract of reindeer origin has been tested in an extensive preclinical trial, without any notable signs of reaction.

BBS has received the Certificate of GMP Compliance for manufacturing the Bone Protein Extract from FIMEA in year 2015. In addition, ARTEBONE® has passed a full preclinical safety and performance trials as a medical device.

Lot-to-lot consistency

Reliability means manufacturing consistency or in other word the lot-to-lot variability of osteopromotive growth factors within the end product. In order to manufacture one manufacturing batch of bone protein extract, a batch consisting of bones of approximately 70 young reindeer is used resulting in high lot-to-lot consistency and reliability.

Whereas the lot-to-lot variation in DBM products are commonly large, as because each batch of DBM is manufactured from only one donor.

Products

The first ARTEBONE® product is a paste in ready-to-use syringe. The main constituents of the paste are TCP granules (4,2 g) which perform and form the supporting structure for the growing bone and the protein extract, which acts as an active compone completing the paste's likeness of bone. The bone extract has been classified by FIMEA as a medicinal substance and the ARTEBONE® implant has been classified as a medical device by Valvira and FIMEA. The protein extract will be evaluated as a part of a medical device and therefore does not require separate drug approval.

BBS' product candidates and potential indication areas

Product 1. ARTEBONE®: ARTEBONE-implant combines BBS' osteoinductive reindeer bone protein extract with osteoconductive TCP. ARTEBONE's CE-mark application prosess is ongoing and all required preclinical trials required for the CE-mark are completed. Human clinical trial is completed and the report for the results of the performed clinical trial is in prosess.

Product 2. ARTEBONE® reindeer bone protein extract: The bone extract rused in ARTEBONE may also be sold for other companies as a part of their own products. The authorization for production and sales of BBS' bone protein extract has been obtained from FIMEA in September 2015.

Product 3. Coated 2 – 3 mm TCP granules are under development (TEKES project application).

Product 4. Coated 10 – 30 mm TCP granules are under development (TEKES project application).

Product option 5. The residue collagen (collagen fraction including small amounts of growth factors) from the manufacturing process may be used for medical purposes (as for example the tamponation of bleeding in orthopedic surgery) or as raw material for example in cosmetic industry.

Product option 6. Some natural product companies have indicated that growth factors contained within the bone protein extract could be used in dietary supplement products.

BBS' orthopedic bone implant - ARTEBONE®

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

BBS' medical device, ARTEBONE®, is an injectable paste in a ready-to-use syringe engineered to assist bone healing with growth stimulating bone proteins and improve the performance of the osteoconductive TCP ceramics. By combining the osteoinductive bone protein extract with osteoconductive, ARTEBONE is able to deliver optimal bone regeneration.

One of the main components of ARTEBONE is BBS' DBM-like reindeer bone protein extract, which is manufactured from reindeer bone. The decision to use reindeer bone as the ideal raw material is based

on reindeers' capability in rapid regeneration of bone as reindeers, both male and female discard and grow new antler bone at a rate that is the equivalent to replacing thirty percent (30%) of their total body weight each year. BBS' ARTEBONE combines the protein extract with an optimized carrier resulting in an ideal bone-graft substitute to be used in key indication areas as osteopromotive bone void filler. ARTEBONE® is intended to be used in orthopaedic surgeries in order to treat bone defects and bone healing problems in key indication areas. Indication areas include extremities, scapula and pelvis.

ARTEBONE's characteristics

- ARTEBONE contains two main components, which bone comprices of, bone proteins and mineral scaffold where bone forming cell can grow, whereas the majority of competitors' products are mainly based on one main component (TCP).
- Implant's raw material is natural and ecological product when compared to synthetic recombinant BMP products.
- When compared with human based DBM bone-graft substitutes, ARTEBONE® shows no risk of transferring human infectious agents or pathogens.
- ARTEBONE® although including osteopromotive ability, has not shown excess and uncontrollable bone growth nor in preclinical or clinical studies.
- ARTEBONE is priced competitively and offers superior performance compared with single component products.

ARTEBONE's benefits for different types of users:

For surgeons:

- Optimal performance at moderate price
- Controlled and predictable end-result
- Safe, no human disease transmission risk
- An alternative to bank bone or autograft
- DBM like product manufactured from reindeer bone instead of human
- Is considerably cheaper compared to rhBMP-products
- Reduces operating time and costs
- The product's quality is controllable, excellent batch-to-batch consistency
- Immediately ready to use, good shelflife as ARTEBONE will be fully operational for two years

Payers:

- Substantial cost savings (improved patient recovery) will be possible for the hospital under the specific reimbursement system
- Cost savings for insurance companies and/or third-party payers due to the decreasing operation costs, patient recovery time is improved and reduces the time spent in hospitals.
- Decreases the total treatment cost due to the reduction of surgical operation's theatre time
- Compared to autografts decreases the occurrence of complications caused by bone harvesting

General benefits:

- Next generation Bone Void Filler – ARTEBONE combined the bone matrix and bone proteins in one products
- Controlled and predictable outcome
- Batch-to-batch manufacturing consistency

- Products safety is proven based on the results of animal and clinical studies and no serious side effects were found (see Prospectus' section "*Preclinical and clinical studies*").
- No risk of microbe nor other pathogen transmission were observed, which may be present with human bone-based bone-graft products (see Prospectus' section "*Preclinical and clinical studies*").
- Cost effective - No pricing premium, yet reasonable margins reduce overall handling costs
- Medical device – Can be stored in operating theatre
- Decreased operation time
- No complications due to bone harvesting

ARTEBONE's potential product positioning within the market

ARTEBONE® is a next generation bone-graft substitute for treating bone defects and healing problems. The implants potential indication areas include extremities, pelvis and scapula. After BBS' has gained a foothold in the market, BBS will shift R&D focus towards spinal fusion indications, dental area and maxillofacial surgery. BBS' long-term target is to address all bone-graft market segments.

Competitive Landscape

ARTEBONE® and the bone protein extract raw material used in the ARTEBONE-device will compete closely in three subsegments within the bone-graft market. These three market segments are bone morphorgenic protein (BMP), demineralized bone matrix (DBM) and synthetics segments. Due to adverse effects, the market share of recombinant BMPs (Infuse, InductOs, Osigraft) have decreased, which provides new and additional opportunities for the ARTEBONE.

Therefore, by considering the key drivers in the current orthobiologic market, it is the view of BBS' management that BBS' ARTEBONE® and reindeer bone protein extract together could provide added value to the market. ARTEBONE's comparison against other bone-graft substitutes, based on BBS' research and the information collected from product brochures and web pages is presented in the following table.

Products	Performance	Safety	Availability	Price per unit	Market popularity
Autografts	✓✓✓	✓✓	Autografts can be harvested from the majority of the patients. Availability is determined by patient's overall bone quality and the amount of harvestable quality bone.	Autograft itself is free but requires an additional surgical procedure.	Is currently used approximately in 2/3 of operations where bone grafts are required. The popularity of Autografts is declining due to patients' increased recovery times and possible adverse events caused by the second surgical operation and the limitations in the availability of harvestable quality bone.
Allografts	✓✓	✓✓	Availability of Allografts are limited by the amount of suitable and compatible donors.	Allografts commonly cost approximately between 300 – 600 $	Allografts are commonly used on the market. Implantation requires two surgical operations and may cause discomfort and adverse events for the patient and the donor. Risk exists for human-to-human disease transmission.
Bone Morphogenic Proteins (BMP)	✓✓✓	✓	No limitations in availability.	The majority of BMP products are priced approximately between 3 500 – 5 500 $.	Former market leading product type. The sales of BMP products have decreased due to possible side effects.
Demineralized bone matrix (DBM)	✓✓	✓✓✓	DBM products are limited by the availability of suitable donors. One unit of DBM is one donor.	DBM products are commonly priced between the range of approximately 600 – 900 $.	Market popularity have increased, however due to regulations, each lot of human based DBM product must come from a single human donor and therefore limiting DBM products batch-to-batch consistency due to the natural variations in donor bone quality.

Synthetic bone grafts (ceramics)	✓	✓✓✓	No limitations in availability.	Commonly priced between the range of approximately 900 – 1 300 $.	Market popularity is increasing.
Stem cells	-	✓✓	No limitations in availability.	Price per unit is expected to be high.	Stem Cell based products' market popularity is currently marginal.
BBS ARTEBONE®	✓✓✓	✓✓✓	No limitations in availability.	Preliminary price range for ARTEBONE is set between 900 – 1 000 €.	ARTEBONE's possible market popularity is expected to be high.

ARTEBONE's strengths and competitive advantages

1. ARTEBONE® is the next generation medical device on bone-graft substitute market.

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

2. The device is immediately ready-to-use reducing surgeon's operating time.

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

3. Higher degree of safety when compared to the existing market alternatives.

- ARTEBONE® requires one surgery, whereas traditional own bone solutions require two, thus minimizing possible complications caused by bone harvesting operation and enhancing patient's recovery process.
- No risk to human disease transmission was observed.

4. Competitive pricing against when compared to comparable bone-graft substitutes.

- ARTEBONE®-medical device is preliminarily priced between €900 – 1 000 per device. Despite of superior performance, ARTEBONE is priced in-line with DBM and mineral based synthetic products.
- Recombinant BMP products, are priced between $3 500 – 5 500. For example, the price for the BMP-7 product Osigraft is €4 400 and for the BMP-2 product InductOs €3 085, respectively, according to the service catalog of Helsinki and Uudenmaa health care district [21].

5. Optimal performance whereas existing products display variations or unreliability.

- ARTEBONE® provides superior performance compared to Demineralized Bone Matrix (DBM) and mineral based synthetic solutions[22].
- Synthetic solutions are not always effective enough for stimulating sufficient bone healing.
- ARTEBONE® has potential to produce more reliable and consistent results compared to DBM.

[21] http://www.hus.fi/hustietoa/talous/Hinnoittelu/Documents/HUS%20Palveluhinnasto%202017,%20osa%202%20Suoriteperusteiset%20hinnat.pdf
[22] Tölli H, Thesis: Reindeer – Derived Bone Protein Extract in the healing of bone defects Evaluation of various carrier materials and delivery systems, University of Oulu 2011

6. Batch-to-batch consistency exceeding comparable products.
   - BBS' production facility, patented manufacturing process and an unlimited supply of raw material ensures the quality of the device and batch-to-batch consistency.
   - Unlike ARTEBONE®, due to regulations, a batch of allograft or DBM must originate from one human donor and therefore it is impossible to ensure batch-to-batch consistency of DBMs, due to the natural variations between the donor-bone quality.
7. Own production facility and unlimited supply of raw material ensures production quality.
   - BBS' facility in Reisjärvi is capable of large scale production enabling fast market entry and production consistency.
   - The bone protein extract manufacturing is certified by FIMEA and the auditing process for the ISO 13485 certification required for the manufacturing of the ARTEBONE® device is ongoing. The facility's annual production potential is up to 25 000 implants and further scale-up is possible by duplicating facility's production lines.
   - Protein extract used in ARTEBONE® is extracted from reindeer bones through BBS' proprietary patented manufacturing process providing a nearly unlimited supply of natural raw material and ensuring cost effectiveness.
   - Raw material supply reliability is secured through an exclusive agreement with the largest reindeer abattoir in Europe.
8. ARTEBONE® has a wide range of applicable indication areas.
   - The medical device will initially be introduced to the bone-graft substitute market.
   - Targets primarily the treatment of bone defects and bone healing problems in extremities such as foot and ankle, pelvis and scapula.
   - In the future ARTEBONE® can be expanded to cover other indication areas including dental, maxillofacial surgery and spine.

Intellectual property

BBS' technological knowhow is protected by a strong internationally valid patent portfolio covering the EU, North America and the key Asian markets. The broad patent application filed in Canada is pending at the date of this Prospectus. The Canadian patent application covering both manufacturing and the product and gives protection already during the processing of the patent application.

BBS also has separate patents on reindeer bone morphogenetic proteins (BMP-3, BMP-4 and BMP-6). More information is presented on the BBS' patent portfolio in the table below: Green indicates Approved, blue color indicates that the patent is pending, and gray color indicates that the patent application is Submitted. The patents in row 1 and 2 have been filed in 2011, and the patent applications in rows 3 – 5 are filed in 2006.

Patent's status and coverage	Europe								Asia		North America	
Description	EU	DE	FR	UK	IT	ES	SE	FI	IN	Eurasia	CA	US
Device and Method: An osteogenic device and a method for preparing the device.	✓	✓	✓	✓	✓	✓	✓	✓				✓

Method and Preparation: A method for preparing a bone protein preparation and a bone protein preparation.	✓	✓	✓	✓	✓	✓	✓	✓		✓	✓	✓
rRdBMP-3c: Bone morphogenetic protein 3 and osteogenic devices and pharmaceutical products containing morphogenetic protein 3.	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓
rRdBMP-4: Bone morphogenetic protein 4 and osteogenic devices and pharmaceutical products containing morphogenetic protein 4.	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓
rRdBMP-6: Bone morphogenetic proteins containing a heparin binding site and osteogenic devices and pharmaceutical products containing morphogenetic protein 6.	✓	✓	✓	✓	✓	✓	✓	✓	✓			✓

Regulatory status

All the preclinical studies for ARTEBONE required for CE-mark have been completed. The clinical trial has been completed regarding patients. Final report of clinical trial is in process.

Preclinical and clinical studies

Safety evaluation studies with the reindeer bone protein extract

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

- Systemic toxicity studies (RCC, Basel, nowadays Harlan Laboratories)
- acute i.v. toxicity study in rats
- i.v. toxicity study in dogs
- 7-day repeated dose i.v. toxicity pilot study in rats
- 14-day repeated dose studies in rats
- 14-day repeated dose studies in dogs

The used lyophilized reindeer bone protein extract batches were freeze-dried without lyoprotectants and gamma-sterilized with 15 kGy. Both 14-day studies included also a 14-day recovery period. In addition, kinetic i.v. studies with radiolabeled reindeer bone protein extract were carried out. These studies cover extensively the systemic safety aspect of the reindeer bone protein extract, and from the human risk assessment point of view they did not reveal any severe or unexpected findings.

Viral clearance study (Texcell, Evry, France)

Viral clearance study has been performed by Texcell. The conclusion of the study was that the process chemicals used in the manufacturing process eliminate viruses very efficiently. Therefore, the risk for viral transmission is negligible.

Biocompatibility studies with ARTEBONE®

Biocompatibility studies performed by BSL Scientific Laboratories GmbH (nowadays EuroFins, in Munich) with ARTEBONE® include the following studies:

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

These studies indicated that ARTEBONE® is not genotoxic nor sensitizing and it does not cause intracutaneous irration or acute systemic toxicity. However, cell culture medium extract of ARTEBONE seemed to show cell growth inhibition *in vitro* when measured as protein concentration. It was therefore considered cytotoxic. Further studies indicated that the cause was the increase of the osmotic pressure mainly caused by glycerol, which is an excipient of the paste formulation. Glycerol is expected to be quickly distributed from the implantation site both in animals and humans. However, the lyophilized bone extract was not cytotoxic.

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

Evaluation of immunological risk

Regarding immunogenicity, as with all therapeutic proteins there is a potential for immune responses to be generated against the protein extract components of ARTEBONE®. However, in the pre-clinical animal studies no signs or symptoms of immunological reactions (caused by antibodies) were observed. In preclinical (animal studies required prior to clinical studies) toxicity studies resulted in a clear immunogenicity response against the extract but no clear signs of reactions were observed. In the clinical studies, no clear immunological reactions have been observed but the analysis and reporting of the study are in progress.

Due to the short elimination half-life of bone morphogenetic proteins a long-term follow-up is not considered necessary. Pharmacokinetic studies with radiolabelled BMP-2 revealed an elimination half-life of 16 min in rats and 6,7 min in cynomolgus monkeys (InductOs product, according to the report of Medtronic). When BMP-2 was implanted into the bone, the protein was not detectable in serum. These findings are directly applicable to the ARTEBONE® implant. The elimination half-life of radiolabelled lyophilized protein extract of ARTEBONE® was 12,1 h and 10,2 h in male and female rats, respectively, and 30,1 h and 22,1 h in male and female dogs, respectively. Altogether these data suggest that due to the fast elimination half-life long-term systemic effects are unlikely in the clinical use of ARTEBONE®.

