

Q2 STRONG SALES GROWTH IN THE US

"I am proud of the strategic progress we have achieved during the quarter and the organization's ability to adapt the business to the current circumstances."

Emil Billbäck, CEO

APRIL - JUNE 2020

- Net sales decreased by 3 percent and amounted to SEK 36.2 million (37.3).
- The North America (NA) segment reported a sales increase of 46 percent.
- The Europe & Rest of the World (EUROW) segment reported a 35 percent decline in sales.
- The gross margin was 86.7 percent (86.5). The gross margin was suppressed by fixed production costs in combination with lower net sales.
- Operating result amounted to SEK -23.5 million (-47.8).
- Earnings per share, before and after dilution, were SEK -0.41 (-0.93).

JANUARY - JUNE 2020

- Net sales increased by 14 percent and amounted to SEK 79.6 million (70.1).
- The North America (NA) segment reported a sales increase of 63 percent.
- The Europe & Rest of the World (EUROW) segment reported a 16 percent decrease in sales.
- The gross margin was 87.8 percent (86.2).
- Operating result amounted to SEK -52.7 million (-86.8).
- Earnings per share, before and after dilution, were SEK -0.95 (-1.68).

SIGNIFICANT EVENTS

- BONESUPPORT announced in April that the Company had submitted a De Novo application to the US Food and Drug Administration (FDA) to obtain a market approval for the Company's antibiotic-eluting product CERAMENT G. The application is valid for the indication osteomyelitis (bone infection) and could potentially lead to an approval at the end of 2020.
- In May, BONESUPPORT carried out a directed new share issue of SEK 378 million before transaction costs.
- Michael Roth assumed the position as General Manager & Executive Vice President Commercial Operations North America in June.
- In June, BONESUPPORT announced that the Company is starting its own sales organization in the Netherlands.
- Patient recruitment to FORTIFY ended in June, following a FDA approval.

KEY FIGURES	Apr - Jun		Jan - Jun		12 months	
	2020	2019	2020	2019	LTM	2019
Net sales, SEKm	36,2	37,3	79,6	70,1	164,9	155,5
Sales growth, % ¹	-3,1	32,4	13,5	18,4	53,4	60,9
Gross profit, SEKm	31,4	32,3	69,9	60,5	145,3	135,9
Gross margin, % ¹	86,7	86,5	87,8	86,2	88,1	87,4
Operating loss, SEKm	-23,5	-47,8	-52,7	-86,8	-124,0	-158,1
Loss for the period, SEKm	-23,6	-47,9	-53,0	-87,0	-127,1	-161,1
Equity at period end, SEKm	442,1	192,5	442,1	192,5	442,1	124,3
Net debt, SEKm ¹	-383,3	-161,2	-383,3	-161,2	-383,3	-81,7
Operating cash flow, SEKm	-31,7	-42,3	-59,7	-84,1	-139,5	-163,8
Cash at period end, SEKm	393,9	173,1	393,9	173,1	393,9	92,1
Earnings per share, SEK	-0,41	-0,93	-0,95	-1,68	-2,46	-3,10

¹ APM: Alternative performance measures, see definitions on page 23.

CEO COMMENTS ON THE SECOND QUARTER

NEGATIVE COVID-19 IMPACT, BUT STRONG SALES GROWTH IN THE US

The quarter has seen a number of advances related to the future launch of CERAMENT G in the United States. The strong sales growth in the US quarter 2, despite the pandemic impact, displays the potential for both current and future products in this important market.

Emil Billbäck
CEO BONESUPPORT



The pandemic has led to a significantly lower priority for non-critical orthopedic surgeries, which many have been deferred to later dates. According to industry estimates, non-critical surgeries have decreased by around 80-90 percent in March and April, compared with the previous year. The number of non-critical surgeries is expected to normalize gradually in the autumn, depending, of course, on how the pandemic develops. Restrictions and quarantine in the second quarter have meant a generally lower mobility of the population, resulting in a reduced amount of trauma cases, which normally accounts for a majority of the critical operations where CERAMENT is used.

The pandemic has led to limitations in meeting with existing and potential customers. Restrictions on larger crowds have led to all major congresses being canceled or moved to later dates. BONESUPPORT has been quick to switch to a more digital way of working. During the quarter, we conducted several virtual events where leading orthopedic surgeons (Key Opinion Leaders) have presented studies and patient cases where CERAMENT has been used successfully. These events have been well attended, with up to 250 participants. The events have also been highly interactive with a large number of questions from an interested audience. We have also ensured procedures that allow us to quickly adapt market activities based on national or regional COVID-19 restrictions.

The transition to digital customer meetings and the measures we have previously reported on, reducing working hours for sales staff and a temporary voluntary salary reduction for the organization, have led to significant cost savings in the second quarter.

Despite the impact of the pandemic, sales in the North America segment grew by 46 percent compared to the second quarter of 2019. A number of major clinics have had fewer surgeries in the quarter as a result of the pandemic. At the same time, we are constantly increasing our customer base in the US as a result of our strategy and growing success with the new distribution network, which more than compensates for the temporary sales decline seen in a number of established customers.

In segment Europe and the rest of the world (EUROW), the regions most affected by COVID-19 have also experienced the largest loss of sales. As a company in its early commercial phase,

with a groundbreaking new technology, we are mainly established in university hospitals, which are the hospitals most affected by the pandemic. The upgrade and the shift of distributor partners in Italy and France have also led to temporarily lower sales in these countries.

In the quarter, patient recruitment was completed in the FORTIFY study. The study results are intended to provide support for PMA-application for CERAMENT G by the end of 2021. As the recruitment rate was expected to be affected by the pandemic, after approval from the FDA, the number of study subjects was reduced by 30 to 200. We are confident with the assessment of the study's independent statisticians that the reliability of expected results is only minimally affected by this. In addition, at the beginning of the quarter, we submitted a De Novo application for CERAMENT G in the osteomyelitis (bone infection) indication. We expect an approval from the FDA by the end of 2020.

To finance the upcoming commercialization of CERAMENT G in the USA, we conducted a successful and over subscribed directed new share issue in the quarter, which brought the Company SEK 378 million before issue costs. The funding will also be used for continued market investments in Europe as well as improvements in the manufacturing process to further improve production capacity. I would like to take this opportunity to express my appreciation for the trust given to us by both existing and new shareholders.

The surgeries that are now being postponed add to existing long waiting lists around the world. In the long term, the pandemic has limited impact on the needs for our products, be it in emergency or in planned surgeries. However, the need for an effective healthcare system will be greater than ever before. CERAMENT enables a one-step procedure instead of the multiple surgeries that are currently the prevailing standard. CERAMENT thus makes a unique contribution to the reduction of the healthcare congestion that is now being built up around the world.

The quarter has meant difficult conditions for healthcare, patients and society at large. I am proud of the strategic progress we have achieved during the quarter and the organization's ability to adapt the business to the current circumstances. We have a strong belief in our unique technology and business model. Growth for the full year 2020 remains difficult to predict, but for the following years the target of growing 40 percent per year remains.

COVID-19 PANDEMIC'S IMPACT ON BONESUPPORT

The ongoing pandemic has an impact on the Company's sales, which has resulted in lower sales during the first half of 2020. Sales growth for the full year 2020 is currently difficult to predict. Below is an overview of how BONESUPPORT was affected during the quarter and the assessments that can currently be made for the rest of the year, as well as how BONESUPPORT acts to deal with this serious situation.