The decalcification method with hydrochloric acid used for the manufacturing of the bone protein extract is known to reduce immunogenicity and to improve the performance as a bone void filler[23]. This

[23] Urist M. R. et al. Induction of new bone formation in the host bed by human bone-tumor transplant in athymic nude mice. JBJS 1979; 61-A: Sivut 1207-1216; Oikarinen J. Decalcified bone matrix as a substitute material for bone grafting. Acta Universitatis Ouluensis Thesis, Series D Medica no 76, 1981

phenomenon is widely utilized by the extensive bone substitute industry (e.g. Decalcified Bone Matrix and other DBM products), and BBS' product is also partly based on the same principle.

The most convincing evidence for the clinical safety of protein extract from both reindeer and bovine comes from the previous clinical trial carried out by the research group of Professor Pekka Jalovaara in the beginning of 2000's. The ethical committee of the Oulu University Hospital granted a permission to operate 30 patients suffering from severe bone healing problems. None of the patients were reported to have any abnormal reactions or infections, and the performance of the extract was very good[24]. The reindeer is genetically close to the bovine, and there is no reason to assume that the immunogenicity of reindeer bone protein extract would be higher than that of bovine. The clinical trial in the fusion of ankle and subtalar joints (34 patients) has been completed with regards to operations and follow-ups (the report nearly completed). No signs of immunological reactions have been observed in the clinical study. Based on the available information above it is unlikely that the treatment of patients with ARTEBONE® would result in systemic toxic effects or adverse immunogenicity (antibody reactions).

Performance and efficiency trals

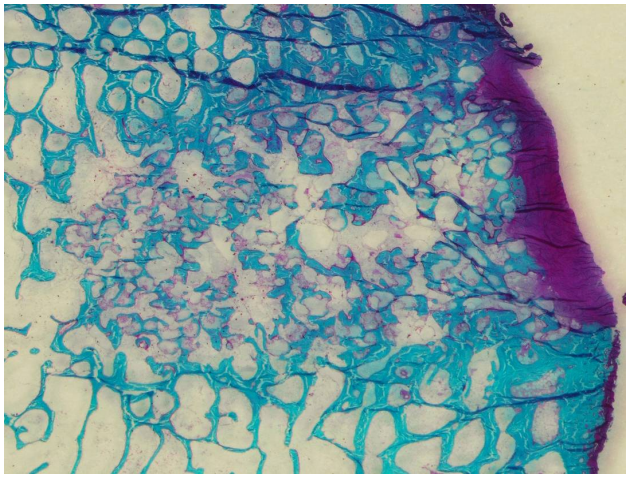
The osteopromotive performance of a bone graft material is entirely dependent on the quantity and bioactivity of the bone growth factors in the material. Human allograft material and demineralized bone matrix (DBM) products are not osteoinductive or only poorly osteoinductive because they come from single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

In order to guarantee a consistent and high level of growth factors in ARTEBONE-implant, only the bones from young and healthy reindeers are procured for the manufacturing process. The manufacturing process has been designed to retain and extract all of the necessary factors originally present in the bone. Biochemical tests for specific growth factors have shown that BMP-2 is present in three times higher amounts in ARTEBONE® compared to human allograft and DBM products (own analysis by BBS and Bae et al. 2006[25]). Because ARTEBONE® delivers a broad spectrum and higher level of growth factors compared with DBM products (in the fracture or fusion site), it results in superior bone regeneration compared to similar products that do not have the same osteopromotive properties. The effect of reindeer bone protein extract has been demonstrated in numerous in vivo studies published in peer review publications.

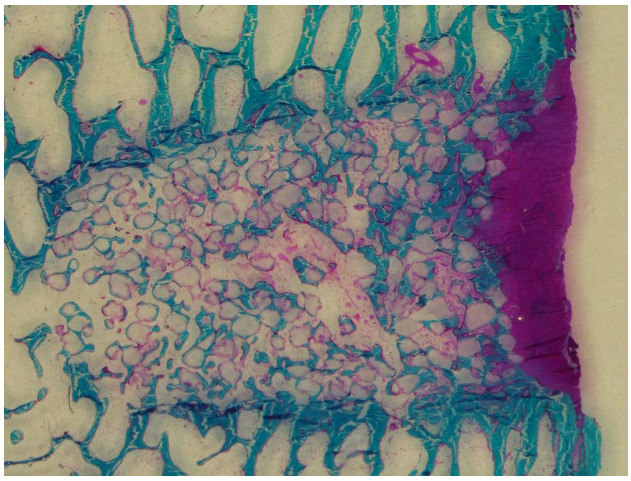
ARTEBONE ® is resorbed and replaced with the patients' new bone during the healing process. Our sheep study (hole defect in femoral condyle, see figures below) suggests that the reindeer protein extract promotes bone formation compared against controls without extract. This is reflected in the significantly increased areas of osteoids and new bone adjacent to osteoids at 3 weeks and at significantly less TCP granules left at 8 weeks in the study groups compared against controls without the extract.

[24] Kujala S. et al. Composite implant of native bovine morphogenetic protein (BMP) and biocoral in the treatment of scaphoid nonunions a preliminary study. Scand. J. Surg. 2002; 91:186-190; Kujala S. et al. Composite implant of native bovine bone morphogenetic protein (BMP), collagen carrier and biocoral in the treatment of resistant ulnar nonunions; report of five preliminary cases. Arch. Orthop. Trauma Surg. 2004; 124: Pages 26-30

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



PICTURE 1: Sample, where bone protein extract was used



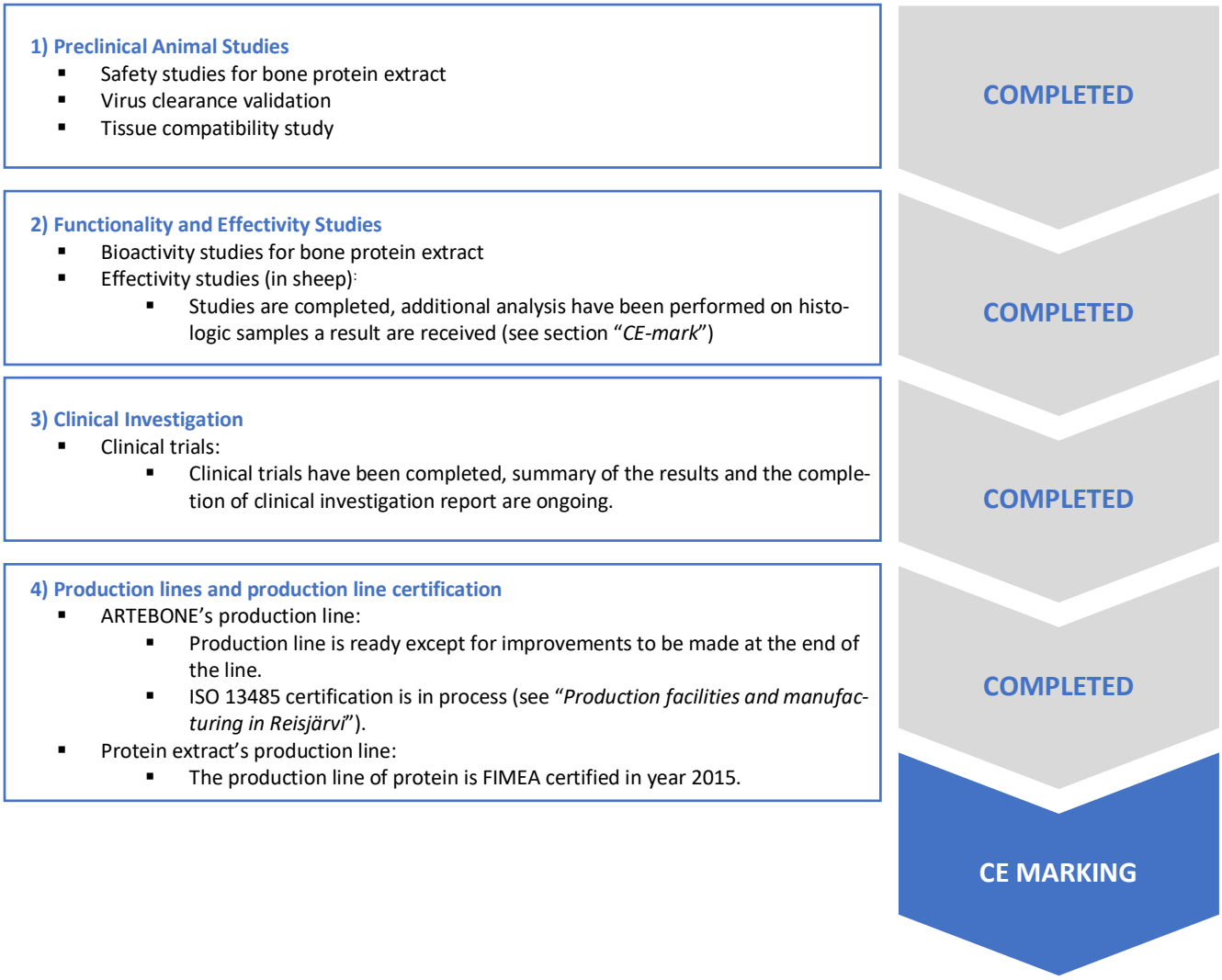
PICTURE 2: Control without bone protein extract

Clinical Trial

A clinical trial was started in year 2013. It was conducted in Helsinki and Stettin (Poland) University Hospitals and in the Central Hospital of Jyväskylä and Lappeenranta. The indication area in the clinical trial was the fusion of the upper and lower ankle joints due to post-traumatic osteoarthritis. All 34 patients have been operated and the last follow-up was done in July 2017. The results are summarized, and the report is ready at the date of this Prospectus.

CE-mark

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



BBS has discussed with the several authorities and regulator including FIMEA, Notified Body BSI, MHRA, EMA, about the classification of ARTEBONE. According to FIMEA and VALVIRA, ARTEBONE is classified as a class of Medical Device Class III and based on the latest clarification from the Notified Body BSI, ARTEBONE can be approved as Class III Medical Device, provided that the added value of the protein extract can be shown in animal tests. In order to provide the required information, BBS performed additional analyses of sheep tissue sections in accordance with the instructions of the Notified Body. The Histological analyses, which can potentially provide the added value have been and was performed by a histology laboratory that BBS have used previously. Histology laboratory have completed the additional analysis, the report is ready and provides the required additional information. Although additional histology analysis shows the required information, it is not guaranteed that the regulators will accept the results and therefore the regulators may require additional analysis.

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

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

BBS attempts to apply the FDA 510(k) approval, which only rarely requires clinical trials. FDA 510(k) is a FDA pre-market notification, which proves that the device or products is at least as safe as and as

effective as similar products which already exist on the market. The Company's chosen application strategy is supported by FDA consultants (Hogan and Lowells, Signifix).

In order to apply for the FDA 510(k) approval, the applicant can send a pre-submission package to FDA. BBS has sent the pre-submission package regarding ARTEBONE to FDA, and the process is ongoing on the date of this Prospectus. The FDA approval process is planned to continue after the successful application of ARTEBONE's CE-Mark as CE-mark has a supporting effect on the FDA application.

The tissue compatibility tests performed with ARTEBONE are designed and performed in accordance with FDA's requirements. The functionality tests with large animal (rabbit, sheep, dog) will be performed according to FDA regulations when ARTEBONE is successfully CE-marked. Based on the Company's estimates, the FDA approval process will take approximately 2 years.

The next FDA approval category PMA (Premarket Approval) requires a clinical trial. In a case where a clinical trial must be conducted, the trial would be conducted in Europe with patients whose implants would be provided by the hospital.

Production facilities and manufacturing in Reisjärvi

The production facility for ARTEBONE and BBS' reindeer bone protein extract located in Reisjärvi, Finland, is completely owned by BBS and contains the bioprocess instrumentation, clean rooms (Classes ISO 7-ISO 5), and quality systems and controls consistent with the requirements for manufacturing a medical device product. The manufacturing of the reindeer bone extract has been audited by Finnish Medicines Agency FIMEA in August 2015 and certificate for commercial production for medicinal substance was given in September 2015. The manufacturing of the ARTEBONE® medical device will in addition require ISO 13485 certification, which is expected to be received in the first half of year 2018.

Reisjärvi facility's potential post-ISO 13485 annual manucaturing capacity totals at 25 000 units. The scalling process of the facility is based on multiplying production lines, because the increase in batch size is risky and may take years of development. The recent clean room area covers 200 m^2 of the total 3 000 m^2 of factory floor space. Thus far, BBS has invested approximately €5 million into the manufacturing facility.

Description of the manufacturing process of ARTEBONE®

BBS has developed a process for the demineralization of bone and preparation of a bone extract. The preparation of the extract starts with cleaning, cutting, and milling of the reindeer long bone obtained from Polarica abattoir in Rovaniemi into 1 mm bone granules. The bone granules are subsequently subjected to a series of processing steps designed to obtain the non-viable bone extract as a component for ARTEBONE® Bone Void Filler. Bone granules are demineralized through exposure to

hydrochloric acid, and the remaining extracellular matrix is extracted with guanidine hydrochloride. The liquid fraction is concentrated using pre-filtration and ultra-filtration. The ultra-filtrated concentrate is collected and subsequently dialyzed against water. The collected fraction is re-dissolved in guanidine hydrochloride and dialyzed against citrate buffer. Finally, the precipitate is collected, washed with WFI-water and lyophilized with lyoprotectants. The lyophilized extract is stored in the deep freeze. Manufacturing of one batch takes three weeks, but a new batch can be starter every week.

In the manufacturing process of ARTEBONE® Bone Void Filler the lyophilized bone extract and β-tricalsium phosphate are mixed together with excipients to form a homogeneous paste. The paste is filled in 3 ml syringes and closed in sterilization and protective aluminium foil pouches. The final Medical Device is sterilized by E-beam irradiation. One production batch yields about 480 implants.

Quality management systems and standards

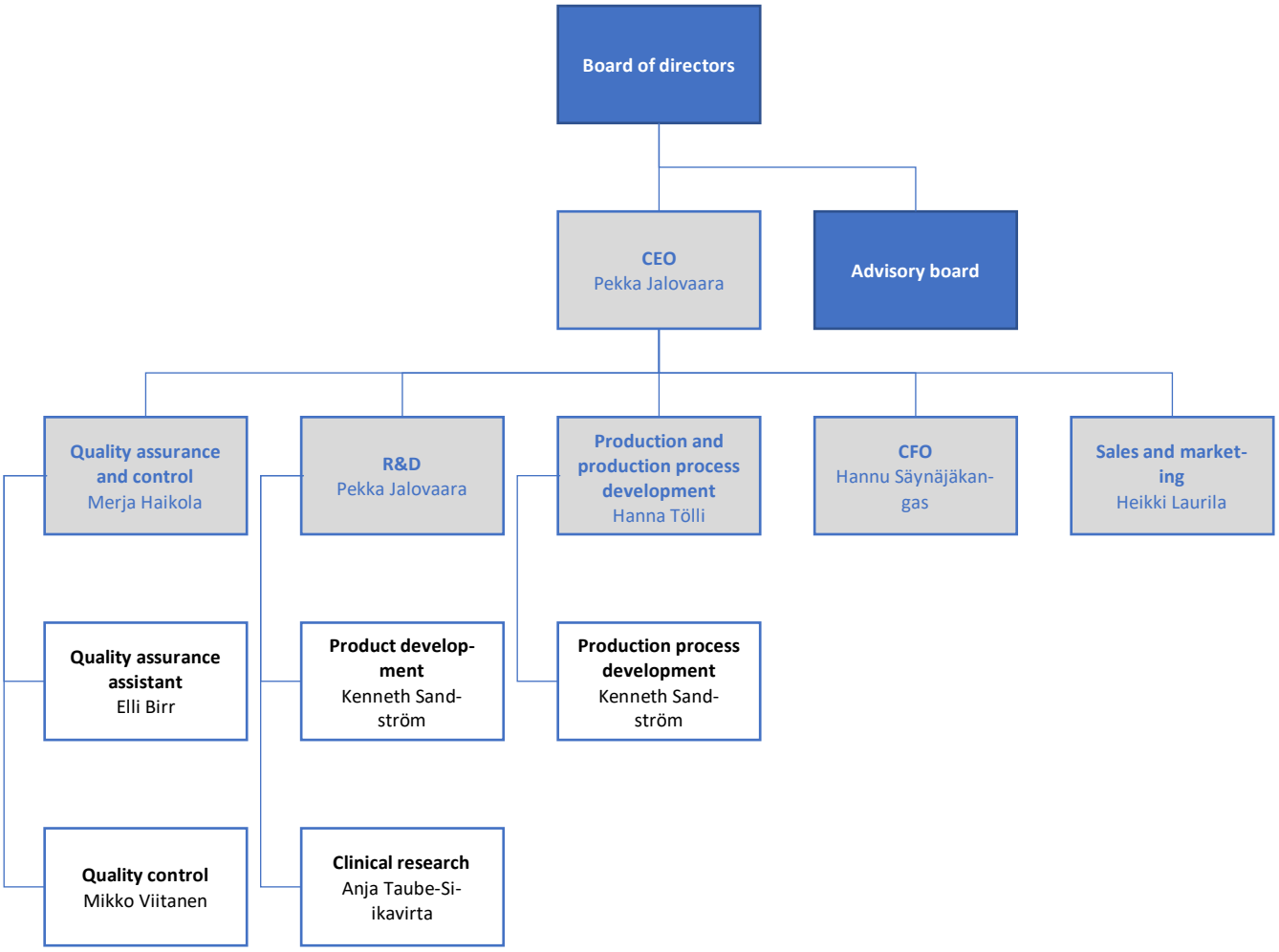
The Quality Management System at BBS is based on standards EN ISO 9001:2015, ISO 13485:2016 (7.5.3 Installation activities and 7.5.4 Servicing activities are excluded) and regulations of the Quality Management System (US 21 CFR 820). In addition, applied requirements of Medical Device Directive (93/42/EEC as last amended by 2007/47/EC) and US Medical Device Regulations (US 21 CFR 820) have been implemented. The standards and regulations for medical devices are implemented to ensure that our products confirm regulatory requirements. Information about new or changed standards, regulations and directives are followed from publications, for example from the Official Journal of the European Union about the implementation of the new EU Medical Device Regulation, REGULATION (EU) 2017/745 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL on medical devices, amending Directive 2001/83/EC, Regulation (EC) No 178/2002 and Regulation (EC) No 1223/2009 and repealing Council Directives 90/385/EEC and 93/42/EEC.

BBS' Quality Management System have taken account with the requirements for an active pharmaceutical ingredient in the directive 2001/83/EC of the European Parliament and of the Council on the Community code relating to medicinal products for human use has been ensured for ARTEBONE Lyophilized Bone Extract, and the requirements of the Medical Device Directive (93/42/EEC as last amended by 2007/47/EC) and US Medical Device Regulations (US 21 CFR 820) for ARTEBONE Bone Void Filler, respectively.

ORGANIZATIONAL OVERVIEW

Organization

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



Personnel

In the fiscal years ending 31th December 2015 and 31th December 2016 the Company employed an average of 12 employees. By the date of this prospectus BBS employs approximately 12 people.

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

SELECTED HISTORICAL FINANCIAL INFORMATION

BBS' selected historical financial information is presented in the following tables. The presented financial information includes the historical financial statements from the Company's financial year ended in 31.12.2015, 31.12.2016 and 31.12.2017.

The following section of the Company's Prospectus is intended to be read in conjunction with the Company's financial statements from the financial years ended in 31.12.2015, 31.12.2016 and 31.12.2017 attached with the Prospectus, and the Prospectus' section "*Business performance, financial status and business outlook*".

BBS' audited financial statements from the financial years ended in 31.12.2015, 31.12.2016 and 31.12.2017 are prepared according to the Finnish Accounting Standards (FAS). The Company's selected historical financial information presented in the following section is a summary on the Company's historical financial information and therefore it doesn't contain all the information included within the Company's financial statements.

The Company's Cashflow statement attached with the Prospectus is prepared only for the purpose to be included with the Company's Prospectus. The auditing corporation Ernst & Young Oy and the principal responsible auditor Authorized Public Accountant Juhani Rönkkö has audited the Company's financial statements of the Company's financial years ended in year 2015, 2016 and 2017. Company's audited financial statements and the auditors' report are included with the Prospectus as a reference. The financial statements and the auditor's report can be viewed on the Company's webpage: http://www.bbs-artebone.fi/investor/releases. The Company was not required nor had a responsibility to prepare consolidated financial statements during the financial years ended in 31.12.2015, 31.12.2016 and 31.12.2017.

Income statement

[thousand Euros]	2017 Audited*	2016 Audited	2015 Audited
Other operating income	20	19	21
Raw materials and services			
Raw materials and consumables			
Purchases during the financial year	-27	-6	0
External services	-75	-84	-9
Raw materials and services total	**-101**	**-90**	**-9**
Personnel expenses			
Wages and salaries	-525	-192	-200
Social security expenses			
Pension expenses	-61	-35	-32
Other social security expenses	-18	-13	-9
Personnel expenses total	**-603**	**-240**	**-241**
Depreciation and amortization			
Depreciation according to plan	-161	-108	-161
Impairment of non-current assets	-2 950	0	0
Depreciation and amortization total	**-3 111**	**-108**	**-161**
Other operating expenses	-551	-181	-158
OPERATING PROFIT (LOSS)	**-4 346**	**-600**	**-550**
Financial income and expenses			
Other interest income and other financial income			
From others	0	0	0
Other interest and financial expenses			
To others	-81	-78	-76
Financial income and expenses total	**-81**	**-78**	**-76**
PROFIT (LOSS) BEFORE APPROPRIATIONS AND TAXES	**-4 427**	**-678**	**-626**
PROFIT (LOSS) OF THE FINANCIAL YEAR	**-4 427**	**-678**	**-626**

*The financials for the fiscal year 2017 are audited, but are not yet approved by BBS' shareholders' meeting at the date of this Prospectus

Balance sheet

[thousand Euros]	31.12.2017	31.12.2016	31.12.2015
ASSETS	**Audited***	**Audited**	**Audited**
NON-CURRENT ASSETS			
Intangible assets			
Development expenditure [1)]	7 533	10 483	9 864
Other Intangible assets	507	581	604
Intangible assets total	8 040	11 064	10 468
Tangible assets			
Machinery and equipment [1)]	834	870	955
Tangible assets total	834	870	955
Investments			
Holdings in group member companies	714	714	714
Investments total	714	714	714
NON-CURRENT ASSETS TOTAL	9 588	12 648	12 138
CURRENT ASSETS			
Debtors			
Short term			
Other debtors	58	3	9
Subscribed capital unpaid	0	45	0
Prepayments and accrued income	2	1	0
Short term debtors total	60	49	9
Debtors total	60	49	9
Cash and cash equivalents	32	104	308
CURRENT ASSETS TOTAL	92	153	317
ASSETS TOTAL	9 681	12 802	12 454
EQUITY AND LIABILITIES			
CAPITAL AND RESERVES			
Equity			
Share capital	80	28	28
Equity total	80	28	28
Share premium account	1 395	1 395	1 395
Other reserves			
Invested unrestricted equity fund	7 837	6 977	6 167
Other reserves total	7 837	6 977	6 167
Retained earnings (loss)	-3 804	-3 126	-2 500
Profit (loss) of the financial year	-4 427	-678	-626
CAPITAL AND RESERVES TOTAL	1 081	4 596	4 464
CREDITORS			
Long term			
Capital loans	950	950	950
Loans from credit institutions	6 274	6 047	6 782
Long term loans total	7 303	6 997	7 732
Short term			
Loans from credit institutions	705	932	0
Trade creditors	239	108	83
Other creditors	100	6	4
Accruals and deferred income	332	162	171
Short term creditors total	1 297	1 209	258
CREDITORS TOTAL	**8 600**	**8 206**	**7 990**
EQUITY AND LIABILITIES TOTAL	**9 681**	**12 802**	**12 454**

*The financials for the fiscal year 2017 are audited, but are not yet approved by BBS' shareholders' meeting at the date of this Prospectus

1) The composition of the balance sheet item "Machinery and equipment" has been changed during the fiscal year of 2017 to provide more accurate information. Based on the changes, the prior capitalized machinery and equipment have been calculated as part of tangible assets and project based intangible assets balance sheet itemization have been changed to correspond the 30.6.2017 used itemization. To provide comparability, the historical balance sheet item "Machinery and equipment" from year 2015 to 2016 have been changed according to the calculation method used in year 2017.

Information on Cash flow statement

[thousand Euros]	1.1. - 31.12 2017 Unaudited	2016 Unaudited	2015 Unaudited
Cash flow from business operations			
Loss before extraordinary items	-4 427	-678	-626
Adjustments			
Scheduled depreciation and amortization	161	108	161
Financial income and expenses	81	78	77
Other adjustments	2 950	0	0
Cash flow before changes in working capital	**-1 235**	**-492**	**-388**
Change in working capital			
Changes in short-term non-interest-bearing receivables (Increase (-) / Decrease (+))	-56	5	-8
Changes in inventory (Increase (-) / Decrease (+))	0	0	0
Changes in short-term non-interest-bearing loans (Increase (-) / Decrease (+))	294	17	39
Cash flow from business operations before financial items and taxes	-997	-470	-357
Interest paid and other financial expenses from business operations	80	-76	-73
Interest received and other financial income from business operations	0	0	0
Cash flow before extraordinary items	0	0	0
Cash flow from business operations (A)	**-1 077**	**-546**	**-430**
Cash flow from investments			
Investments in tangible and intangible goods	-52	-619	-664
Investments in shares in subsidiaries	0	0	0
Loans granted	0	0	0
Cash flow from investments (B)	**-52**	**-619**	**-664**
Cash flow from financing			
Rights issue	957	765	600
Raised long-term loans	0	197	657
Repayment of long-term loans	0	0	0
Raised short-term loans	100	0	0
Repayment of short-term loans	0	0	0
Cash flow from financing (C)	**1 057**	**962**	**1 257**
Change in funds (A+B+C) (Increase (+) / Decrease (-))	**-72**	**-203**	**163**
Funds at the beginning of the financial year	**104**	**307**	**144**
Funds at the end of the financial year	**32**	**104**	**307**

Key financial metrics

		1.1 - 31.12	
[thousand Euros]	**31.12.2017 Unaudited**	**31.12.2016 Unaudited**	**31.12.2015 Unaudited**
EBITDA	-1 235	-492	-388
EBITDA margin (%)	Neg.	Neg.	Neg.
Equity ratio (%)	36 %	36 %	36 %
The balancing of the selected financial metrics			
Operating profit (loss)	-4 346	-600	-550
Depreciation and amortization	-3 111	-108	-161
EBITDA	**-1 235**	**-492**	**-388**
Turnover	20	19	21
EBITDA margin (%)	**Neg.**	**Neg.**	**Neg.**
Capital and reserves total	1 081	4 596	4 464
Assets total	9 681	12 802	12 454
Equity ratio (%)	**11 %**	**36 %**	**36 %**

Calculation of the key metrics

Earnings Before Interest, Taxes, Depreciation and Amortization (EBITDA) = OPERATING PROFIT (LOSS) + Depreciation and amortization

EBITDA margin = EBITDA / Turnover

Equity ratio = CAPITAL AND RESERVES TOTAL / (EQUITY AND LIABILITIES TOTAL - Advances received)

Bio Bones Oy

BBS' subsidiary Bio Bones Oy is a real estate company, which owns BBS' manufacturing facility and the lot of land, on which the facility is located on and rent the facility to BBS. The facility is located in Reisjärvi, Finland and Bio Bones is 100% owned by BBS. The subsidiary Bio Bones' turnover was 92,5 thousand euros for the financial year 2015, 91,5 thousand euros for the financial year 2016 and 90,8 thousand euros for the financial year 2017. The loss for the period was -52,1 thousand euros for Bio Bones' financial year ended in 2015, -48,8 thousand euros for the year 2016 and -39,1 thousand euros for the financial year 2017. Bio Bones' financial status is in balance though the rent payments paid by BBS, however due to depreciation and amortization Bio Bones' profit for the period is negative. Bio Bones' equity capital is 189 550 euros, shareholders' equity totals at 169 890 euros and distributable funds are -260 thousand Euros. BBS have unpaid rent payments, that totaled 118 918 euros in the financial statement on 31.12.2017. Bio Bones' solvency is low, but Bio Bones have no bills nor invoices falling due.

Bio Bones Oy has received a loan from Finnvera in year 2007. The loan's interest is EB6 + 2,9% and the loan totals at 641 668 euros in Bio Bones' 31.12.2017 financial statement, which is secured by property mortgages totaling at 500 thousand euros. Bio Bones' financial statements are prepared in accordance with the Finnish small- and micro companies financial statement PMA small business legislation.

OPERATING PROFIT, FINANCIAL SITUATION AND PROSPECTS

Main accounting policies

The development of the Company's operating profit and financial situation during the financial years 2015–2017 and the Company's prospects have been described below. The Company's audited financial statements for the financial years ending 31.12.2015, 31.12.2016 and 31.12.2017, have been prepared in accordance with Finnish Accounting Standards (FAS). BBS has not prepared a consolidated financial statement referred to in Finnish Accounting Standards by Chapter 6 Section 1 Subsection 3 of the Accounting Act (1336/1997, incl. amendments). The information set out below is based on BBS's audited financial statements for the financial years ending 31.12.2015, 31.12.2016 and 31.12.2017. Auditors have not made any observations in the auditor's reports concerning financial statements 2015, 2016 and 2017. The audit's report of 2017 includes the following additional information: We want to draw your attention to the "Working capital"-section of the auditor's report and to the "Other notes"-section of notes and to the matters mentioned about the short-term financial needs. The beginning of production and sales and thus also the ability to make revenue with the capitalized non-tangible assets of balance sheet are dependent on the success of acquiring additional funding. Our statement has not been changed in this matter.

In this Prospectus' passage, "Financial year 2015" refers to the financial year that ended on 31.12.2015, "Financial year 2016" refers to the financial year that ended on 31.12.2016 and "Financial year 2017" refers to the financial year that ended on 31.12.2017.

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

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

In the financial statement of 2017, there have been capitalizations for the Native-project worth 7,61 million euros and for the Clinical tests-project worth 1,16 million euros. In addition, Reisjärvi production facility and process investments were worth 45 thousand euros.

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

Factors influencing operating profit

The Company's ability to operate in a profitable manner depends on, e.g. whether it is able to successfully complete the CE marking processes. CE marking allows the product to be sold in the EU. The next step will be to apply for a trading license from FDA. BBS's operations and financial situation will continue to be dependent on the success of partners' and distribution channels' choices. The Company's

operating losses have been caused by investments in research and development work as well as approval processes.

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

Significant trends

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

Recent events after the end of the financial year

After the financial statement of financial year ended in 31.12.2017, that is included in this Prospectus, the Company has increased its short-term unsecured loan by 249 997 euros in January. The annual interest rate of the loan is 3%. The loan can be converted to shares in the forthcoming First North-Initial Public Offering, according to the terms of the Offering, to pay the Subscription Price.

Tekes has decided to provide repayment-free period until 30.6.2020 for the 1,8 million euros loan granted in 2009 until 30.6.2020. The repayment of 369 thousand euros, expiring in June 2018, falls due on 30.06.2020 decreasing the amount of repayments, that are expiring within one year from the date of this Prospectus.

Finnvera made a conditional decision to postpone the repayments, expiring in 2018, to forthcoming years. The terms are related to the realization of the Initial Public Offering. The decision for the conditional postponing of repayments concern BBS' repayment of 79 thousand euros and Bio Bones' repayment of 192 thousand euros.

Prospects

BBS shall focus on obtaining CE marking, finishing production for continuous production and initiating sales endeavors.

The Company plans to fund its activities with funds acquired from the IPO and with other equity and foreign capital funding until the sale of the product is initiated, and cash flow is positive. As to when the Company's cash flow will become positive, this is subject to obtaining CE marking and how commercial activities and distribution can be initiated. It is estimated that the cash flow will become positive within approximately three years after the initiation of sales.

The Company is not able to influence the general treatment practices of the target diseases of the product it has developed, time limits and laws or regulations or their amendments concerning permit processes, the operational requirements and strategies of the Company's partners or the general cost

level. The assumptions set out above are also subject to other factors, which the Company is unable to influence but for which the Company is dependent on the activities of third parties or other external factors or circumstances. These include, for example, the conclusion and contractual terms of cooperation and commercialization agreements.

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

Operating profit of financial years 2015-2017

Revenue

The Company has not made any revenue on product sales by the date of the Prospectus.

Other operating income

Revenue includes lease income of a part of the Company's premises that have been leased to another company.

The lease income was 20,5 thousand euros for financial year 2017, 18,7 thousand euros for financial year 2016 and 20,6 thousand euros for financial year 2015. Lease income has remained steady.

Purchases and services

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

Purchases and services were 101,2 thousand euros for financial year 2017, 90,5 thousan euros for financial year 2016 and 9,5 thousand euros for financial year 2015. The increase in financial year 2017 from the level of financial year 2016 was due to backfilling the supply of raw materials. The increase from the level of financial year 2015 was due to the increased level of external services.