EFFECTS DURING THE SECOND QUARTER

- During the second quarter, there was a dramatic reduction in the number of non-critical procedures, which led to reduced sales.
- Restrictions and quarantine during the second quarter have meant a generally lower mobility of the population, which has led to a reduced amount of trauma cases, which normally accounts for a majority of critical operations where CERAMENT is used. The pandemic has led to a slowdown in the establishment of new clinics and users for CERAMENT.
- Restrictions on physical meetings and switching to digital contacts in Europe and in North America resulted in fewer and lower costs for completed marketing and sales activities.
- As a result of anticipated difficulties in recruiting patients, enrollment of patients for the FORTIFY study was concluded, after FDA approval.

EXPECTED DEVELOPMENT DURING THE YEAR

- The corresponding impact of the pandemic on BONESUPPORT, to that which was seen during the second quarter, can be expected during the remainder of the year, depending on the extent of the spread of infection, restrictions and healthcare priorities.
- In the longer term, the pandemic is expected to have a limited impact on the need that exists for BONESUPPORT's products, whether it concerns trauma or elective surgeries.

SELECTION OF MEASURES TAKEN TO PROTECT PERSONNEL AND OPERATIONS

- Recommended hygiene practices and opportunities to work from home.
- Reduction of expenses that are not considered to interfere with operations and the ability to quickly scale up activities when the pandemic so permits.
- Short-time work reduction for persons in sales functions. Temporary salary reductions have been applied, which will be visible in the costs for the current quarter.
- A well-functioning manufacturing process in combination with maintaining high security stocks guarantees good delivery capacity over the coming quarters.



NORTH AMERICA (NA)

The American market is the world's largest for synthetic bone graft products and is thereby the most important market for the Company. The focus of the North America segment is the continued development of the distribution structure established at the end of 2018. In addition to this, the preparations for a market introduction of the Company's antibiotic eluting product CERAMENT G has been intensified following a decision to submit a De Novo application for the indication osteomyelitis (bone infection) during April this year. The application could potentially lead to a market approval at the end of the year. Despite the impact of the pandemic, sales in the North America segment grew by 46 percent compared to the second quarter of 2019.

APRIL - JUNE

Sales

Sales for the period amounted to SEK 21.6 million (14.8), which corresponds to a growth of 46 percent. The new distribution structure means improved geographical coverage and allows for broader market penetration of various indications. The continuously strengthened customer base contributes to a sales increase that exceeds the temporary sales decline of several established customers as a direct effect of the ongoing COVID-19 pandemic.

Contribution¹

The contribution from the segment was SEK -4.2 million (-23.4). The reduced loss is due to increased sales as well as savings and lower costs because of the COVID-19 pandemic. The previous year was charged with an item affecting comparability of SEK 11 million regarding the repurchase of inventory items from the former distributor. Sales and marketing expenses during the quarter amounted to SEK 18.6 million (18.8 excluding item affecting comparability expense), of which sales commissions to the distributors amounted to SEK 6.9 million (4.7). The contribution was also burdened by R&D costs amounting to SEK 5.2 million (6.4).

JANUARY - JUNE

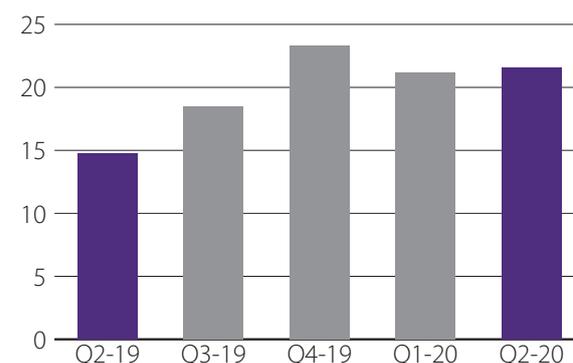
Net sales amounted to SEK 42.8 million (26.3), corresponding to an increase of 63 percent. The increase should be seen in light of the transition to a new distribution structure.

The contribution amounted to SEK -16.4 million (-39.2). The contribution has improved by SEK 11.8 million, excluding the item affecting comparability last year. The improved contribution is mainly due to the increase in sales.

Net sales, gross profit and contribution, SEKm

	Apr - Jun		Jan - Jun		Full year
	2020	2019	2020	2019	2019
Net sales	21,6	14,8	42,8	26,3	68,0
Gross profit	19,6	13,4	39,3	23,7	62,4
Contribution	-4,2	-23,4	-16,4	-39,2	-56,5

Net sales per quarter, SEKm



¹ APM: Alternative performance measures, see definitions on page 23.



EUROPE & REST OF THE WORLD (EUROW)

In Europe, CERAMENT is sold by both the Company's own sales organization and by distributors. Germany, the United Kingdom, Switzerland, Sweden and Denmark are key markets where BONESUPPORT has its own sales staff. During the quarter, recruitment of own sales staff to the Dutch market was initiated. In other European markets and in other parts of the world (ROW), the Company cooperates with specialist distributors. In 2020, the focus will be on accelerating sales and use of CERAMENT in established and new markets through increased market access through, above all, the provision of published clinical and health economic evidence. Sales in the quarter are a direct effect of a reduced number of orthopedic surgeries as an effect of the COVID-19 pandemic.

APRIL – JUNE

Sales

Sales for the segment decreased, as a direct impact of the COVID-19 pandemic, by 35 percent compared with the previous year and amounted to SEK 14.6 million (22.5). Sales in key markets accounted for 84 percent (85) of the segment's sales. Sales of the antibiotic-releasing products CERAMENT G and CERAMENT V decreased by 34 percent.

Contribution¹

The contribution from the segment was SEK 2.3 million (3.8). The reduced contribution is explained by lower sales and a lower gross profit of SEK 11.7 million, partly offset by lower costs and savings. Sales and marketing expenses decreased by SEK 5.7 million compared with the corresponding period last year and amounted to SEK 9.4 million (15.1). The decrease is partly due to a lower level of activity in the market, as a direct effect of the pandemic and the restrictions on physical meetings that have been applied, and partly due to lower staff costs as a result of the working time reductions and voluntary salary reductions implemented during the period.

JANUARY – JUNE

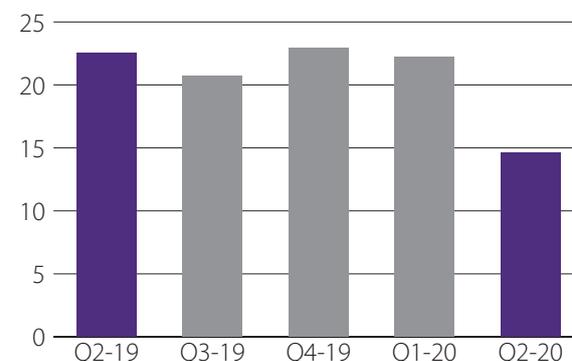
Net sales amounted to SEK 36.8 million (43.9), a decrease of 16 percent compared with the previous year. The decreased sales during the period are a direct effect of a reduced number of orthopedic surgeries as a direct effect of the COVID-19 pandemic. Sales of the antibiotic release products CERAMENT G and CERAMENT V decreased by 15 percent.

The contribution amounted to SEK 6.2 million (4.7). Lower costs and implemented savings have meant a better contribution than last year.

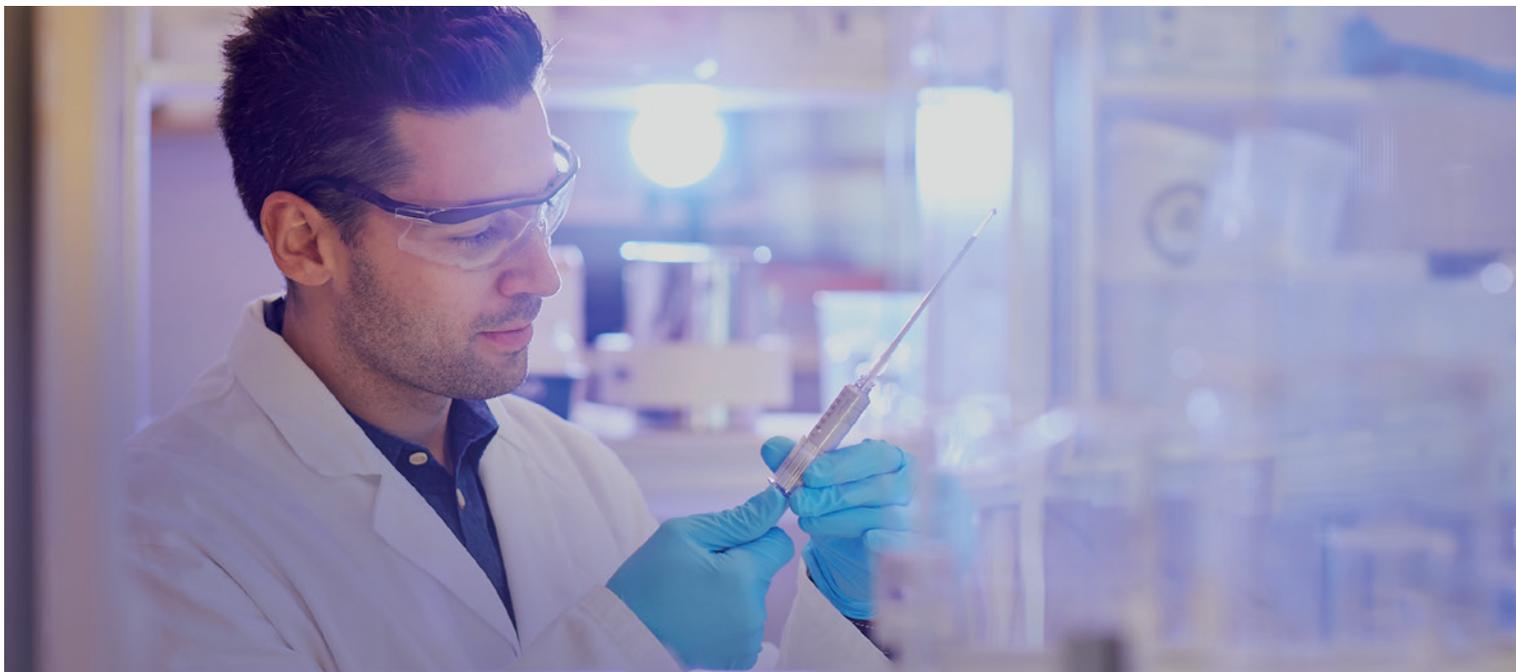
Net sales, gross profit and contribution, SEKm

	Apr - Jun		Jan - Jun		Full year
	2020	2019	2020	2019	2019
Net sales	14,6	22,5	36,8	43,9	87,4
Gross profit	11,7	18,8	30,6	36,8	73,5
Contribution	2,3	3,8	6,2	4,7	8,0

Net sales per quarter, SEKm



¹ APM: Alternative performance measures, see definitions on page 23.



RESEARCH AND DEVELOPMENT

BONESUPPORT's clinical development program focuses on further developing CERAMENT's properties, broadening clinical application areas and utilizing CERAMENT's unique drug-releasing properties through the development of combination products that promote bone healing.

Several different combinations with CERAMENT have been investigated to add osteoinductive properties, meaning the ability to actively stimulate bone healing. Among other things, the Company has conducted research in the form of preclinical candidates that have combined CERAMENT with bisphosphonates, bone morphogenic proteins (BMP), bone marrow aspirate (BMA) and demineralized bone matrix (DBM). Prioritized product candidates for own development are CERAMENT with bisphosphonate and CERAMENT with DBM, while CERAMENT with BMP is a candidate for potential partner development.

Bisphosphonate is a well-established substance in the treatment of osteoporosis and is used to limit the activity of osteoclasts, resulting in improved bone remodeling and bone density. Demineralized bone matrix (DBM) is based on allograft reduced on minerals. The material has been shown to have a wide use in conditions and situations where there is weak natural bone remodeling.

CLINICAL EVIDENCE, A STRATEGIC CORNERSTONE

One of the three cornerstones of the strategy is to provide industry-leading scientific and clinical evidence that validates the many benefits of CERAMENT. Already today there is a comprehensive database of more than 160 research publications and abstracts of preclinical and clinical studies with CERAMENT. In December 2019, the CERTiFy study was published in the highly regarded JB&JS, The Journal of Bone & Joint Surgery. With regards to future clinical data, BONESUPPORT has high expectations for the FORTIFY and the SOLARIO studies. In March, following a dialogue with the US Food and Drug Administration (FDA), BONESUPPORT decided to submit a De Novo application which could potentially lead to a market approval for CERAMENT G for the indication osteomyelitis (chronic bone infection) at the end of 2020.

RESULTS FROM CERTIFY DRIVES CHANGED STANDARD OF CARE

CERTiFy is a randomized, controlled clinical trial conducted at 20 trauma centers in Germany with 135 patients. The study, which was done on tibia plateau fractures, shows that CERAMENT BVF can replace autograft as a standard of care. The study confirmed that CERAMENT has the ability to be converted to bone. In addition, treatment with CERAMENT BVF resulted in significantly lower patient-experienced post-operative pain and a significantly lower blood loss. BONESUPPORT expects the results of the study published in The Journal of Bone & Joint Surgery in December 2019 to represent a milestone in driving change in the standard of care and that more clinics in consultation with the patient will choose CERAMENT over autograft.

THE DE NOVO APPLICATION IN THE USA

In mid-March, CERAMENT G received the FDA's "Breakthrough Device" status, a category exclusively for therapies that provide more effective treatment or diagnosis of life-threatening or severely irreversible diseases and at the same time represent a breakthrough technology. In April, BONESUPPORT submitted a so-called De Novo application to the FDA, based on already published clinical evidence from the Nuffield Orthopaedic Centre, Oxford, among others, for the indication osteomyelitis. Studies from the Nuffield Orthopaedic Centre have shown that the use of CERAMENT G significantly reduces the frequency of re-infections and the need for further surgery. A De Novo application can be made when there is no comparable established alternative ("predicate device") on the market. The application could potentially lead to a market approval for the indication bone infection by the end of 2020.

THE FORTIFY STUDY

The FORTIFY study evaluates the ability of CERAMENT G to improve the treatment outcome of patients with open tibia fractures. That the fracture is “open” means that the skin has been penetrated in conjunction with the trauma. These fractures run a high risk of infection, with inadequate bone healing as a result. The primary effects to be measured in the study include the absence of deep infection at the fracture site, the absence of additional surgical procedures to promote healing and patient-reported improvement.

The patient enrollment to FORTIFY ended in June following the FDA approval of a request from BONESUPPORT to reduce the number of study subjects by 30, due to expected difficulties in recruiting during the COVID-19 pandemic. The request was submitted after a blinded review conducted by the study’s independent statisticians, showed that a reduction in study subjects only minimally affects the statistical strength of the study. The study, which includes patients in clinics in both the United States and Europe, will form the basis for supporting a planned PMA (pre-market approval) application to the FDA, for a wide range of indications for CERAMENT G, including trauma. The PMA application is expected to be submitted by the end of 2021. This process continues according to plan regardless of the company’s De Novo application.