Personnel expenses

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

Personnel expenses totaled 0,6 million euros for financial year 2017, 0,2 million euros for financial year 2016 and 0,2 million euros for financial year 2015. Personnel have remained at a similar amount for years and the level of costs has been the same. The costs of financial year 2017 were on BBS' normal level, the difference to financial years 2016 and 2015 was due to the R&D personnel expenses of financial years 2015 and 2016 being capitalized in the balance sheet of the Company, diverging from financial year 2017.

Other operating expenses

Other operating expenses mainly include research and development expenses, insurance expenses, lease of premises and property-related expenses, travel expenses and administrative expenses.

Other operating expenses totaled 0,6 million euros for financial year 2017, 0,2 million euros for financial year 2016 and 0,2 million euros for financial year 2017. The increase was due to e.g. consultancy fees concerning approvals and travel expenses and costs related to the preparation of First North-listing.

Operating profit (loss)

Operating profit is calculated by deducting purchases, personnel expenses, other operating expenses, and depreciations and amortizations from the Company's revenue and other operating income.

The operating loss was 4,3 million euros for financial year 2017, 0,6 million euros for financial year 2016 and 0,6 million euros for financial year 2015. The loss of financial year 2017 is mainly explained by the write-down of 2,95 million euros for the R&D-investments and by the costs of approximately 0,2 million euros for preparing the listing. In addition, the costs have been increased due to the increased use of external services. Depreciation and amortization increased also by about 53 thousand euros. The Company has capitalized the costs related to its R&D-activity to its balance sheet.

Financial income and expenses

Financial income and expenses mainly consist of interest fees concerning loans.

The financial expenses for financial year 2017 was 81 thousand euros, 78 thousand euros for financial year 2016 and 76,5 thousand euros for financial year 2015. The small increase in financial expenses is due to the increased amount of debts.

Income taxes

The Company has not paid income taxes, the cumulative result of previous financial years was -8,2 million euros for financial year ended on 31.12.2017.

Net profit (loss)

The net loss for financial year 2017 was 4,4 million euros, 0,7 million euros for financial year 2016 and 0,6 million euros for financial year 2015. The loss of financial year 2017 is mainly explained by write-down of 2,95 million euros for R&D-investments and by the costs of 0,2 million euros for preparing the listing. The costs have also been increased due to the increased use of external services. Depreciation and amortization increased also by about 53 thousand euros. The Company has capitalized the costs related to R&D-activity on its balance sheet.

Financial situation of BBS

Fixed assets

Fixed assets totaled 9,6 million euros for financial year 2017, 12,6 million euros for financial year 2016 and 12,1 million euros for financial year 2015. The decrease in the amount of fixed assets for financial year 2017 is due to the write-down of 2,95 million euros for R&D-invesments.

Current assets

Current assets totaled at 0,09 million euros for financial year 2017, 0,2 million euros for financial year 2016 and 0,3 million euros for financial year 2015. The decrease in the Company's current is mainly due to the decrease in receivable funds and bank receivables.

Equity

Equity totaled 1,1 million euros for financial year 2017, 4,6 million euros for financial year 2016 and 4,5 million euros for financial year 2015. The decrease in Equity in financial year 2017 is due to the loss in

financial year 2017, that is mainly due to the write-down of 2,95 million euros for R&D-investments and increased other operating expenses.

Current and non-current liabilities

Current and non-current liabilities totaled 8,6 million euros for financial year 2017, 8,2 million euros for financial year 2016 and 8,0 million euros for financial year 2015. The increase in non-current and current liabilities of financial year 2017 was 0,4 million euros compared to financial year 2016. The change was due to the increase of 227 thousand euros of long-term loans and a short-term loan of 100 thousand euros and the increase of accounts payable and accrued liabilities.

Company's liquidity, sources of capital and cash flows

Liquidity and sources of capital

BBS mainly funds its operations by means of equity financing as well as research and product development subsidies and loans. As of now, BBS has financed its operations by means of equity financing from shareholders, which include funds from share issues carried out during the period covered by the financial details set out in this Prospectus for the years 2015 and 2016, and by means of product development loans granted by Tekes.

Liquid assets totaled 0,03 million euros for financial year 2017, 0,15 million euros for financial year 2016 and 0,32 million euros for financial year 2015. The decrease of liquid assets in 2015-2017 is due to the repayment of short-term loans and financing the business of the period.

Cash flow from operations

The Company's cash flow from operations for financial year 2017 was -1,2 million euros, -0,5 million euros for financial year 2016 and -0,4 million euros for financial year 2015.

Cash flow from investments

The Company's cash flow from investments for financial year 2017 was -0,05 million euros, -0,62 million euros for financial year 2016 and -0,66 million euros for financial year 2015. The Company's product development expenses are included in the cash flow from investments and they have not yet been capitalized for financial year 2017.

Cash flow from financing

The Company's cash flow from financing totaled -1,1 million euros for financial year 2017, -1,0 million euros for financial year 2016 and 1,3 million euros for financial year 2015. Cash flow from financing consists of loans and equity investments and it has remained on the same level for several years in the Company.

Loans from credit institutions and investors

BBS has received loans from Tekes for product development:

- A product development loan of 0,581 million euros in 2015, 5 repayment-free years, repayment in 5 years, repayments of 116 200 euros per annum.
- A product development loan of 2,732 million euros in 2010, 5 repayment-free years, repayment in 5 years, repayments of 546 400 euros per annum.
- A product development loan of 1,845 million euros in 2009, 5 repayment-free years, repayment in 5 years, repayments of 369 000 euros per annum.

- A product development loan of 1,544 million euros in 2007, 5 repayment-free years, repayment in 5 years, repayments of 308 840 euros per annum.

Loans have been paid based on project expenditure reports reported by BBS. The conditions of the Tekes loans comply with the loan grantor's general loan conditions. The interest rate of the loans is three percent lower than the currently valid standard rate confirmed by the Treasury, however no less than one percent. The repayments of the oldest loans have been postponed.

If the project fails, or is at risk of failing, the borrower may be granted additional time for repayment, the loan or part thereof can be made into an equity loan or the unpaid capital of the loan and the interest can in exceptional cases be left partially or fully uncollected.

BBS has received a loan from Finnvera in 2010, interest rate EB6+4.10%, repayment 4 years every three months, repayment amount 17 669 euros. There is 277 690 euros left for repayment in the financial statement of 2017. A business mortgage of 300 thousand euros is collateral for the loan. Repayment has been reconciled and postponed.

BBS's subsidiary, Bio Bones Oy was given a loan from Finnvera in 2007 for 641 668 euros, interest rate EB6+2.9%, for which property mortgages of 500 thousand euros act as collateral. There is 641 668 euros left for repayment in the financial statement of 2017.

Equity loans

BBS has received the following equity loans from Tekes:

- An equity-based product development loan of 0,950 million euros in 2004, 5-year repayment-free period, repayment 3 years, repayment amounts 316 667 euros per annum.

The interest rate of the equity loan is one percent lower than the currently valid standard rate confirmed by the Treasury, however no less than three percent. Interest is only paid if the amount to be paid can be used for profit distribution in accordance with the balance sheet of the Company's, or if the Company is a parent company, the Group's most recent financial year (repayment condition of interest). The repayment of the equity loan has a condition (limitation condition for repayment), the loan is only repaid, if there is a margin for the tied-up capital and other non-distributable items referred to in the balance sheet of the Company's, or if it is a parent company, the Group's latest financial year.

As of the financial statement of 2017 dated 31.12.2017, the total amount of unpaid interest of capital loans equals 341 thousand euros.

Product development loans

See Prospectus-section "*Loans from credit institutions and investors*"

Bank and counter guarantees

None

Other contingent liabilities

None

Issued collaterals

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

Bio Bones has given a property mortgage of 500 thousand euros to Finnvera Oy.

Aids and subsidies

Since 2012, the Company has received aid in accordance with the de minimis definition to a total of 80 133 euros and on the publication date of this Prospectus, the total amount of de minimis aid for the current and two previous tax years is 7 500 euros. De minimis aid is a public aid that is granted to companies, which is regulated by the European Commission's Regulation (EC) No. 1407/2013. The aid can be funding or other benefits, such as tax relief, interest subsidy, training or any other service that is partly or fully free of charge, which is offered to a limited business group

Investments

The production of a new syringe is under way, for this purpose metal plastic-clamping molds must be made. The design and production of sales packaging is being worked on. A freeze dryer has been ordered for the production line. The total for these procurements has been budgeted at 190 000 euros.

Contingent liabilities

The lease of the business premises, including VAT, is 5 518 euros/month and the period of notice is 4 months. The leasing agreement of the copying machine is 250 euros/month, period of notice 4 months.

Planned investments

The Company has planned new investments for developing the production line for continuous product by, e.g. increasing automation at the packaging point. A small expansion of the clean room is also necessary. Approximately 1,0 million euros has been budgeted for these investments, and it is possible to obtain ELY Centre investment aid for approx. 35%. The prerequisite for the investments is that the necessary self-financing is obtained through the Initial Public Offering or otherwise.

ADMINISTARATION, MANAGEMENT AND AUDITORS

Administration in general

The Company complies with the Finnish Companies Act in organizing its administration. The Company complies with the Corporate Governance Code 2010 recommendation. In accordance with the Company law, the Company's administration has divided with General meeting, the Board of Directors and the President and CEO. Shareholders use their rights mainly in General meeting which is called by the board of directors. The annual general meeting shall also be held when the holding of a General Assembly requires. The annual general meeting shall also be held when the statutory auditor of the shareholders or shareholders whose shares represent at least one tenth of any share issued by the Company which are not held by the Company.

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

Board of Directors

BOD in general

The Board of Directors shall ensure the management of the Company and the proper organization of its activities. The board of directors or a member of the BOD shall not comply with a decision of the General Meeting of the Supervisory Board of the BOD that is invalid or in violation of the Company's Act or the Articles of Association. The General Meeting elects the board of directors.

According to the Company's Articles of association, there are at least three (3) and maximum seven (7) members in BOD who are elected by the shareholders annual general meeting. The term of each member of the Board expires at the end of the first annual general meeting following the election.

The board's decision becomes the position that the majority of the members present are in favor of the meeting. When the vote is even, the chairman's voice resolves. The BOD will elect among themselves its chairman. The BOD has convened 8 times in 2017. The BOD has not appointed committees from among its members.

The following table shows the composition of the members of the board of directors at the date of this prospectus:

Name	Task	Birth	Nominated
Jarmo Halonen	Chairman of the board	1952	2016
Hannu Säynäjäkangas	Member of the board	1954	2012
Pekka Jalovaara	Member of the board	1941	2003
Auvo Kaikkonen	Member of the board	1960	2017
Päivi Ylä-Kolu	Member of the board	1966	2016

Chairman of the Board

Jarmo Halonen, born 1952

M.Sc.(Eng), in Industrial Mechanical Engineering

Member of the board since May 2016

Jarmo Halonen was president and CEO of NASDAQ-listed company Elecster Oyj between 1988-2017 and between 1979 and 1988 he has acted in various managerial positions. Jarmo is also a member of

supervisory board of insurance company Fennia and a supervisor of Helsinki Corporate Bank of Nordea Bank. Jarmo Halonen has a long and versatile experience as a sales engineer, a CFO, an Executive vice president and CEO in Tuomo Halonen Oy and in Elecster Oyj. Jarmo Halonen has acted or has been a member of the following management or supervisory bodies and/or associates in the following companies for the past five (5) years prior to the date of this prospectus:

Company	Task	Status
Bio Bones Oy	Member of the Board	Continues
Elecster Oyj	Member of the Board	Continues
Sandudd Oy	Member of the Board	Continues
Finvac Automation Ltd Oy	Chairman and Managing Director	Continues
Okuli Oy	Board Member and Managing Director	Continues
Sorby Oy	Board Member and Managing Director	Continues
Finvenla Oy	Board Member and Managing Director	Continues
A/S Eesti Elecster	Member of the Board	Continues
Elecster (Tianjin) Dairy Machinery Ltd	Member of the Board	Continues
Elecster (Tianjin) Aseptic Packaging Co. Ltd	Member of the Board	Continues

Member of the board

Pekka Jalovaara, born 1941

MD, PhD, Professor of Orthopaedic Surgery

Board member from 2003

Professor Jalovaara is the founder of BBS Oy and the CEO since 2003, originally, he joined the research project in 1996, which later led to the creation of BBS. He is also a significant shareholder in the Company. Pekka Jalovaara is Professor of Orthopaedics and Traumatology at the University of Oulu, where he is actively involved in a number of research projects in addition to his orthopaedic surgical responsibilities. Professor Pekka Jalovaara has published extensively in the field of orthopaedics. He is a member of several International Orthopaedic Societies and has organized international congresses on the research and utilization of Bone Morphogenic Proteins. Pekka Jalovaara operates or has been a member of the following non-executive, management or supervisory bodies and/or associates in the following companies for the past five (5) years prior to the date of this prospectus:

Company	Task	Status
Bio Bones Oy	Member of the Board	Continues

Member of the Board

Hannu Säynäjäkangas, born in 1954

B. Sc (Eng), M. Sc (Econ)

Board member from 2012 as a representative of the Oulu Region Wellness Fund Ky.

Hannu Säynäjäkangas is the CFO of BBS and the CEO of Fortel Management Oy which currently manages The Oulu Region Wellness Fund LP. He has been involved in venture capital operations since 1998 in Fortel Invest Oy as a manager, a CEO and a partner. The target companies of Fortel Invest were in ICT-, wellness- and environmental industries. Four of Fortel Invests portfolio companies has been listed on Nasdaq OMX Helsinki since 1998; JOT Automation Group, Incap/JMC Tools, Elektrobit Group and QPR Software. He has been a Member of the Board in more than 25 venture capital and technology companies.

Hannu Säynäjäkangas operates or has been a member of the following non-executive, management or supervisory bodies and/or associates in the following companies for the past five (5) years prior to the date of this prospectus:

Company	Task	Status
Bio Bones Oy	Chairman of the Board	Continues
Fortel Management Oy	CEO and Chairman of the Board	Continues
Juno Medical Oy	Member of the Board	Continues
Oulun Seudun Hyvinvointirahasto Ky	Corporate man	Continues
Rescomi Oy	Debuty member of the Board	Continues
Gamga Oy	Member of the Board	Continues
Inspector Sec Oy	Chairman of the Board	Continues
Ball-IT Oy	Member of the Board	Ended
Biosilta Oy	Member of the Board	Ended
Genecodebook Oy	Member of the Board	Ended
Pixolane Oy	Member of the Board	Ended
ProWellness Health Solutions Oy	Member of the Board	Ended
Sensinode Oy	Member of the Board	Ended
Technocenter Kempele Oy	Member of the Board	Ended

Member of the Board

Auvo Kaikkonen, born in 1960

MD, PhD, Orthopedic and Sports Medicine, Orthopedics Surgery MBA

Board member from March 2017

Mr. Kaikkonen is the founder of Oxics Oy and its President and CEO 2008-2016. He has also founded Inion Oy and served as its President and CEO 1999-2008. In addition to BBS, Auvo Kaikkonen operates or has been a member of the following non-executive, management or supervisory bodies and/or associates in the following companies for the past five (5) years prior to the date of this prospectus:

Company	Task	Status
Bio Bones Oy	Member of the Board	Continues

Member of the Board

Päivi Ylä-Kolu, born in 1966

Medical Licentiate, Anesthesiology and Intensivecare Specialist, eMBA

Member of the board from May 2016

Päivi Ylä-Kolu is a regional health center managing Director of the Central Finland Hospital from 2015. She has acted as the managing directos of primary care and emergency department of the Southwest Finland Hospital 2009-2015 and anesthesiology intensive care and emergency medical specialist 2003-2009.

Päivi is also a permanent member in the Finnish social and health office (VALVIRA) and a member of Finland's LEAN-assosiation. In addition to BBS, Päivi has been a member of the following management or supervisory bodies and/or associates in the following companies for the past five years (5) prior to the date of this prospectus:

Company	Task	Status
Bio Bones Oy	Member of the Board	Continues
Finnhems Oy	Member of the Board	Ended

CEO and Management Team

General overview on CEO and Management Team

The CEO is appointed by the Board of Directors. The CEO manages the Company's current management in accordance with the instructions and regulations issued by the Board of Directors. The CEO is responsible for ensuring that Company's accounting is compliance with the law and that the financial management is arranged in a reliable manner. The CEO shall provide the Board and its members with the necessary information for the performance of the Board's duties.