THE SOLARIO STUDY

BONESUPPORT invests in the SOLARIO study (Short or Long Antibiotic Regimes in Orthopaedic), with the aim of investigating if synthetic bone graft substitutes containing antibiotics can lead to shorter treatment times compared to systemic antibiotics and thereby reduce risk of antibiotic resistance, side effects and costs. The study is led by the Oxford University Hospital’s NHS Foundation Trust in collaboration with EBJIS (European Bone and Joint Infection Society). SOLARIO is a randomized unblinded European multicenter study that is expected to include 500 patients. The first patient was recruited in February 2019 and the study is expected to be closed by the first half of 2022. A positive result of the study may mean a paradigm shift in the protocol for treating bone infections.

THE CONVICTION STUDY

The French CRIOAc¹ Network has initiated CONVICTION, a randomized controlled trial to evaluate the efficacy of CERAMENT G in the treatment of osteomyelitis. The French Ministry of Health has decided to fund the study with a research grant from BONESUPPORT to partially finance the products used in the study.

The study will evaluate the effectiveness of CERAMENT G in the treatment of osteomyelitis. The study is a national multicenter study and will be conducted by clinics that are part of the CRIOAc network.

A positive outcome of the study would mean that a large commercial opportunity is enabled in the French market and that improved reimbursement status is obtained.

COVID-19

Global measures against COVID-19 and the need to prioritize healthcare resources are likely to impact on ongoing clinical trials beyond FORTIFY. At present, BONESUPPORT has no information on any consequences of COVID-19. Updates will be provided when applicable.

¹ CRIOAc (Reference Center for Osteoarticular Infections) is a healthcare network in France that is implemented through a nationwide health ministry program to improve outcomes in the management of bone and joint infections.



HEALTH ECONOMICS

One of the largest challenges when introducing new and innovative healthcare technology is to ensure that healthcare systems around the world understand the value of the technology and include the technology in the care offered. The value of a technology is determined in various ways in different countries. BONESUPPORT undertakes a variety of activities to ensure that the Company's products are included in the remuneration systems where our products are marketed. An example of this is a health economic analysis in conjunction with Nuffield Orthopaedic Centre to investigate how the previously published positive clinical results can be translated into patient benefit and improved healthcare system efficiency.

When CERAMENT G was introduced in the UK in 2013, the Nuffield Orthopaedic Centre was one of the first clinics to implement CERAMENT G into its treatment algorithm. Nuffield Orthopaedic Centre is one of the leading clinics in Europe for orthopedics and treatment of bone infections.

In 2016, Professor Martin McNally presented the clinical results of his first 100 osteomyelitis patients treated with single-stage surgery and CERAMENT G. The results showed an impressive 56 percent reduction in the degree of re-infection compared with results from previous treatment methods.

The positive experience with CERAMENT led to a collaboration between Nuffield Orthopaedic Centre and BONESUPPORT to study the health economic benefits of the improved clinical results.

The study is based on data from the official statistics database for healthcare in England, NHS's Hospital Episode Statistics (HES). The database shows the total health history and treatment costs for each patient.

All patients who underwent surgical treatment for osteomyelitis during 2013-2017 (over 25,000 patients) were analyzed. Patients were followed for two years before and after surgical treatment.

The analysis compared patients treated at Nuffield after the introduction of CERAMENT G or CERAMENT V in a single-stage procedure with all patients cared for at other hospitals in Great Britain.

In September 2019, the first preliminary results were presented by the EBJIS European Bone and Joint Infection Society study. The data showed that the hospital stay associated with osteomyelitis surgery was reduced by a third - an average of five days per patient - which meant that patients could go home earlier; and the hospitals freed up beds, and reduced costs. The data presented at EBJIS also showed that patients treated at Nuffield Orthopaedic Centre had, on average, eleven days fewer hospital stay in the following two years after surgery. The average cost of care per patient per day at a hospital in England is GBP 437.

These preliminary data show significant health economic benefits in single-stage surgery with CERAMENT G or CERAMENT V in the treatment of osteomyelitis. The total savings in reductions in length of stay associated with surgery and subsequent care could amount to approximately GBP 44 million annually, calculated on 6,250 treated patients per year. BONESUPPORT awaits publication of the study for final and conclusive results.

FINANCIAL OVERVIEW

PROFIT AND LOSS

APRIL – JUNE 2020

Net sales

Net sales amounted to SEK 36.2 million (37.3), a decrease of 3 percent compared to the previous year. In March 2020, COVID-19 reached a pandemic level and BONESUPPORT was affected by a decline in primarily elective surgery in both NA and Europe.

In the North America segment, sales amounted to SEK 21.6 million (14.8), which corresponds to growth of 46 percent. A number of larger clinics have had fewer operations in the quarter as a result of the ongoing pandemic. At the same time, the customer base in the US has expanded as a result of the Company's strategy and growing success with the new distribution network, which offsets the temporary decline in sales seen at a number of established customers.

In the Europe & Rest of the World (EUROW) segment, the regions most affected by COVID-19 also had the largest sales decline. BONESUPPORT is mainly established at the larger university hospitals, which are the hospitals most affected during the pandemic period. EUROW reported a decrease in sales of 35 percent to SEK 14.6 million (22.5).

The currency translation effect was negative with SEK -0.0 million (+1.9).

Cost of goods sold

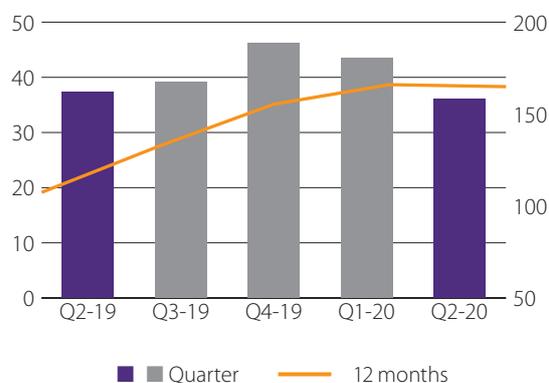
Cost of goods sold amounted to SEK 4.8 million (5.0), giving a gross margin of 86.7 percent (86.5). Increased sales in the US had a positive impact on gross profit. The gross margin was suppressed by fixed production costs in combination with lower net sales.

Selling expenses

Selling expenses including commissions amounted to SEK 29.9 million (52.7), a decrease of 43 percent. The previous year included a one-off charge of SEK 11 million regarding the repurchase of inventory items from the previous distributor in the North America segment. Personnel costs reduced to SEK 17.7 million (21.1) as an effect of reduced working hours and voluntary salary waivers. In contrast, costs for sales commissions in NA increased to SEK 6.9 million (4.8). Other sales costs amounted to SEK 5.3 million (15.8), driven by reduced travel costs as well as canceled congresses and meetings, as an effect of the ongoing pandemic.

The NA segment reported a cost reduction to SEK 18.6 million (30.0), mainly driven by an item affecting comparability last year. In EUROW, expenses amounted to SEK 9.4 million (15.1). Unallocated costs decreased to SEK 1.9 million (7.6), driven by reduced market activities as a result of the ongoing pandemic.

Net sales per quarter, SEKm



Research and development expenses

Research and development expenses amounted to SEK 14.0 million (16.0). Personnel costs were reduced to SEK 5.6 million (9.6) which can partly be explained by vacancies that are covered by temporary staff. Other expenses totaled SEK 8.4 million (6.4) which was due to the above mentioned temporary staff but also to quarterly variations related to projects and clinical studies.