The CEO may take unusual or wide-ranging action from the point of view of the scale and quality of the Company's operations only with the authorization of the Board or when it is not possible to expect a Board's decision without causing material disadvantages to the Company's business. In the latter case the Board shall be informed as soon as possible of such action. The members of the Company's management team operate directly under the supervision of the CEO and the CEO directs the management team.

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

The following table shows the members of the Company's management team at the date of this prospectus.

Name	Task	Birth year	Nominated
Pekka Jalovaara	CEO	1941	2003
Hannu Säynäjäkangas	CFO	1954	2015
Hanna Tölli	Production Manager, HR Manager	1983	2006

Production Manager, HR Manager

Hanna Tölli, born 1983,
Doctor of Philosophy, MSc in Health Sciences, Medical Technology
Member of the Management Team since 2016.

Hanna Tölli has an extensive experience of biomaterials and bone substitutes and she has made her thesis of Ph.D. concerning the BBS product.

Selected information on the members of the board and the executive team

Selected information

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

- been convicted of a fraud or offence
- acted in a leading position such as a management board or a member of supervisory board or a member of senior management in a company, which have during that period, put into bankruptcy, liquidation or restructuring while acting in that position, or;
- was the object of the juridical authorities or of the supervisory authorities (including trade unions) prosecution or the sanction it has imposed or have been convicted of a court order to be ineligible to act in any company's administration, management or supervisor body or manage company's business.

Conflicts of Interest

Conflicts of interest regarding the management of a Finnish company are stipulated in the Finnish Companies Act. Board member may not participate in proceedings of the agreement between him or her and the Company and or other legal act or procedure. A member of the Board of Directors shall also not be allowed to take part in a contract or other legal transaction or procedure involving a company and a third person, if he or she is expected to have an essential interest that may conflict with the Company's interest. The abovementioned provision also applies to other legal proceedings, as well as to litigation and other forms of direction. This provision also applies to the CEO.

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

Family Relations

Members of the Board or Management Team have no mutual family relations.

Office Address

The Board's, Management Team's and the Founder's job address is Kiviharjunlenkki 6, 90220 Oulu.

Management's ownership in the Company

Management's and Board of Directors' ownership and rights conferred on them and the entities controlled by the management and Board of Directors' on 31.12.2017 are presented in the following table:

Name	Position	Shares	Options
Hannu Säynäjäkangas	Member of the Board, CFO	0	0
Pekka Jalovaara	Member of the Board, CEO	532 850	149 000

Jarmo Halonen	Chairman of the Board	0	0
Auvo Kaikkonen	Member of the Board	0	0
Päivi Ylä-Kolu	Member of the Board	0	0
Hanna Tölli	Production manager, HR manager	0	9 000

The Company's stock options are described under the "Option rights and other special rights to shares" section of this Prospectus.

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

For the financial years 2015-2016 and for the financial year 2017 by the date of the prospectus, members of the Board of Directors have been paid bonuses and other benefits as follows:

Remuneration (euros)	**2017**	**2016**	**2015**
Name			
Hannu Säynäjäkangas	0	0	1 800
Pekka Jalovaara	0	0	0
Jarmo Halonen	4 000	1 500	0
Auvo Kaikkonen	3 500	0	0
Päivi Ylä-Kolu	4 000	1 500	0
Pekka Leppänen	0	0	0
Timo Heikkilä	500	3 000	1 500
Remunerations of Board TOTAL	**12 000**	**6 000**	**3 300**

Bio Bones Oy does not pay board members fees because Bio Bone's Board is the same as BBS Board.

The members of the Board of Directors are remunerated by the Annual General meeting. The shareholders of the Company decided unanimously for the term beginning 7.3.2017 and ending at the end of the next Annual General Meeting of the Company, that members of the Board are remunerated as follows:

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

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

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

The Board of Directors has approved the general principles and procedures applicable to the management and personnel remuneration system in the Company. The remuneration of the CEO is described by the board of directors. Remuneration of the CEO consist of a fixed monthly salary as well as other fringe benefits in kind such as telephone and lunch benefits, according to the Company's current

regulations. The Company paid in fiscal year 2017 to the CEO a total salary including benefits of EUR 88 420 and the remuneration have remained as the same fom the fiscal year of 2015. The remuneration of other members of the Management team is decided by the CEO. Remuneration of other members of the management Team consists of a fixed monthly salary as well as a fringe benefit such as a phone and lunch, according to the Company's current regulations. The remuneration with fringe benefits of the management team were in total in fiscal year year 2017 EUR 120 000, fiscal year year 2016 EUR 114 000 and in fiscal year 2015 EUR 98 000.

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

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

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

The Company's share-based incentive program is described in this Prospectus part "*Options and other special rights to shares*". The Company has no other share-based option programs valid for the date of Prospectus.

Auditors

According to the Articles of Association, the Company must elect one auditor and a deputy. The Company's auditor in fiscal year 2017, 2016 and 2015 were Ernst & Young Oy and the responsible auditor was KHT Juhani Rönkkö. Ernst & Young Oy's company's business ID is 2204039-6 and its registered address is Alvar Aallonkatu 5C, 00100 Helsinki.

MAJOR SHAREHOLDERS AND RELATED PARTY ACTIONS

Major shareholders

The following table shows the Company's ten largest shareholders and the total number of shares of these shareholders in 31st of December in 2017. The Company is not aware that it would be, directly or indirectly, owned or controlled by a third party.

Shareholder	Number of shares	%-of total shares and votes
Finha Capital Oy	814 229	18 %
Reisjärven kunta	702 182	16 %
EAKR - Aloitusrahasto Oy	575 000	13 %
Pekka Jalovaara	532 850	12 %
Paananen Ahti	267 879	6 %
Oulun Seudun Hyvinvointirahasto	260 000	6 %
Irma Halonen	259 240	6 %
Panvest Oy	250 000	6 %
Innovestor Kasvurahasto I Ky	207 800	5 %
Jukka Halonen	132 810	3 %
Others	452 011	9 %
Totalt	**4 454 001**	100 %

1 400 000 new Initial Public Offering Shares will be issued in the IPO corresponding to approximately 31,4 % of all shares at the date of this prospectus and 23,9 % of all shares after the IPO, assuming that all Initial Public Offering Shares offered in the IPO are fully subscribed. If Company's current shareholders do not subscribe the IPO Shares offered in the IPO, shareholders' relative shareholding will be reduced in the same proportion and the dilution effect will be approximately 23,9 %, assuming that 1 400 000 IPO Shares are offered and offered IPO Shares are fully subscribed.

Related party transactions

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

Apart from ordinary intra-group transactions, the Company has not entered into any other significant transactions or similar arrangements with its related parties during the current year, in fiscal years 2017, 2016 and 2015. The salaries and other employee benefits of the Company's Board of Directors and management are discussed in this Prospectus' section "*Remuneration and benefits of members of the Board of Directors and management*".

Shareholders Agreements

There is an agreement between the Company and its shareholders relating to the ownership of the Company's shares and, inter alia, the exercise of voting rights in the Company is terminated by the terms of the said agreement when listing the shares to NASDAQ First North. The Company is not aware of any other agreements or arrangements relating to the ownership and the exercise of voting rights in the Company which are liable to materially affect the value of the shares.

SHARES AND SHARE CAPITAL

Company

The Company's registered name is BBS-Bioactive Bone Substitutes Oyj, in Swedish BBS-Bioactive Bone Substitutes Abp and in English BBS-Bioactive Bone Substitutes Plc. The Company's domicile is Oulu, its registered visiting address is Kiviharjunlenkki 6, 90220 Oulu and phone number is 020 7924700, and internet address is www.bbs-artebone.fi. According to Section 2 of the Articles of Association, the Company's field of business is to exercise medical and dental research and treatment activities, as well as maintain a research and treatment facility, convene related services, import, purchase, sell, hire and produce machines, devices, equipment and medicinal products necessary in this field of business. Medical activities for commercializing artificial bone and to carry out business activities with artificial bone and manufacturing rights.

The Company is a public limited liability company which is subject to Finnish legislation. The Company has been entered in the trade register maintained by the Finnish Patent and Registration Office on 6.2.1991 and its business ID is 0866451-4. The Company has changed from a private limited liability company to a public limited liability company on 17.10.2017. The Company's fiscal year starts on 1.1. and ends on 31.12.

Between 6.2.1991 – 11.8.1999, the Company's trade name has been Ortopedian ja Plastiikkakirurgian Keskus Oy, and between 12.8.1999 – 16.10.2017, it has been BBS-Bioactive Bone Substitutes Oy. The Company's name has been BBS-Bioactive Bone Substitutes Oyj since 23.10.2017.

The Company owns all the shares of its subsidiary Bio Bones Oy.

On 31.12.2017, the total number of shareholders was 23.

Company shares and share capital

On the date of this Prospectus, the Company's registered share capital was 80 000 euros. The Company has a total of 4 454 001 registered shares. The Company only has one series of shares and all the shares have been fully paid. Each share produces one (1) vote in the General Meeting.

At the beginning of the fiscal year 2016, there were 4 034 401 shares in the Company. At the end of the fiscal year 2016, there were 4 236 901 shares in the Company. At the end of the fiscal year 2017 registered shares in the Company in Euroclear Finland's book-entry system.

The shares have no nominal value. The shares' ISIN code is FI4000260583. On the date of this Prospectus, the Company does not own its own shares. The shares have been entered in to the book-entry system in Finland maintained by Euroclear Finland Oy on 3.8.2017. The shares that are traded in Nasdaq First North Sweden have also been registered in the book-entry system maintained by Swedish Euroclear Sweden since 26.2.2018. The shares have been issued in accordance with Finnish legislation. The Company's shares are euro nominated.

Historical development of the share capital and the number of shares

The Company's share capital development and the changes to the number of shares since 1.1.2015 have been presented in the following table. On 1.1.2015, the Company had 3 834 401 shares, and its share capital was 27 984 euros.

	Number of-shares (pcs)	Share capital (EUR)	Share issue (EUR)	Share premium reserve (EUR)	Invested non-restricted equity fund (EUR)	Own shares (EUR)	Invested equity total (EUR)
1.1.2017	**4 236 901**	**27 984,01**	**-**	**1 394 956,56**	**6 977 188,75**	**0**	**8 400 129,32**
Fund increase	0	80 000	0	0	6 925 172,76	0	8 400 129,32
Directed share issue	217 100	80 000	911 820	0	7 836 992,75	0	9 311 949,32
31.12.2017	**4 454 001**	**80 000**	**911 820**	**1 394 956,56**	**7 836 992,76**	**0**	**9 311 949,32**
1.1.2016	**4 034 401**	**27 984,01**	**-**	**1 394 956,56**	**6 167 188,75**	**0**	**7 590 129,32**
Directed is-sue	202 500	27 984,01	810 000	0	6 977 188,75	0	8 400 129,32
31.12.2016	**4 236 901**	**27 984,01**	**810 000**	**1 394 956,56**	**6 977 188,75**	**0**	**8 400 129,32**
1.1.2015	**3 834 401**	**27 984,01**	**-**	**1 394 956,56**	**5 567 188,75**	**0**	**6 990 129,32**
Directed is-sue	150 000	27 984,01	450 000	0	6 017 188,75	0	7 440 129,32
Directed is-sue	50 000	27 984,01	150 000	0	6 167 188,75	0	7 590 129,32
31.12.2015	**4 034 401**	**27 984,01**	**600 000**	**1 394 956,56**	**6 167 188,75**	**0**	**7 590 129,32**

Directed issue 22.1.2015

On 22.1.2015, on the basis of the authorization received on 24.6.2014 from the General Meeting, the Company's Board decided on a share issue 22.1.2015, where up to 150 000 new shares were offered, contrary to the shareholders' right to priority subscription, for subscription to certain parties that had provided commitment to the Company in the issue that was concluded on 22.1.2015. A total of 150 000 shares were subscribed. The subscription price was 3 euros per share and it was entered in the Company's invested non-restricted equity fund in full.

Directed issue 17.4.2015

On 17.4.2015, on the basis of the authorization received on 24.6.2014 from the General Meeting, the Company's Board decided on a share issue 17.4.2015, where up to 50 000 new shares were offered, contrary to the shareholders' right to priority subscription, for subscription to certain parties that had provided commitment to the Company in the issue that was concluded on 17.4.2015. A total of 50 000 shares were subscribed. The subscription price was 3 euros per share and it was entered in the Company's invested non-restricted equity fund in full.

Directed issue 20.4.2016

On 20.4.2016, on the basis of the authorization received on 3.6.2015 from the General Meeting, the Company's Board decided on a share issue, where up to 202 500 new shares were offered, contrary to the shareholders' right to priority subscription, for subscription to certain shareholders. A total of 202

500 shares were subscribed. The subscription price was 4 euros per share and it was entered in the Company's invested non-restricted equity fund in full.

Directed issue 24.3.2017

On 24.3.2017, on the basis of the authorization received on 7.3.2017 from the General Meeting, the Company's Board decided on a share issue, where up to 261 800 new shares were offered, contrary to the shareholders' right to priority subscription, for subscription to certain shareholders. A total of 217 100 shares were subscribed. The subscription price was 4,20 euros per share and it was entered in the Company's invested non-restricted equity fund in full.

Increase of share capital 17.10.2017 by means of a fund increase

In connection with transforming the Company into a public limited liability company, more information in the Prospectus' section "*Operating profit, financial situation and prospects - Recent events after the end of the financial year*".

Option rights and other special rights to shares

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

Option rights' conditions 2012

On 18.7.2012, the Company's shareholders have come to a unanimous decision on issuing option rights ("Option rights 2012"). All 170 000 options have been issued in 2012 to the staff, and they have not yet been used to subscribe to shares.

Contrary to the shareholders' right to priority subscription, the option rights are issued to employees, other staff, board members and other third parties working in benefit of the Company in order to commit them to the Company.

A total of 170 000 option rights are issued, which will entitle the subscription of a total of 170 000 new shares or existing shares held by the Company. The subscription price of the shares to be subscribed by the option right is one (1,00) euro. If those, that have the right to subscribe option rights, do not subscribe to all the option rights offered to them, the excess option rights will remain unused and the Company can reissue them. Others, who have the right to subscribe, do not have the right to subscribe to option rights that have not been subscribed, unless the Board decides otherwise.

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

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

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

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

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

The original subscription time for shares to be subscribed with options ends on 31.12.2019.

Convertible bond 2015

On the grounds of authorization granted by the General Meeting on 24.6.2014, the Company's Board decided on directing a 150 000 euro convertible bond to be subscribed for by Aloitusrahasto Vera Oy while deviating from the shareholders' right to priority subscription. The option loan entitled Aloitusrahasto Vera Oy to subscribe for up to 50 000 pcs of the Company's new shares, the subscription price of one share was 3 euros. Thereafter, Aloitusrahasto Vera Oy subscribed for 50 000 of the Company's new shares based on the Option loan, and the Board approved the subscription of shares on 9.9.2015.

Authorizations

Authorization 17.10.2017

The Company's shareholders decided unanimously on 17.10.2017 to authorize the Board to decide on a directed issue. On the basis of the authorization, the total number of new Shares to be issued is no more than 2 500 000 Shares. The purpose of the authorization is the implementation of an Initial Public Offering, which is deemed to cause a justified financial reason for deviating from the shareholders' right to priority subscription. The authorization shall be valid until the next General Meeting. On the grounds of the authorization, dated 17.10.2017, the Board decided to initially issue the Offered Shares in an Initial Public Offering.

In the same context, the Company's shareholders unanimously decided to authorize the Board to apply for the Shares' admission to trading on Nasdaq First North Helsinki and Nasdaq First North Stockholm at a time it deems suitable.

Authorization 20.5.2016

The Company's General Meeting decided to extend the authorization granted to the Board on 14.5.2013 until 14.5.2018, to the extent that the authorization had not been used. At the time of the General Meeting, the unused part of the authorization entitled the Board to offer shareholders up to 304 000 shares for subscription.

Authorization 3.6.2015

The Company's General Meeting decided to extend the authorization granted to the Board on 14.5.2013 until 14.5.2018, to the extent that the authorization had not been used. The authorization

entitled the Board to decide on subscription issues, convertible bonds or issuing option rights together or in several issues

At the time of the General Meeting, the unused part of the authorization entitled the Board to offer shareholders up to 304 000 shares for subscription.

On the basis of the authorization, the Board may issue option rights from the existing authorization, in one or more issues, at an amount that entitles the subscription of up to 84 088 new shares. On the basis of the authorization, the Board may issue option rights, at its own discretion, as incentives and remuneration for the successful implementation of financing arrangements.

Shareholders' rights

General Meeting

General

According to the Limited Liability Companies Act, shareholders use their decision-making power at general meetings. According to the Limited Liability Companies Act, the General Meeting shall be held no later than six months after the end of the Company's fiscal year. A financial statement for the shareholders to approve shall be presented at the General Meeting, which shall consist of a profit and loss statement and a balance sheet together with annexes and, if necessary, a cash flow statement and the Group's financial statement. At the General Meeting, the shareholder shall decide on: the use of the profit indicated in the balance sheet; granting freedom of responsibility to the Board and executive director, the number of board members and the election of board members and auditor, as well as a possible deputy auditor, and their remuneration.

An additional general meeting shall be convened for handling certain matters when the Board deems it necessary or when the Company's auditor or shareholders, who represent at least a tenth of all shares issued by the Company, require so in writing.

In accordance with the Articles of Association, the Board shall publish an invitation to the General Meeting in writing no earlier than two (2) months and no later than nine (9) days before the General Meeting's date of record. In accordance with Nasdaq First North's guidelines, the Company shall publish an invitation to the General Meeting as a corporate bulletin and on the Company's website.

To be entitled to participate in the General Meeting and use his/her voting rights there, the shareholder shall register to the Company in accordance with the Company's Articles of Association no later than by the date mentioned on the General Meeting invitation, which may be no earlier than ten (10) days before the General Meeting. Depending on the situation, the shareholders shall comply with requirements concerning Shares registered at Euroclear Finland or Euroclear Sweden, and any guidelines set out in the relevant General Meeting invitation.

Depending on the issue to be decided, qualified majority provisions in accordance with the Limited Liability Companies Act shall apply, such as two-thirds majority of the given votes and the shares represented at the General Meeting. A specific number of participants has not been regulated in the Limited Liability Companies Act or the Company's Articles of Association as a requirement for the authority of the General Meeting.

Shareholders whose shares are registered at Euroclear Finland

To be entitled to participate in the General Meeting and use voting rights there, the shareholder must have been registered as a shareholder on Euroclear Finland's shareholder list, which is maintained in accordance with Finnish legislation, for at least eight (8) Finnish business days before the General

Meeting. If the holder of administratively registered shares wishes to participate in the General Meeting and use voting rights, he/she must temporarily register the shares in his/her own name on Euroclear Finland's shareholder list no later than on the date indicated on the General Meeting invitation, which must be after the recorded date of the General Meeting. Notice concerning the temporary registration of an administratively registered shareholder on the Company's shareholder list shall be deemed as registration to the General Meeting.

Shareholders whose shares are registered at Euroclear Sweden

To be entitled to participate in the General Meeting and use voting rights there, the shareholder who has Shares that are registered in Euroclear Sweden's book-entry system, must be (i) registered in Euroclear Sweden's shareholder list on the record date of the General Meeting, i.e. eight (8) Finnish business days before the General Meeting, and (ii) request the temporary registration of ownership in Euroclear Finland's shareholder list no later than by the date indicated in the General Meeting invitation.

In addition, a shareholder who has shares at Euroclear Sweden that are administratively registered via the bank or security institution, must do the following to be entitled to participate in the General Meeting: (i) temporarily re-register his/her shares in his/her own name to Euroclear Sweden's register by instructing the account manager of administratively registered shares to send Euroclear Sweden a request to be temporarily registered on Euroclear Sweden's shareholder list and (ii) ensure that the account manager of administratively registered shares forwards such request for temporary registration to Euroclear Finland's shareholder list. A request for the temporary registration of ownership on Euroclear Finland's shareholder list shall be deemed as registration to the General Meeting.

Voting rights

Shareholders may participate in the General Meeting and use their voting rights there, either in person or they may authorize an ombudsman to act on their behalf. In accordance with the Limited Liability Companies Act and the Articles of Association, each Share entitles its holder to one vote at the General Meeting. At general meetings, decisions are usually based on majority decisions. However certain decisions, such as deviations to the shareholders' right to priority subscription in share issues, acquisition and redemption of own shares, changes to the Articles of Association and decisions on company mergers, diffusions and wind-ups, require at least a two-third majority of given votes and shares represented at the General Meeting. In addition, certain decisions, such as changes to the Articles of Association, that change the rights of shareholders in the same series of shares or increase the redemption right of the Company of shareholders, require consent from all shareholders, or if the change only concerns certain shareholders, the consent of such shareholders that the decision applies to shall be applied in addition to the majority requirement.

Dividends and the distribution of other funds

In accordance with the Limited Liability Companies Act, the limited liability company's capital is divided in to restricted and non-restricted equity capital. Restricted equity capital consists of share capital, a fair value reserve in accordance with the Accounting Act (1336/1997, incl. amendments), a value increase reserve and a revaluation reserve, as well as any possible reserve fund and share premium reserve in accordance with the old Limited Liability Companies Act (734/1978, incl. amendments) that was valid before 1.9.2006.

In accordance with prevailing Finnish practices, any dividends to be paid for the shares of a Finnish limited liability company shall usually be paid once a year. Dividends can be paid, and non-restricted equity capital can otherwise be distributed, once the General Meeting has confirmed the Company's financial statement and decided on the dividend's or other distribution of non-restricted equity capital

on the basis of the board's proposal. In accordance with the Limited Liability Companies Act, a dividend payment or other non-restricted equity capital distribution can also be based on another financial statement than that of the most recently ended fiscal year, provided that the General Meeting has confirmed such financial statement. If the Company is obliged to appoint an auditor by virtue of legislation or its Articles of Association, the financial statement must be audited.

Dividend payments or other distribution of non-restricted equity capital is subject to more than half of the votes given at the General Meeting are in favor of it. In accordance with the Limited Liability Companies Act, the General Meeting may also authorize the board to decide on dividend payments and other distribution of non-restricted equity capital. The number of dividends or other non-restricted equity capital to be distributed may not exceed the amount decided by the General Meeting.

In accordance with the Limited Liability Companies Act, the Company may also distribute assets by reducing its share capital provided that more than half of the votes given at the General Meeting are in favor of it. The decision to reduce share capital must be registered on the trade register within one month after the Company's general meeting that decided on such reduction of share capital. After registering the reduction of share capital, the creditor protection process can be initiated, and the Company shall apply for the trade register to issue a public notice to creditors. The reduction of share capital can be registered, if none of the Company's creditors have objected the reduction of share capital or if it is affirmed by court judgment that the creditor has received payment or full security for such receivables.

Distributable assets consist of the net profit for the previous fiscal year, the accumulated earnings of previous fiscal years and the Company's other non-restricted equity capital items, from which the loss indicated in the balance sheet and the funds not to be distributed in accordance with the Articles of Association have been deducted. The number of dividends or non-restricted equity capital to be distributed is limited to the amount of distributable funds, which are indicated in the financial statement, to which the decision to pay dividends or otherwise distribute non-restricted equity capital is based on, and which is influenced by significant changes to the Company's financial situation following the compilation of the financial statement. Funds may not be distributed as dividends or by means of other distribution means of non-restricted equity capital, if it is known, or should be known, at the time of deciding upon distribution that the Company is insolvent, or the distribution would cause the Company's insolvency. To the extent applicable, distributable funds shall be amended in the balance book in accordance with the amount of capitalized establishment, research and certain development costs that is regulated in the Act on the Implementation of the Limited Liability Companies Act (625/2006, incl. amendments). The parent company of the Group may not distribute more dividends than the amount of distributable funds, in accordance with the parent company's most recently confirmed and audited financial statement.

The amount of dividends may not exceed the amount proposed or otherwise approved in the board's dividend distribution proposal, unless the shareholders that represent at least a tenth of all issued shares have required so at the General Meeting, in which case the dividend may not exceed the lower amount of the following: (I) at least half of the profit of the previous financial year, deducted by (any) amounts to be undistributed in accordance with the Articles of Association, and (ii) the amount of previously specified distributable funds. In this case, the number of dividends may not however exceed 8 percent of the Company's equity, and the amount to be distributed must be adjusted by the amount of any dividends possibly distributed before the General Meeting.

When all of the Company's Shares are registered on the trade register, the entitle their holders to the Company's shares and other distributable funds, as well as shareholders' rights. The right to dividends expires three years after the dividend payment date.

On the date of the Prospectus, all the Company's shares are part of the same series of shares.

Own shares

The Company may not acquire its own shares in accordance with the Limited Liability Companies Act. The acquisition of own shares must be decided at the General Meeting, unless the General Meeting has authorized the Board to decide on the acquisition of own shares by using non-restricted equity capital. In a public limited liability company, authorization can be valid for up to 18 months. In a public limited liability company, the decision on the acquisition or pledging of own shares is not permitted in such a way that the total amount of own shares held or pledged by the Company and its subsidiaries exceeds ten (10) of all the Company's shares. On the date of this Prospectus, the Company does not own any own Shares.

Rights to priority subscription

In accordance with the Limited Liability Companies Act, shareholders of a Finnish limited liability company have the priority to subscribe to the Company's new shares in relation to their share ownership, unless otherwise determined in the General Meeting's decision concerning the issue or board's share issue authorization. In accordance with the Limited Liability Companies Act, a decision to deviate from the shareholders' right to priority subscription must be approved by at least a two-third majority of the shares represented and the votes given at the General Meeting. In accordance with the Limited Liability Companies Act, such decision also requires the Company to have a justifiable financial reason to deviate from the shareholders' right to priority subscription. Certain shareholders, who live or who have a registered address outside Finland or Sweden, may not necessarily be able to use their right to priority subscription that is based on their share ownership, unless the Shares are bit registered in the relevant countries in accordance with applicable securities' legislation or in an equivalent manner, or unless there is an exception to the requirements concerning the regulation on registration in the relevant countries' applicable laws.

Redemption rights

There is no redemption clause in the Company's Articles of Association.

In accordance with the Limited Liability Companies Act, shareholders, whose shares represent more than 90 percent of all the Company's shares and share-based votes, have the right to redeem any remaining shares at the current price. In addition, a minority shareholder, who owns shares that can be redeemed, can, in accordance with the Limited Liability Companies Act, require such majority shareholder to redeem his/her shares.

Transfer of shares

When selling shares that are in the book-entry system, such shares are transferred as a transaction from the seller's book-entry account to the buyer's book-entry account. The sale is registered as a preregistration until the trade has been settled and the shares have been paid, after which the buyer is automatically entered in the Company's shareholder list. If the shares are administratively registered, an entry of the sale of the shares does not need to be made in the book-entry system, unless the account manager of the shares' administrative registration changes as a result of the sale or the shares are otherwise transferred from the asset management account.

Currency control

Foreigners may acquire shares of a Finnish limited liability company without any special currency control permit. Foreigners may also receive dividends without any special currency control permit, but the Company distributing dividends will have to withhold a tax at source for funds transferred from Finland, unless otherwise determined in an applicable tax agreement. Foreigners, who have acquired shares of a Finnish limited liability company, may receive dividends in connection with a bonus issue or participate in a right to priority subscription issue with a special currency control permit. Foreigners may sell shares of a Finnish limited liability company in Finland, and funds received for such sale may be transferred out of Finland in any exchange currency. There are not existing currency control regulations in Finland that would restrict the sale of a Finnish limited liability company's shares from one foreigner to another.

NASDAQ FIRST NORTH AND SECURITIES MARKETS

About the First North markets

First North is Nasdaq's Nordic growth market, designed for small and growing companies. As opposed to companies listed on a regulated market such as the official list of the Helsinki Stock Exchange or the Stockholm Stock Exchange, companies listed on First North are subject to less extensive rules. This is intended to allow smaller companies to enjoy the benefits of being a publicly traded company without excess administrative burden. Unlike on regulated markets, companies listed on First North must engage a "Certified Adviser" whose role is to ensure that companies comply with applicable requirements and rules.

First North is a multilateral trading facility and does not have the legal status of a regulated market. "Multilateral trading facility" and "regulated market" are classifications for trading venues of securities set out in the Directive 2004/39/EC on Markets in Financial Instruments. Multilateral trading facilities and the holders and issuers of securities listed on a multilateral trading facility are subject to less stringent rules than regulated markets and the holders and issuers of securities listed on a regulated market. Issuers on First North are subject to the rules of First North but not the requirements for admission to trading on a regulated market. See below *"Regulation of the securities markets – Finland"* and *"Regulation of the securities markets – Sweden"*.

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

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

Trading and settlement on First North Finland

First North Finland is maintained by the Helsinki Stock Exchange. Pursuant to the rules of First North, the Trading Rules of Helsinki Stock Exchange (in Finnish: Helsingin Pörssin Arvopaperien Kaupankäyntisäännöt) apply to First North Finland as set out in further detail in the rules of First North. Additional rules specific to First North Finland are set out in Supplement C to the rules of First North.

On First North Finland, the currency of trading and settlement of transactions is euro, and the smallest recorded price movement (tick size) is EUR 0,01.

The Shares of the Company are issued and registered in the book-entry securities system maintained by Euroclear Finland. Trades in Shares listed on First North Finland are settled bilaterally in Euroclear Finland's settlement system in accordance with the settlement schedule in force from time to time.

Trading and settlement on First North Sweden

First North Sweden is a marketplace maintained by the Stockholm Stock Exchange. Pursuant to the rules of First North, the Nasdaq Member Rules regarding Stockholm Stock Exchange, chapters 2–5, and appendices, as amended from time to time, shall apply to trading on First North Sweden. Additional rules specific to First North Sweden are set out in Supplement B to the rules of First North.

On First North Sweden, the currency of trading and settlement of transactions is Swedish crown, and the smallest recorded price movement (tick size) is SEK 0,01.

Shares traded on First North Sweden are issued and registered in the book-entry securities system maintained by Euroclear Finland. Such Shares are additionally registered in the Swedish book-entry securities system maintained by Euroclear Sweden, and trades in Shares listed on First North Sweden are settled in Euroclear Sweden's settlement system.

The Shares registered with Euroclear Sweden will be entered into the shareholder register of the Company maintained by Euroclear Finland as held by Euroclear Sweden in its capacity of nominee of the Shares traded on First North Sweden, and Euroclear Sweden will mirror these Shares to the book-entry securities system of Euroclear Sweden. Shares registered in the system of Euroclear Sweden have the same ISIN as the Shares registered in Euroclear Finland.

Registration of the Shares

General

Company is a Finnish limited company whose Shares are listed for trading on First North Sweden and First North Finland. The Shares of the Company are registered in the electronic book-entry securities system maintained by Euroclear Finland. The Company and its Shares will have their primary registration in the book-entry register of Euroclear Finland. Further, the Shares are registered in the corresponding Swedish book-entry securities system maintained by Euroclear Sweden.

The account operator engaged by Euroclear Sweden is recorded in Euroclear Finland's securities system as the nominee of the Shares in the Company. Shares registered in Euroclear Sweden's securities system have the same ISIN as shares registered in Finland (see below "Registration in Finland" and "Registration in Sweden").

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

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

Registration in Finland

The book-entry securities system refers to a system in which physical share certificates have been changed to book entries registered in book-entry accounts. The Finnish book-entry securities system is centralized at Euroclear Finland, which offers national clearing, settlement and registration services for securities. Euroclear Finland maintains a central book-entry register for both equity and debt securities. The business address of Euroclear Finland is Urho Kekkosen katu 5C, FI-00100 Helsinki, Finland.

Euroclear Finland maintains a shareholder register for each listed company and book-entry accounts for shareholders who do not wish to utilize the services of commercial account operators. The expenses incurred by Euroclear Finland in connection with maintaining the book-entry securities system are borne mainly by the issuers participating in the book entry securities system and the account operators. The account operators, which consist of credit institutions, investment firms and other institutions licensed to act as account operators by Euroclear Finland, are entitled to make entries in the book-entry register and administer the book-entry accounts.

Dividends and other distributions of funds are paid to shareholders or their nominees entered in the shareholder register on the relevant record date. Under Euroclear Finland's book-entry securities system, dividends are paid by account transfers to the accounts of the shareholders appearing in the register.

In order to hold entries in the book-entry securities system, a security holder must open a book-entry account with Euroclear Finland or an account operator. A foreign private person, foreign entity or trust may hold book-entries. Such persons may also deposit book-entries in a custodial nominee account, where the shares are registered in the name of a custodial account holder in the Company's shareholder register. A custodial nominee account must contain information on the custodial account holder instead of the beneficial owner and indicate that the account is a custodial nominee account. Book-entry securities owned by one or more beneficial owners may be registered in a custodial nominee account. In addition, the shares owned by a foreign private person, foreign entity or trust may be deposited in a book entry account opened in the name of such foreign private person, foreign entity or trust, but the holding may be registered in the name of a nominee in the Company's shareholder register.