The NA segment reported expenses amounting to SEK 5.2 million (6.4).

Administrative expenses

Administrative expenses amounted to SEK 10.3 million (10.4). Personnel costs amounted to SEK 6.7 million (5.6). Excluding provisions within the framework of active incentive programs, staff costs amounted to SEK 3.9 million. Other expenses amounted to SEK 3.6 million (4.8).

Other operating income and expenses

Other operating income and expenses consisted primarily of exchange rate gains and losses on operating assets and liabilities.

Operating result

Operating result amounted to SEK -23.5 million (-47.8), where the decreased loss is mainly explained by higher sales, reduced direct operating costs and that the previous year included a one-off charge of SEK 11 million regarding repurchase of inventory items from the former distributor in the NA segment.

Loss for the period

For the reasons described above, the loss for the quarter amounted to SEK -23.6 million (-47.9), which corresponds to earnings per share of SEK -0.41 (-0.93).

JANUARY – JUNE 2020

Net sales

Net sales amounted to SEK 79.6 million (70.1), an increase of 14 percent. The NA segment increased by 63 percent to SEK 42.8 million (26.3) and the EUROW segment decreased by 16 percent to SEK 36.8 million (43.9).

Operating result

Operating result amounted to SEK -52.7 million (-86.8), where the previous year was charged with an item affecting comparability

of SEK 11 million. The increase in sales contributed positively to improved gross profit while operating costs reduced as a result of the pandemic and implemented savings.

Loss for the period

For the reasons described above, the loss for the period amounted to SEK -53.0 million (-87.0), which corresponds to earnings per share of SEK -0.95 (-1.68).

FINANCIAL POSITION AND CASH FLOW

SEKm	Jun 30		Dec 31
Financial position	2020	2019	2019
Cash and cash equivalents	393,9	173,1	92,1
Interest bearing debt ¹	10,6	11,9	10,4
Net debt ¹	-383,3	-161,2	-81,7
Equity	442,1	192,5	124,3

¹ APM: Alternative performance measures, see definitions on page 23.

SEKm	Apr - Jun		Jan - Jun		Full year
Cash flow	2020	2019	2020	2019	2019
Operating activities	-31,7	-42,3	-59,7	-84,1	-163,8
Investing activities	-0,8	-1,7	-1,8	-2,3	-4,4
Financing activities	359,3	-1,3	363,6	-2,6	-1,8

Cash and cash equivalents at the end of the period amounted to SEK 393.9 million (173.1), an increase of SEK 301.8 million since the beginning of the year. The change mainly consists of the cash flow from the directed share issue that was carried out in May, amounting to SEK 361.9 million after transaction costs. The

change is also explained by cash flow from operating activities amounting to SEK -59.7 million (-84.1), mainly attributable to operating result of SEK -52.7 million (-86.8). This also explains the change in net debt.

OTHER DISCLOSURES

PARENT COMPANY

The Parent Company BONESUPPORT HOLDING AB (publ) is a holding company. The Parent Company generated SEK 11.1 million (10.3) in sales of internal services to subsidiaries during the quarter. The result for the quarter was SEK 0.4 million (3.6). No investments were made during the quarter.

EMPLOYEES

On average, the Group had 83 (78) employees (full-time equivalent) during the quarter, of whom 22 (20) worked within Research and Development.

SIGNIFICANT EVENTS DURING THE QUARTER

For significant events, see page 1.

SIGNIFICANT EVENTS AFTER PERIOD END

No significant events have occurred after the end of the period.

SHARES AND RELATED PROGRAMMES

The Company has ordinary shares and C shares, see Note 4. The quotient value of the shares is SEK 0.625 per share. The ordinary shares entitle to one vote each and the C shares entitle to one tenth of a vote each. According to the Articles of Association, the number of shares shall be at least 29,000,000 and at most 116,000,000.

As of June 30, 2020, the total number of common shares amounted to 63,246,824, distributed among 3,965 shareholders. The major shareholders are shown in the table below. During the year, the number of shares increased as a result of converted employee stock options, but mainly due to the directed share issue that was carried out in May.

Shareholders June 30, 2020

HealthCap V LP	10.4%
Swedbank Robur Fonder	8.4%
Stiftelsen Industrifonden	7.6%
Tredje AP-fonden	6.6%
Fjärde AP-Fonden	4.9%
Avanza Pension	4.7%
Tellacq AB	4.7%
Other shareholders	52.7%

As of June 30, 2020, the total number of C shares amounted to 1,235,000. BONESUPPORT HOLDING AB holds all C shares. During the year, the number of shares increased as a result of issued C shares.

BONESUPPORT has three employee stock option programs, three performance share programs and two warrant programs. These are described in Note 8.

FINANCIAL CALENDAR

- November 5, 2020 - Interim report Q3 2020

THIS REPORT

This report has been prepared in both a Swedish-language and an English-language version. If the versions do not conform, the Swedish-language version shall prevail.

DECLARATION OF THE BOARD OF DIRECTORS AND THE CEO

The Board and the CEO assure that this interim report gives a true and fair view of the development and the Group's and the Parent Company's operations, position and results and describes significant risks and uncertainties faced by the companies that form part of the Group.

Lund July 17, 2020

Lennart Johansson

Chairman

Lars Lidgren

Board member

Håkan Björklund

Board member

Björn Odlander

Board member

Tone Kvåle

Board member

Simon Cartmell

Board member

Emil Billbäck

CEO

CONDENSED CONSOLIDATED INCOME STATEMENT

SEKt	Note	Apr - Jun		Jan - Jun		Full year
		2020	2019	2020	2019	2019
Net sales	7	36,175	37,320	79,607	70,148	155,462
Cost of sales	7	-4,813	-5,047	-9,713	-9,678	-19,587
Gross profit	7	31,362	32,273	69,894	60,470	135,875
Selling expenses		-22,957	-48,011	-57,952	-85,309	-160,139
Sales commissions		-6,916	-4,678	-13,997	-8,213	-22,184
Research and development expenses		-13,994	-15,987	-29,777	-32,902	-68,878
Administrative expenses	3, 8	-10,341	-10,482	-21,204	-20,840	-43,280
Other operating income		1,971	2,434	6,421	4,610	10,667
Other operating expenses		-2,598	-3,369	-6,064	-4,631	-10,163
Operating loss	7	-23,473	-47,820	-52,679	-86,815	-158,102
Net financial items	7	-195	-53	-223	-97	-177
Loss before income tax	7	-23,668	-47,873	-52,902	-86,912	-158,279
Income tax		34	-67	-116	-109	-2,781
Loss for the period		-23,634	-47,940	-53,018	-87,021	-161,060
Earnings per share before dilution, SEK		-0.41	-0.93	-0.95	-1.68	-3.10
Earnings per share after dilution, SEK		-0.41	-0.93	-0.95	-1.68	-3.10
Average number of shares, thousands		57,950	51,796	55,972	51,796	51,889

Loss for the period is attributable to equity holders of the Parent.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKt	Apr - Jun		Jan - Jun		Full year
	2020	2019	2020	2019	2019
Loss for the period	-23,634	-47,940	-53,018	-87,021	-161,060
<i>Other comprehensive income:</i>					
<i>Items to be reclassified to profit or loss in subsequent periods</i>					
Exchange differences on translation of foreign operations	-640	-1	-83	94	115
Total comprehensive income for the period	-24,274	-47,941	-53,101	-86,927	-160,945

Total comprehensive income for the period is in its entirety attributable to equity holders of the Parent.