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

Euroclear Finland and the account operators are required to observe strict confidentiality. Certain information (e.g., the name and address of each account holder) contained in the register of shareholders maintained by Euroclear Finland must be made available to the public by Euroclear Finland and the Company, except in the case of custodial nominee registration. The Finnish FSA is also entitled to certain information on the holdings of shares registered in a custodial nominee account upon request. The Company has the same rights in respect of shares and instruments that entitle the holder to shares issued by the Company.

Each account operator is strictly liable for errors and omissions in its registration activity, and for any unauthorized disclosure of information. If an account holder has suffered a loss because of a faulty registration or other mistake or defect relating to the entries and the account operator has not compensated such loss due to insolvency that is not temporary, such account holder is entitled to receive compensation from the statutory registration fund of Euroclear Finland. The capital of the registration fund shall be no less than 0,0048% of the average of the total market value of the book-entries kept in

the book-entry securities system during the last five years and it must not be less than EUR 20 million. The compensation to be paid to an injured party is equal to the amount of damages suffered subject to a limit of EUR 25.000 per account operator. The liability of the registration fund to pay damages in relation to each incident is limited to EUR 10 million.

Custody of the shares by nominees

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

Registration in Sweden

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

Shares may be registered on securities accounts and accordingly be entered in the share register maintained by Euroclear Sweden, either in the owner's name (directly registered shares) or in the name of a nominee approved by Euroclear Sweden (nominee-registered shares). If the shares are nominee-registered, this is noted in the book-entry securities system. The relationship between the nominee and the beneficial owner is governed by agreement. The beneficial owner must, if he or she desires to exercise certain rights such as for example attend a general meeting of shareholders, temporarily re-register the shares in his or her own name. The nominees also regularly report the holdings of the beneficial owners to Euroclear Sweden.

Rights pertaining to shares, and entitling to for example dividends or participation in a rights issue, are issued to those holders of the shares whose names are entered into the Swedish Central Securities Depository register as at a certain record date, and dividends are normally distributed to bank accounts designated by the holders registered with Euroclear Sweden. The record date in question must be indicated in the resolutions determining the dividend or share issue or other relevant resolution.

If the registered holder is a nominee, the nominee receives the dividend and other economic rights pertaining to the shares on behalf of the beneficial owner. The same applies to subscription rights regarding rights issues and such new shares which have been subscribed for by using subscription rights. The nominee is responsible for the distribution of the dividend to the beneficial owners, and a similar procedure is followed for subscription rights and newly issued shares.

Cross-border settlement

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

Compensation fund for investors and the deposit guarantee fund

In a compensation fund for investors, investors are divided into professional and non-professional investors. The fund does not compensate any losses by professional investors. The definition of professional investor includes business enterprises and public entities, which are deemed to understand the securities markets and their associated risks. An investor may also provide notice in writing that, on the basis of his/her professional skills and experience in the securities markets, he/she is a professional investor; however, natural persons are generally presumed to be nonprofessional investors. Investment firms and credit institutions must belong to the compensation fund. The compensation fund safeguards payment of clear and undisputable claims when an investment company or a credit institution has been declared bankrupt, is undergoing a restructuring process or is otherwise, for a reason other than temporary insolvency, not capable of paying claims within a determined period. For valid claims, the compensation fund will pay 90 % of the investor's claim against each investment company or credit institution, up to a maximum of EUR 20.000. The compensation fund does not provide compensation for losses due to decreases in stock value or bad investment decisions. Accordingly, investors continue to be liable for the consequences of their own investment decisions. Depositary banks must belong to a deposit guarantee fund, which is intended to safeguard payments of receivables in the depositary bank's account or receivables in the forwarding of payments that have not yet been entered into an account if the depositary bank becomes insolvent and the insolvency is not temporary. The customers of a depositary bank can be compensated by the deposit insurance fund up to a maximum of EUR 100.000. An investor's funds can be safeguarded either by the deposit insurance fund or the compensation fund. However, an investor's funds cannot be safeguarded by both funds at the same time.

Regulation of the securities markets

Finland

The securities market in Finland is supervised by the Finnish FSA. The principal statute governing the Finnish securities market is the Finnish Securities Markets Act, which contains regulations with respect to company and shareholder disclosure obligations, prospectuses, public tender offers and insider dealing, among other things. The Finnish FSA and the Ministry of Finance of Finland have issued more detailed regulations pursuant to the Finnish Securities Markets Act. The Finnish FSA monitors compliance with the Finnish Securities Market Act and these regulations. As First North Finland is classified as a multilateral trading facility and not a regulated market, only a subset of the rules contained in the Finnish Securities Market Act apply to the Company and investors in its securities.

The Finnish Securities Markets Act specifies minimum disclosure requirements for Finnish companies applying for listing on a regulated market or offering securities to the public in Finland. The Finnish Securities Market Act specifies no minimum disclosure requirements for companies applying for listing on a multilateral trading facility, such as First North Finland or First North Sweden, where no securities

are offered to the public in Finland. Where such a disclosure obligation applies, the information provided must be sufficient to enable investors to make a sound evaluation of the securities being offered and the issuing company as well as of matters that may have a material effect on the value of the securities. The obligation of continuous disclosure is subject to the provisions of Article 17 of the Market Abuse Regulation which concern the public disclosure of inside information. The Regulation entered into force on 3 July 2016. The Market Abuse Regulation imposes an obligation to disclose inside information as soon as possible, unless the grounds for delay mentioned in the Regulation are met. The Finnish Securities Markets Act imposes no obligation on shareholders to disclose major holdings in a company listed on a multilateral trading facility.

The Market Abuse Regulation obligates the persons discharging managerial duties for the issuers of shares listed on a multilateral trading facility and the persons closely associated with them to immediately notify the Financial Supervisory Authority and the Company of any transactions they have conducted on the Company's shares and other financial instruments. The notifications must be made promptly, and no later than within three (3) business days of the transaction date. The obligation to make notifications of all transactions applies to all transactions after reaching a total of EUR 5.000 during a calendar year. The Company must furthermore disclose the information concerning the transactions concluded by the persons discharging managerial duties and the persons closely associated with them with a company release promptly, and no later than within three (3) business days of the transaction date. In multilateral trading facilities, the issuers of the traded shares must furthermore maintain a list of insiders which is composed of project-specific sections and, should the issuer so decide, complementary sections, which list permanent insiders. Under the Finnish Securities Market Act, there is no obligation based on holdings of shares or voting rights to make a public tender offer to purchase the remaining shares and other securities if such shares or securities are not traded on a regulated market. However, a party making a voluntary public tender offer to purchase shares or securities entitling to shares in a company listed on a multilateral trading facility shall comply with certain obligations arising from the Finnish Securities Market Act, such obligations relating to matters such as the equal treatment of the shareholders, disclosure, and securing financing for the tender offer.

The Finnish Penal Code (39/1889, as amended) criminalizes, inter alia, the misuse of inside information and market manipulation. Pursuant to the Finnish Securities Markets Act and the Finnish Act on the Finnish Financial Supervisory Authority (878/2008, as amended), the Finnish FSA has the right to impose administrative sanctions to the extent the offence does not fall within the scope of the Finnish Penal Code. The Finnish FSA can, for example, issue a public warning or impose administrative fines or monetary penalties for the breach of provisions on the prohibitions of misuse of inside information and market abuse.

Sweden

The securities market in Sweden is supervised by the Swedish FSA (Sw: Finansinspektionen). The Swedish FSA monitors compliance with the applicable regulations.

Laws governing the Swedish securities market include inter alia: (i) the Swedish Financial Instruments Trading Act (SFS 1991:980), which sets out regulations with respect to disclosures of major holdings, prospectuses and takeover bids, among other things, (ii) the Swedish Securities Markets Act (SFS 2007:528), which sets out regulations with respect to periodic and ongoing disclosure obligations, the operations of regulated marketplaces and Multilateral Trading Facilities, among other things, (iii) the Swedish Stock Market (Takeover Bids) Act (SFS 2006:451), which sets out regulations with respect to mandatory bids (Sw: budpliktsbud), and (iv) the Swedish Financial Instruments Trading (Market Abuse Penalties) Act (SFS 2005:377), which sets out regulations and penalties with respect to misuse of insider

information and market manipulation. Additionally, the Swedish securities market are regulated by the Market Abuse Regulation mentioned in the previous paragraph.

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

The Swedish Financial Instruments Trading Act specifies certain disclosure requirements for companies listed on a regulated marketplace. The same Act does, however, not contain any disclosure requirements for companies listed on a Multilateral Trading Facility, such as First North Sweden.

The Swedish Securities Market Act does not impose any obligation on companies listed on a Multilateral Trading Facility such as First North Sweden to publish periodic financial information on the Company.

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

The Swedish Financial Instruments Trading (Market Abuse Pen contains criminal sanctions for the misuse of insider information and market manipulation.

TAXATION

Taxation in Finland

The following summary is based on the tax laws of Finland as in effect as at the date of this Prospectus. Changes in the tax laws could have a retroactive effect on taxation. The following summary is not exhaustive and does not take into account or discuss the tax laws of any state other than Finland. Prospective investors are advised to consult professional tax advisors as to the tax consequences of the purchase, ownership and disposition of Shares in Company. Investors, whose taxation may also be subject to other countries' taxation in addition to that of Finland, should turn to a professional tax advisor on issues concerning tax consequences applicable to their individual circumstances.

Background

Finnish income tax and transfer tax consequences that are relevant to the subscription, purchase, ownership and transfer of Shares, which may be of significance in terms of the issue of shares, shall be specified below. The summary does not specify tax consequences that only apply to such shareholders of company shares that are subject to special provisions (for example, income tax exempt companies, general and limited partnerships, controlled foreign companies and their Finnish resident shareholders). The summary does not specify Finnish inheritance or gift tax consequences either. In terms of income tax consequences concerning dividends, the summary only specifies dividend distributions, when the dividend has been decided after the Shares have been admitted to trading at First North.

The description is mainly based on:

- Income Tax Act (30.12.1992/1535, incl. amendments)
- Act on Income from Professional Activities (23.6.1968/360, incl. amendments)
- Act on the Taxation of Non-residents' Income and Capital (627/1978 incl. amendments)
- Transfer Tax Act (29.11.1996/931, incl. amendments)

In addition, legal praxis and such tax authority decisions and statements have been considered below, which are valid and available on the date of this Prospectus. The tax legislation mentioned above can be amended in the future, and such amendments may also have a retroactive effect.

General

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

Generally, a natural person is deemed to be a resident in Finland if such person continuously remains in Finland for a period of more than six months or if the permanent home and abode of such person is in Finland. Earned income, including salary, is taxed at progressive rates. Currently, the capital income tax rate is 30%. In addition, should the amount of capital income received by a resident natural person exceed EUR 30.000 in a calendar year, the capital income tax rate is 34% on the amount that exceeds EUR 30.000. Corporate entities established under the laws of Finland are regarded as residents in Finland and are, therefore, subject to corporate income tax on their worldwide income. Currently, the corporate income tax rate is 20%.

The tax consequences of residents and non-residents of Finland concerning the purchase, ownership and transfer of Shares have been summarised below.

Taxation of Finnish corporate entities

Capital gains and losses

Corporate entities established under the laws of Finland are regarded as residents in Finland and are, therefore, subject to corporate income tax on their worldwide income. The transfer price of Shares is usually considered as taxable income of a Finnish corporate entity's business or non-business income source. In case of a non-business income source, the provisions of the Income Tax Act shall apply to capital gains. The taxable income of a Finnish corporate entity is determined separately for business and non-business income sources. The income of both income sources, after the deduction of costs that have occurred from the acquisition and retention of income, are subject to 20 percent tax. The acquisition cost of shares is deductible from the income of such income source that the sold shares belong to. Capital losses pertaining to the sale of shares belonging to a business income source and that are not part of fixed assets are, in principle, tax deductible from the business income source. Capital losses pertaining to a business income source can be deducted from the taxable business income source's income for the subsequent ten years following the loss year. Tax deductible capital losses pertaining to the sale of shares that are part of the income of a non-business source can only be deducted from capital gains arising from the sale of fixed assets shares in the same fiscal year and the subsequent five years. From 2016 onward, capital losses are secondarily also deductible from other capital income.

Despite the above, the capital gains of a corporate entity (other than one exercising capital investment activities) from such fixed assets shares that the corporate entity has owned for at least one year and that entitle to at least 10 percent of the Company's share capital, may under certain circumstances be tax exempt. Capital losses for such shares are, in this case, non-deductible in taxation. Losses, that occur from the transfer of shares belonging to fixed assets other than tax-exempt shares, are only deductible from gains rising from the transfer of shares during the fiscal year and the five subsequent years.

Dividends

A company listed on First North is considered to be a publicly listed company in terms of Finnish dividend taxation. Dividends from one publicly listed company to another are generally tax exempt.

Dividends received by a Finnish company that is not a Listed Company (i.e. a privately held company) from a Listed Company are fully taxable income. However, in cases where the privately held company directly owns 10% or more of the share capital of the Listed Company distributing the dividend, the dividend received on such shares is tax exempt, provided that the underlying shares are not included in the investment assets of the shareholder. However, in cases where the underlying shares are included in the investment assets of the shareholder, 75% of the dividend is taxable income while the remaining 25% is tax exempt.

Taxation of resident natural persons

Capital gains and losses

A capital gain arising from the sale of any shares is generally taxable in Finland as capital income for resident private persons and estates. A capital loss arising from the sale of any shares, on the other hand, is generally considered as a capital loss that is deductible from capital gain. Capital gains are taxed according to a 30 percent tax rate. Should the amount of capital income received by a resident

natural person exceed EUR 30.000 in a calendar year, the capital income tax rate is 34% on the amount that exceeds EUR 30.000. Capital gains arising from the sale of assets that do not belong to business activity are exempt from tax provided that the proceeds of all assets sold by the resident natural person during the tax year do not, in aggregate, exceed EUR 1.000.

Capital losses arising from the sale of shares that do not belong to the business activity of the shareholder is deductible from the resident natural person's capital gains arising in the same year and during the following five years. Capital losses are not tax deductible if the acquisition cost of all assets sold by the natural person or estate during the tax year does not, in aggregate, exceed EUR 1.000. If the transfer of shares is, however, related to the business activities of a private person or estate, the capital gain or shares belonging to fixed assets shall be taxable as working income and capital income on the basis of net worth. The deduction of business activity losses takes place in accordance with the description in section *"Taxation of Finnish corporate entities".*

Any capital gain or loss is calculated by deducting the acquisition cost of the Subscription Rights and Offer Shares and any sales related expenses from the sales price. Alternatively, a natural person holding shares that are not included in the person's business activity may, instead of deducting the actual acquisition costs, choose to apply a so-called presumptive acquisition cost, which equals 20% of the sales price, or in the case of shares which have been held for at least ten years, 40% of the sales price. If the presumptive acquisition cost is used instead of the actual acquisition cost, any selling expenses are deemed to be included therein and cannot be deducted separately from the sales price. The presumptive acquisition cost shall not apply if the shares belong to business activities, but instead the capital gain or loss is calculated on the basis of actual costs arising from the acquisition cost and sales related expenses. Resident natural persons in Finland must include in their pre-filled tax return form details of any share transfers that have taken place during the fiscal year.

Dividends

85% of dividends paid by a Listed Company to a shareholder, who is a resident natural person, is considered capital income of the recipient, while the remaining 15% is tax exempt. The applicable tax rate is 30 percent. In addition, should the amount of capital income received by a resident natural person exceed EUR 30.000 in a calendar year, the capital income tax rate is 34% on the amount that exceeds EUR 30.000.

Distribution of dividends by a Listed Company to resident natural persons is subject to advance tax withholding. Currently, the amount of the advance tax withholding is 25.5%. The advance tax withheld by the distributing company is credited against the final tax payable by the shareholder for the dividend received. Resident natural persons and estates in Finland must review their pre-filled tax return forms to ensure that any details on dividend income are correct, and inform any errors or shortcomings to the tax authorities.

Investors with limited tax liability

Capital gains and losses

Investors with limited tax liability in Finland are generally not liable to tax for gains arising from the transfer of shares, unless the person with limited tax liability is considered to have a permanent establishment in Finland as referred to in the Finnish Income Tax Act and the shares are considered to be fixed assets of such permanent establishment.