CONDENSED CONSOLIDATED BALANCE SHEET

SEKt	Note	Jun 30		Dec 31
		2020	2019	2019
ASSETS				
Non-current assets				
Intangible assets		8,471	6,950	7,679
Tangible assets		14,255	15,786	14,585
Other non-current assets		883	282	951
Total non-current assets		23,609	23,018	23,215
Current assets				
Inventories		47,218	30,625	39,331
Trade receivables	6	21,877	28,518	29,848
Other operating receivables	6	9,584	7,453	11,873
Cash and cash equivalents	6	393,871	173,096	92,065
Total current assets		472,550	239,692	173,117
TOTAL ASSETS		496,159	262,710	196,332
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Parent	4	442,082	192,487	124,309
Non-current liabilities				
Leasing debt		5,599	6,693	5,703
Provisions		305	289	305
Total non-current liabilities		5,904	6,982	6,008
Current liabilities				
Leasing debt	6	5,011	5,189	4,682
Trade payables	6	11,583	13,118	13,649
Other operating liabilities	6	31,579	44,934	47,684
Total current liabilities		48,173	63,241	66,015
TOTAL EQUITY AND LIABILITIES		496,159	262,710	196,332

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKt	Share capital	Paid but not registered share issue	Other paid in capital	Translation reserve	Fund for development expenses	Accumulated losses including loss for the period	Total equity
As at January 1, 2019	32,373	0	1,187,895	-175	1,801	-943,363	278,531
Loss January - June 2019				94		-87,021	-86,927
Change in fund for development expenses					536	-536	0
Share-based payment transactions						883	883
As at June 30, 2019	32,373	0	1,187,895	-81	2,337	-1,030,037	192,487
Loss July - December 2019				21		-74,039	-74,018
Change in fund for development expenses					1,215	-1,215	0
New share issue, employee stock options	137						137
New share issue under process, employee stock options		100	3,880				3,980
New share issue and repurchase of own C-shares	316					-316	0
Share-based payment transactions						1,723	1,723
As at January 1, 2020	32,826	100	1,191,775	-60	3,552	-1,103,884	124,309
Loss January - June 2020				-83		-53,018	-53,101
Change in fund for development expenses					1,153	-1,153	0
New share issue, employee stock options and warrants	457	-96	6,508				6,869
Directed share issue	6,563		371,438				378,000
Transaction costs, directed share issue			-16,142				-16,142
New share issue and repurchase of own C-shares	456					-456	0
Share-based payment transactions						2,147	2,147
As at June 30, 2020	40,301	4	1,553,579	-143	4,705	-1,156,364	442,082

CONSOLIDATED STATEMENT OF CASH FLOWS

SEKt	Apr - Jun		Jan - Jun		Full year
	2020	2019	2020	2019	2019
Operating loss	-23,473	-47,820	-52,679	-86,815	-158,102
Non-cash adjustments:					
-Share-based payments	1,303	441	2,147	883	2,606
-Provision for repurchase of items from previous distributor	0	11,000	0	11,000	11,000
-Other	6,016	2,074	6,272	1,369	3,950
Interests received	4	7	4	31	98
Interests paid	-32	-60	-1	-128	-36
Income tax paid	-2,956	-298	-2,390	-400	-5,210
Net cash flows from operating activities before changes in working capital	-19,138	-34,656	-46,647	-74,060	-145,694
Changes in working capital	-12,571	-7,623	-13,064	-9,998	-18,134
Net cash flows from operating activities	-31,709	-42,279	-59,711	-84,058	-163,828
Investments in intangible assets	-459	-1,514	-1,340	-1,758	-2,915
Investments in equipment and tools	-375	-232	-449	-617	-1,510
Disposals of financial assets	0	57	0	95	0
Net cash flows from investing activities	-834	-1,689	-1,789	-2,280	-4,425
New share issue, employee stock options and warrants	102	0	6,869	0	137
Directed share issue	378,000	0	378,000	0	0
Transaction costs, directed share issue	-16,142	0	-16,142	0	0
Allotted warrants	0	0	0	0	3,980
Repayments of borrowings	-2,628	-1,284	-5,098	-2,562	-5,933
Net cash flows from financing activities	359,332	-1,284	363,629	-2,562	-1,816
Net cash flows	326,789	-45,252	302,129	-88,900	-170,069
Cash and cash equivalents as at beginning of period	67,951	219,141	92,065	261,468	261,468
Net exchange difference	-869	-793	-323	528	666
Cash and cash equivalents as at end of period	393,871	173,096	393,871	173,096	92,065

CONDENSED PARENT COMPANY INCOME STATEMENT

SEKt	Apr - Jun		Jan - Jun		Full year
	2020	2019	2020	2019	2019
Net sales	11,138	10,313	22,276	20,625	48,290
Administrative expenses	-13,086	-13,933	-29,218	-27,821	-65,568
Other operating income	1,493	149	1,710	254	961
Other operating expenses	-75	-402	-1,486	-740	-1,357
Operating loss	-530	-3,873	-6,718	-7,682	-17,674
Net financial items	909	226	2,067	10	1,767
Result after financial items	379	-3,647	-4,651	-7,672	-15,907
Income tax	0	0	0	0	0
Result for the period	379	-3,647	-4,651	-7,672	-15,907

Parent Company result for the period equals comprehensive income.

CONDENSED PARENT COMPANY BALANCE SHEET

SEKt	Note	Jun 30		Dec 31
		2020	2019	2019
ASSETS				
Non-current financial assets		967,339	704,652	726,652
Other receivables	6	0	68,143	125,245
Prepaid expenses	6	1,419	1,344	651
Cash	6	375,004	146,475	73,549
TOTAL ASSETS		1,343,762	920,614	926,097
EQUITY AND LIABILITIES				
Equity				
Restricted equity	4	40,301	32,372	32,926
Unrestricted equity		1,220,668	866,980	862,277
Total equity		1,260,969	899,352	895,203
Non-current liabilities		76,319	0	19,203
Current liabilities	6	6,474	21,262	11,691
TOTAL EQUITY AND LIABILITIES		1,343,762	920,614	926,097

CONDENSED CONSOLIDATED INCOME STATEMENT PER QUARTER

SEKt	2020		2019				2018	
	Q2	Q1	Q4	Q3	Q2 ¹	Q1	Q4	Q3
Net sales	36,175	43,432	46,199	39,115	37,320	32,828	23,108	14,246
Cost of sales	-4,813	-4,900	-5,114	-4,795	-5,047	-4,631	-3,460	-2,587
Gross profit	31,362	38,532	41,085	34,320	32,273	28,197	19,648	11,659
Gross margin, %	86.7%	88.7%	88.9%	87.7%	86.5%	85.9%	85.0%	81.8%
Selling expenses	-22,957	-34,995	-41,322	-33,508	-48,011	-37,298	-37,606	-35,086
Selling commissions	-6,916	-7,081	-7,970	-6,001	-4,678	-3,535	-1,154	0
Research and development expenses	-13,994	-15,783	-18,527	-17,449	-15,987	-16,915	-17,607	-16,426
Administrative expenses	-10,341	-10,863	-11,566	-10,874	-10,482	-10,358	-9,343	-17,531
Other operating income	1,971	4,450	3,080	2,977	2,434	2,176	1,251	1,818
Other operating expenses	-2,598	-3,466	-3,379	-2,153	-3,369	-1,262	-226	-2,851
Operating loss	-23,473	-29,206	-38,599	-32,688	-47,820	-38,995	-45,037	-58,417
Net financial items	-195	-28	-64	-16	-53	-44	41	-4
Loss before income tax	-23,668	-29,234	-38,663	-32,704	-47,873	-39,039	-44,996	-58,421
Income tax	34	-150	-2,186	-486	-67	-42	-629	-377
Loss for the period	-23,634	-29,384	-40,849	-33,190	-47,940	-39,081	-45,625	-58,798

Loss for the period is attributable to equity holders of the Parent.

¹ The period was affected by a non comparability item with a negative impact of SEK 11.0 million. The item is a provision related to repurchase of stock items from the previous US distributor.

NOTE 1

GENERAL INFORMATION, ACCOUNTING PRINCIPLES

This quarterly report was prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The Parent Company's reporting has been prepared in accordance with RFR 2, Reporting for Legal Entities, and the Swedish Annual Accounts Act. The accounting principles mentioned in the Annual Report for 2019 have also been applied in this quarterly report. New or amended standards or interpretations of standards effective as of January 1, 2020 have not had any significant impact on BONESUPPORT's financial statements.

Estimates, assumptions and assessments

When preparing the Company's financial statements, a number of assessments and estimates are made, as well as assumptions that affect the application of the accounting principles and the reported amounts in the income statement and balance sheet. The actual outcome may deviate from these estimates and assessments. Estimates and assessments are evaluated on the basis of historical experience and other factors, including expectations of future events. The Parent Company examines annually or more frequently whether there is an indication of a decline in value and whether there is a need for impairment in shares in Group Companies. As a result of the COVID-19 pandemic, examination has been carried out in the half-yearly financial statements showing that there is no need for impairment of shares in Group Companies. How the assets are assessed is explained in Note 3 of the Annual Report for 2019.

NOTE 2

SIGNIFICANT RISKS AND UNCERTAINTIES

The Group is exposed to various financial risks. The business is impacted by many factors that could affect the Group's result and financial position. It is BONESUPPORT's strategy to continuously identify and manage risks. Financial risk management is described in Note 2, Annual Report 2019.

See page 3 regarding risks relating to COVID-19.

NOTE 3

TRANSACTIONS WITH RELATED PARTIES

The financial reports include costs related to the following transactions between BONESUPPORT and related parties.

SEkt		Apr - Jun		Jan - Jun		Full year
Related party	Service	2020	2019	2020	2019	2019
Route 2 Advisors Ltd (Simon Cartmell, Board member)	Consultancy	110	110	221	289	615
Seagles AB (Lars Lidgren, Board member)	Purchase of patent	0	0	0	0	900

NOTE 4

NUMBER OF SHARES AND POTENTIAL SHARES

Ordinary shares	Number of shares	Potential shares
December 31, 2019	52,016,342	2,205,614
New share issue	10,500,000	0
Converted employee stock options	480,482	-480,482
Converted warrants	250,000	-250,000
Returned employee stock options	0	-5,000
June 30, 2020	63,246,824	1,470,132

Series C shares	Number of shares	Potential shares
December 31, 2019	505,000	730,000
Issued shares	730,000	-730,000
June 30, 2020	1,235,000	0

NOTE 5 PLEGGED SECURITIES AND CONTINGENT LIABILITIES

The US subsidiary BONESUPPORT Inc. has provided a guarantee of USD 56 thousand (56), corresponding to SEK 521 thousand (520) for rented premises. The Parent Company, BONESUPPORT HOLDING AB, guarantees a corresponding amount.

The Group has pledged collateral for capital-invested direct pensions amounting to SEK 979 thousand (979).

NOTE 6 FINANCIAL ASSETS AND LIABILITIES

Fair values of current financial assets and liabilities are assessed to agree with values accounted for.

NOTE 7 SEGMENT INFORMATION

The Group manages and monitors operations in the North America (NA) and Europe & Rest of the World (EUROW) segments. Other comprises other items, mainly costs for Group functions. Contribution per segment is calculated as net sales minus directly attributable operating costs. Such costs are related to cost of sales, selling expenses including commissions and research & development expenses. Assets and liabilities are not reported by segment, these are managed and monitored on Group level by management and the board of directors.

Net sales in Sweden (part of EUROW) was SEK 1.6 million (2.6) in the quarter. US, Germany and UK were the only markets that delivered more than ten percent of consolidated net sales.

SEKt	Apr - Jun 2020				Apr - Jun 2019			
Profit and loss items	NA	EUROW	Other	Total	NA	EUROW	Other	Total
Net sales	21,565	14,610	0	36,175	14,776	22,544	0	37,320
of which CERAMENT BVF	21,161	2,148	0	23,309	14,776	3,735	0	18,511
of which CERAMENT drug eluting ¹	0	12,462	0	12,462	0	18,809	0	18,809
of which other	404	0	0	404	0	0	0	0
Cost of sales	-1,925	-2,888	0	-4,813	-1,347	-3,700	0	-5,047
Gross profit	19,640	11,722	0	31,362	13,429	18,844	0	32,273
Operative costs	-23,820	-9,422	0	-33,242	-36,838	-15,088	0	-51,926
Contribution	-4,180	2,300	0	-1,880	-23,409	3,756	0	-19,653
Other operating items	0	0	-21,593	-21,593	0	0	-28,167	-28,167
Operating result	-4,180	2,300	-21,593	-23,473	-23,409	3,756	-28,167	-47,820
Net financial items	0	0	-195	-195	0	0	-53	-53
Result before income tax	-4,180	2,300	-21,788	-23,668	-23,409	3,756	-28,220	-47,873

SEKt	Jan - Jun 2020				Jan - Jun 2019			
Profit and loss items	NA	EUROW	Other	Total	NA	EUROW	Other	Total
Net sales	42,813	36,794	0	79,607	26,295	43,853	0	70,148
of which CERAMENT BVF	41,613	5,862	0	47,475	26,295	6,956	0	33,251
of which CERAMENT drug eluting ¹	0	30,932	0	30,932	0	36,897	0	36,897
of which other	1,200	0	0	1,200	0	0	0	0
Cost of sales	-3,473	-6,240	0	-9,713	-2,588	-7,090	0	-9,678
Gross profit	39,340	30,554	0	69,894	23,707	36,763	0	60,470
Operative costs	-55,720	-24,354	0	-80,074	-62,860	-32,070	0	-94,930
Contribution	-16,380	6,200	0	-10,180	-39,153	4,693	0	-34,460
Other operating items	0	0	-42,499	-42,499	0	0	-52,355	-52,355
Operating result	-16,380	6,200	-42,499	-52,679	-39,153	4,693	-52,355	-86,815
Net financial items	0	0	-223	-223	0	0	-97	-97
Result before income tax	-16,380	6,200	-42,722	-52,902	-39,153	4,693	-52,452	-86,912

¹ CERAMENT drug eluting includes CERAMENT G and CERAMENT V.

NOTE 8

OPTION PROGRAMS AND PERFORMANCE SHARE PROGRAMS

At the period end, there are three different employee stock option programs, three performance share programs and two warrant programs.

Employee stock option programs

Of the three employee stock option programs, two run over ten years and expire 2022 and 2025 and one program runs over eight years and expires 2024. Each stock option gives the holder the right to acquire 0.2 ordinary shares in BONESUPPORT when exercising the option. This at a price in the first two programs of SEK 0.125 per option, equivalent to SEK 0.625 per share, and in the third program of SEK 5.30 per option, equivalent to SEK 26.50 per share. The employee stock options are vested according to a schedule in each program. A condition for allotment of options is employment or a contractual relationship with the Company at each vesting date. Of the allocated 25.7 million options, 21.4 million (20.8) options were fully vested before the end of the period.