Dividends

The amount of tax withheld at source from a dividend received by a natural person with limited tax liability is 30 percent and the amount of tax at withheld at source from a dividend received by a corporate entity with limited tax liability is 20 percent, unless otherwise specified in an applicable tax treaty.

Finland has concluded tax treaties with several different states, according to which the percentage of tax at source, for dividends paid to persons within the scope of the tax treaty, is reduced. The determination of the applicable percentage of tax at source should be confirmed per state and tax treaty.

When the shareholders of Finnish companies' shares held through a nominee account are entitled to a dividend, the Finnish company paying dividends shall pay the dividend to a custodian intermediary who shall distribute the paid dividends to the shareholder. If the beneficiary of the dividend paid for a share held through a nominee account resides in a tax treaty state, a tax at source in accordance with the tax treaty shall be withheld from the dividend, however no less than 15 percent. If the tax rate set forth in the tax treaty is less than 15%, an application may be submitted for the refund of the excess withholding tax. Such procedure, however, requires that the foreign custodian intermediary is registered in the Finnish tax authorities' register and that it is resident in a country with which Finland has a double taxation treaty. Also, the foreign custodian intermediary must have an agreement with the Finnish account operator regarding the custody of the shares. In such agreement, the foreign custodian intermediary must, among other things, commit to report the dividend receiver's residential country to the account operator and to provide additional information to the tax authorities, if needed. If these provisions are not fulfilled, a 30 percent withholding tax is withheld on the nominee account's dividend.

In accordance with Finnish tax legislation, withholding tax is not withheld from dividends, which are paid to foreign companies, as set forth in Article 2 of the parent-subsidiary directive (2011/96/EU), located in an EU member state and subject to income tax of their home state, which directly have a minimum holding of 10 % of the capital of the dividend-distributing Finnish company. Dividends paid to certain foreign companies located in the EEA-area are also either fully tax exempt or subject to a reduced withholding tax rate depending on how the dividend would be taxed, if it were paid to an equivalent Finnish company.

Transfer tax

There is no transfer tax payable in Finland on transfers or sales of shares admitted to trading on First North Finland or First North Sweden if the transfer is made against a fixed pecuniary consideration. Transfer tax is not withheld in Finland for a Finnish company's share transfers, when the subject shares are the subject of trade in a publicly open and regularly operating market. These include, for example, a multilateral trading system referred to in the Act on Trading in Financial Instruments (and in accordance with its guidelines, First North is such a multilateral trading system), provided that the securities issued by the Company are connected to a book-entry system as referred to in the Act on Book-Entry Accounts. Tax exemption also requires that the shares have been transferred against a fixed pecuniary consideration, and that the broker or other counterparty to the transaction is an investment firm, a foreign investment firm or other party offering investment services, or that the transferee has been approved as a counterparty to the transaction on the market where the trade is carried out. If the broker or other counterparty to the transaction is not a securities dealer (i.e. the broker is a foreign securities dealer, that does not have a branch or office in Finland), the transfer tax exemption requires that the transferee submits a notification of the transfer to the Finnish Tax Administration within two months of the transfer, or that the broker submits an annual declaration regarding the transfer to the Finnish Tax Administration as set forth in the Act on Assessment Procedure.

There are exceptions to the tax exemption of the transfers described above, such as a transfer where the consideration is formed either fully or partially from work that has been carried out.

If the transfer or sale of subscription rights or shares does not fulfil the above criteria for a tax-exempt transfer, transfer tax at the rate of 1.6 % of the sales price is payable by the purchaser. No transfer tax is collected if the amount of the tax is less than EUR 10. However, if the purchaser is neither a tax resident in Finland nor a Finnish branch or office of a foreign credit institution, investment firm or fund management company, the seller must collect the tax from the purchaser.

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

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

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

Taxation in Sweden

Some tax aspects relating to Issuance of shares are described in the following summary. The summary concerns such natural persons and limited liability companies which are tax residents in Sweden, unless otherwise stated. The summary is based on legislation in force at this moment and its purpose is to solely provide information general in nature on the Issuance of shares. The summary does not cover situations, where the shares are included in short-term assets of the business, nor situations, where a limited or general partnership owns the shares. The summary does not cover special provisions relating to tax exempt capital gains (including non-deductible capital losses), or relating to dividends, which can be applied when the shares of the Company are deemed to be part of the shareholder's business assets (in taxation in Swedish näringsbetingade andelar). Special provisions, which, in certain cases, can be applied to the shares which are, or in the past have been so called closely-held companies, or shares which have been acquired through such shares have not been taken into account, and neither the special tax rules, which concern assets owned through investment savings accounts (in Swedish investeringssparkonto).

In addition, there are specific tax provisions, which are applied to particular groups of companies, which are shareholders. The tax treatment of each individual shareholder depends, to certain extents, on the own circumstances of the shareholder. Each shareholder has to request advice from an independent tax advisor regarding tax consequences, which relate to the circumstances of the shareholder in question, which the participation in the Share issue may cause, including the impact of the foreign tax legislation and applicability of tax treaties concluded to prevent double taxation.

Natural persons

Taxation of capital income

In Sweden, capital income earned by tax resident natural persons, such as interest income from listed companies, dividends and capital gains, are taxed as capital income. The tax rate of capital income is 30 percent.

Capital gain or loss is calculated by deducting the possible sales expenses and acquisition cost from the sales revenue. The acquisition cost of the listed shares is in most cases determined by the average

acquisition cost method. This means that the acquisition cost of all of the shares which belong to the same share group and type, as the share to be sold, will be summed up and allocated as acquisition cost taking into account the ownership changes. Alternatively, it is possible to use so called standard method, in which the 20 percent of the sales revenue deducted by the sales expenses is deemed as acquisition cost.

Capital losses on listed shares are fully deductible from the taxable capital gains on shares, and other securities, which are taxed in the same manner as shares, which have been sold in the same tax year (but not against taxable revenue received from mutual funds, which solely consist of Swedish receivables, räntefonder in Swedish). At the maximum 70 percent of the capital losses on shares which cannot be covered in this way, can be deducted from other capital income.

If there is a net loss for (all of the) capital income, tax credit is allowed against tax on employment and business income, and additionally against national and municipal real estate tax. The allowable tax credit of the amount of the net loss not exceeding 100 000 Swedish crowns, is 30 percent and it is 21 percent of the amount of the net loss in excess. The net loss cannot be carried forward to future tax years.

Taxation of dividends

Dividends received by tax resident natural persons in Sweden are subject to withholding tax of 30%. Generally, Euroclear Sweden or in case of nominee-registered shares the custodian bank conducts the withholding. The advance tax, which will be withheld in Sweden, can be reduced because of tax treaties concluded to prevent double taxation.

In addition, dividends paid by foreign companies are typically subject to foreign tax at source. The source tax rate has typically been reduced in the applicable tax treaties on dividends payable to nominee-registered shares owned by a tax resident person in Sweden. The foreign tax paid can generally be credited against the tax on the same income in Sweden.

Limited liability companies

Taxation of capital gains and dividends

All accrued income of Swedish limited liability companies (aktiebolag in Swedish), including taxable capital gains and dividends, are taxed as business income at a rate of 22 percent. Capital gains and losses are calculated in the same way, as previously described in the section concerning natural persons.

Deductible capital losses on shares can only be deducted from taxable gains realised on shares and other securities, which are taxed in the same manner as shares. If the limited liability company which has suffered the capital loss is not able to deduct it, it may be possible to deduct the capital loss from the corresponding capital gains of the other companies belonging to the same group if the prerequisites for granting group relief (koncernbidrag in Swedish) are met and if both companies request it in the tax returns for the same year. A capital loss resulted from the shares, which cannot be utilised during the same accounting period when it has been realised, can be carried forward (by the limited liability company which has suffered the loss) and can be deducted from taxable capital gains on shares and securities, which are taxed in the same manner as shares, in later accounting periods without time restrictions. Special tax rules can be applied to certain company and corporate groups, such as mutual funds and investment companies.

In addition, dividends paid by foreign companies are typically subject to foreign tax at source. The source tax rate has typically been reduced in the applicable tax treaties on dividends payable to

nominee-registered shares owned by a tax resident person of Sweden. The foreign tax paid can generally be credited against the tax on the same income in Sweden.

Non-resident shareholders in Sweden

Taxation of capital gains

Shareholders, whose place of tax residence is not Sweden, and who do not conduct business from a permanent establishment located in Sweden are not generally tax liable for capital gains from shares. However, such shareholders may be tax liable in their home state of residence. According to special rule, natural persons whose place of residence for tax purposes is not Sweden, are subject to tax on capital gains realised from shares if they have had place of residence or their have permanently resided in Sweden during any time of the calendar year in question when the sale occurred, or during 10 calendar years preceding the year in question. The tax treaties concluded to prevent double taxation limit, in many cases, the applicability of this rule.

LEGAL ISSUES

Trials and regulatory procedures

The Company has not participated in trials or regulatory procedures, which would have substantial or significant effect on the financial situation or profitability of the Company or its subsidiary on the date of the Prospectus, or during the 12-month period before the date of the Prospectus. The Company does not have any known ongoing procedures or procedures that would be a threat to the Company.

Significant agreements

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

Insurances

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

Intellectual property rights

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

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

AVAILABLE DOCUMENTS

Copies of the following documents are available for the duration of this Prospectus' validity on week-days between 9 am - 5 pm at the Company's office's registered address at Kiviharjunlenkki 6, 90220 Oulu.

- The Company's Articles of Association on the date of this Prospectus.
- BBS' audited financial statement for the fiscal year that ended at 31.12.2017, 31.12.2016 and 31.12.2015, including the audited comparison data for the fiscal year that ended on previous fiscal year, operating report and auditor's report in the form they are attached to this Prospectus.
- This Prospectus
- The Financial Supervisory Authority's decision concerning this Prospectus.

MATERIAL INCLUDED IN THE PROSPECTUS BY MEANS OF REFERENCES

The Company's financial statement and auditor's report for the fiscal year ending 31.12.2017, 31.12.2016 and 31.12.2015 have been included in this Prospectus by means of references. The Finnish documents that have been included by means of references and the English translation of this Prospectus, as well as the English translations of the material included in the Prospectus by means of references are available on the Company's website at www.bbs-artebone.fi/listautuminen in printed format in Finnish at the Company's office at Kiviharjunlenkki 6 90220 Oulu during weekdays at 9 am - 5 pm.

ABBREVIATIONS AND EXPLANATIONS OF TERMS

ARTEBONE	*Ready to use paste in a syringe, consisting of tricalcium phosphate granules and reindeer bone protein extract. This is the first product of BBS.*
Allograft	*Bone taken from human donor*
Bank bone	*Bone taken from human donor*
Autograft	*Bone harvested from patient's own skeleton*
Biocompatibility	*Ability of a biomaterial to perform its desired function with respect to a medical therapy, without eliciting any undesirable local or systemic effects in the recipient or beneficiary of that therapy, but generating the most appropriate beneficial cellular or tissue response in that specific situation, and optimizing the clinically relevant performance of that therapy*
BMP	*Bone morphogenic protein*
BOD	*Board of Directors*
BSI	*Notified Body in UK, which is responsible for the CE-mark approval*
CRO	*Clinical Research Organization*
DBM	*Demineralized bone matrix,*
EBITDA	*Earnings Before Interest, Taxes, Depreciation and Amortization*
EMEA	*The European Medicines Agency (EMA) is a decentralised agency of the European Union (EU), located in London. It began operating in 1995. The Agency is responsible for the scientific evaluation, supervision and safety monitoring of medicines in the EU.*
Extract	*Raw material is Reindeer bone protein extract*
FDA	*Food and Drug Administration, United Stated Medical Device regulatory authority*

FDA 510(k)	*Premarket notification to the FDA to demonstrate that the device to be marketed is at least as safe and effective, that is, substantially equivalent, to a legally marketed medical device*
FIMEA	*Finnish Medicine Agency Fimea maintains and improves the health of the population by supervising and developing the pharmaceutical sector*
HA	*Hydroxyapatite, chemically similar to the mineral component of bones and hard tissues. Classified bioactive as it supports bone ingrowths and osseointegration.*
IFU	*Instructions for Use*
Implant	*Medical device made to replace and act as a missing biological structure*
IP	*Intellectual Property*
ISO	*International Organization for Standardization*
KPI	*Key Performance Indicator*
NB	*Notified Body. A certified organization granting the CE-mark as authorization to sell in EU.*
NMP	*N-Methyl-Pyrollidone*
NWC	*Net Working Capital*
Orthobiologics	*Biological material promoting healing of a tissue*
Osteoinductive	*Osteoinduction involves the stimulation of osteoprogenitor cells to differentiate into osteoblasts that then begin new bone formation. The most widely studied type of osteoinductive cell mediators are bone morphogenetic proteins (BMPs)*
Osteoconductive	*Osteoconduction occurs when the bone graft material serves as a scaffold for new bone growth that is perpetuated by the native bone. Osteoblasts from the margin of the defect that is being grafted utilize the bone graft material as a framework upon which to spread and generate new bone In the very least, a bone graft material should be osteoconductive.*
PMA	*Pre-Market Approval, an FDA process of scientific and regulatory review to evaluate the safety and efficacy of Class III medical devices*
rhBMP	*Recombinant Human Bone Morphogenic Protein,*
TCP	*Tricalcium phosphate*
TEKES	*Finnish funding agency for technology and innovation*

ARTICLES OF ASSOCIATION

1 §. Company's name and registered office

The Company's name is BBS-Bioactive Bone Substitutes Oyj in Finnish, BBS-Bioactive Bone Substitutes Abp in Swedish and BBS-Bioactive Bone Substitutes Plc in English. The Company is domiciled in Oulu.

2 §. Company's line of business

The Company's line of business is to conduct medical and odontological research and treatment and maintain a research and treatment facility; supply services related to such activity; import, buy, sell, rent and manufacture machinery, equipment, instruments and pharmaceuticals necessary for the operation of such line of business. Medical activities for commercialising artificial bone and carrying on business with artificial bone and manufacturing rights.

3 §. Removed.

4 §. Board of Directors

The Company has a Board of Directors which consists of 3-7 ordinary members. The term of the members of the Board of Directors expires at the closing of the first Annual General Meeting following the election.

5 §. Signing for the Company

Two members of the Board of Directors together or the Managing Director and one member of the Board of Directors together may sign for the Company.

6 §. Auditors

The Company has one regular auditor, who has one deputy. The auditors are appointed until further notice.

7 §. Financial period

The accounting period of the Company is the calendar year 1 January - 31 December.

8 §. Notice

Notice of the General Meeting shall be delivered to the shareholders no earlier than two months and no later than three weeks before the General Meeting, yet no later than nine days before the record date of the General Meeting. The notice of the General Meeting shall be delivered by sending it to the addresses indicated in the shareholders' register or, alternatively, by delivering the notice within the same timeframe in another written manner for example by email or by publishing the notice in a national daily newspaper determined by the Board of Directors. The notice shall also be published on the Company's website. In order to participate in the General Meeting, the shareholder shall give the Company advance notice of participation at the latest on the date stated in the notice, which may not be earlier than ten (10) days before the General Meeting.

9 §. Annual General Meeting

The Annual General Meeting shall be held annually within six months of the end of the accounting period on a date determined by the Board of Directors.

In the meeting, the following shall be presented:

1. financial statements comprising a profit and loss statement, a balance sheet and an annual report

2. auditor’s report decided upon

3. adoption of the profit and loss statement and the balance sheet;

4. measures required by the profit or loss on the adopted balance sheet

5. discharge of the members of the Board of Directors and the Managing Director from liability

elected:

6. members of the Board of Directors and, if necessary,

7. one auditor and their deputy

10 §. Redemption clause

Removed.

11 §. Book-entry system

It was resolved to incorporate the Company’s shares in the book-entry system. It was resolved that the incorporation of the Company’s shares in the book-entry system will begin on 1.8.2017 and end on 2.8.2017, after which the Company’s shares will be in a book-entry system.

ADDRESSES

Company

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Finland

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00100 Helsinki
Finland

Certified Adviser in Sweden

Stockholm Certified Advisers AB
Nyängsvägen 34
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Sweden

Company's adviser in drafting the Prospectus

Regin Corporate Finance AB
Artillerigatan 6
114 51 Stockholm
Sweden

Legal adviser in Finland ad Sweden

Eversheds Asianajotoimisto Oy
Fabianinkatu 29 B
00100 Helsinki
Finland

Auditor

Ernst & Young Oy
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