Performance share programs

There are two programs for newly recruited employees and one program for three Directors. All programs run over four years; one of the programs that is aimed at employees runs until 2022, the other programs run until 2021. Each savings share gives the opportunity to be allotted to the employees a maximum of two, three or four performance shares without payment depending on share price development and the Company's development in terms of sales and EBITDA during the duration of the program. The performance shares were issued in the form of class C-shares with a subscription price and quota value of SEK 0.625 per share.

Employee stock options and performance shares are valued at fair value at the date of allocation. The total cost is distributed over the vesting period. The cost is accounted for as personnel cost and is credited to equity. The social security cost is revalued at fair value. When the options are exercised, the Company issues new shares. Payments received on behalf of the shares issued are credited to equity.

Warrant programs

There are two warrant programs. One of these was executed in 2016 and gives the holder the right to acquire 0.2 ordinary shares per warrant. The second program was executed in 2018 and gives the holder the right to acquire 1 share per warrant.

Further information on these programs is presented in Notes 12 and 23 in the Annual Report 2019.

Employee stock option programs	No of options ¹	Equal to no of shares	WAEP ²
Balance January 1, 2020	4,977,020	995,404	12.12
Exercised	-2,402,416	-480,482	1.04
Returned	-25,000	-5,000	0.63
Balance June 30, 2020	2,549,604	509,922	13.16

Performance share programs	Right to no of shares
Balance January 1, 2020	1,225,000
Returned	-45,000
Balance June 30, 2020	1,180,000

Warrant programs	No of warrants	Equal to no of shares	WAEP ²
Balance January 1, 2020	4,606,664	1,210,210	20.87
Exercised	-1,250,000	-250,000	26.50
Balance June 30, 2020	3,356,664	960,210	19.41

1 Not allocated options amounted to 3,950,380 (3,824,338).

2 Weighted Average Exercise Price per share (SEK).

During the year, the cost of employee stock option and performance share programs, excluding social security contributions, was recognized as operating expenses amounting to SEK 2,147 thousand (851). Accrued social security contributions amounts to SEK 3,581 thousand (2,431).

DEFINITIONS

Allograft. The transplant of an organ or tissue from one individual to another of the same species, with a different genotype.

Autograft. A bone graft harvested from the patient's own skeleton, usually from the iliac crests.

Bisphosphonate. A type of drugs that inhibits resorption of bone tissue.

BMA. Bone marrow aspirate.

BMP. Bone Morphogenic Protein.

Bone graft substitute. Synthetic material used as bone grafts instead of biological bone tissue.

C-shares. Performance shares within the Performance share programs issued in the form of C-shares

CERAMENT BVF. CERAMENT BONE VOID FILLER

CERAMENT G. CERAMENT G, CERAMENT with gentamicin

CERAMENT V. CERAMENT V, CERAMENT with vancomycin

CERTiFy. A prospective, randomized, controlled clinical trial with 137 patients in 20 leading trauma centers in Germany, aimed to compare treatment of CERAMENT BVF with autologous bone graft (autograft) transplantation

Clinical study. Study on humans of e.g. a medical device or a pharmaceutical product.

CONVICTION. A randomized controlled trial to evaluate the efficacy of CERAMENT G in the treatment of osteomyelitis (chronic bone infection).

CRIOAc. A healthcare network in France that is implemented through a nationwide health ministry program to improve outcomes in the management of bone and joint infections.

DBM. Demineralized bone matrix. A bone substitute biomaterial.

FDA. US Food and Drug Administration.

FORTIFY. A prospective, randomized, multicentercontrolled test of CERAMENT G that evaluates the ability of CERAMENT G to improve treatment outcome of patients with open shin fractures

Hematoma. A localized collection of blood outside the blood vessels.

HEOR. Health Economics and Outcomes Research. Scientific discipline that quantifies the economic and clinical outcomes of medical technology.

LTM. Latest twelve months.

Micro-CT. Micro Tomography, uses X-ray scanning to recreate a 3D-model without destroying the object.

Osteoinduction. A bone graft material or a growth factor can stimulate the differentiation of osteoblasts, forming new bone tissues.

Osteomyelitis. A bacterial infection affecting bones.

PMA. Premarketing Approval is the FDA process to review Class III medical devices.

SOLARIO is a randomized unblinded European multicenter study with the aim of investigating if synthetic bone graft substitutes containing antibiotics can lead to shorter treatment times compared to systemic antibiotics.

Toxicity. The degree to which substance (a toxin or poison) can harm humans or animals.

DEFINITIONS - ALTERNATIVE PERFORMANCE MEASURES

BONESUPPORT uses Alternative Performance Measures (APM) to enhance understandability of the information in the financial reports, both for external analysis, comparison and internal performance assessment.

Alternative Performance Measures are key figures not defined in financial reports prepared according to IFRS. The following key figures are used:

Sales growth

The difference in net sales between two periods in relation to net sales for the earlier period. Shows the operations sales performance.

Gross profit

Net sales minus cost of sales. Shows the profit to cover other costs and profit margin.

Gross margin

Net sales minus cost of sales, in relation to net sales. Shows the margin to cover costs and profit.

Contribution

Net sales minus cost of sales, minus directly attributable selling expenses and research & development expenses. A measure of result showing the performance of segments and their contribution to cover other Group costs.

Interest bearing debt

Borrowings from banks, financial institutions and lease liabilities, short and long term. Shows the debt level of the Group and forms the base for interest expenses.

Net debt

Interest bearing debt minus cash and cash equivalents. Shows the Group's net debt and is used to measure the leverage level of the Group and future funding needs.

SEKm	Apr - Jun		Jan - Jun		Full year
	2020	2019	2020	2019	2019
Net sales	36.2	37.3	79.6	70.1	155.5
Sales growth, %	-3.1	32.4	13.5	18.4	60.9
Cost of sales	-4.8	-5.0	-9.7	-9.7	-19.6
Gross profit	31.4	32.3	69.9	60.5	135.9
Gross margin, %	86.7	86.5	87.8	86.2	87.4
Directly attributable selling expenses	-27.7	-45.5	-67.1	-81.9	-159.6
Selling expenses, not directly attributable	-2.2	-7.2	-4.9	-11.6	-22.7
Selling expenses including commissions	-29.9	-52.7	-71.9	-93.5	-160.1
Directly attributable research & development expenses	-5.6	-6.4	-13.0	-13.0	-24.8
Research & development expenses, not directly attributable	-8.4	-9.6	-16.8	-19.9	-44.0
Research & development expenses	-14.0	-16.0	-29.8	-32.9	-68.9
Contribution	-1.9	-19.6	-10.2	-34.5	-48.6

SEKm	Jun 30		Dec 31
	2020	2019	2019
Non-current borrowings	5.6	6.7	5.7
Current borrowings	5.0	5.2	4.7
Interest bearing debt	10.6	11.9	10.4
Cash and cash equivalents	393.9	173.1	92.1
Net debt	-383.3	-161.2	-81.7



ABOUT BONESUPPORT

BONESUPPORT HOLDING AB (publ), reg id. 556802-2171, with registered office in Lund, is the Parent Company of BONESUPPORT AB. BONESUPPORT is a fast growing orthobiologics company in the commercial phase that targets the major orthopedic markets in the US and Europe. BONESUPPORT has its registered office in Lund with wholly owned subsidiaries in the US, UK, Germany, Sweden, Denmark, Switzerland, Spain and the Netherlands and a branch office in France.

BONESUPPORT is active in orthobiological products, developing and commercializing innovative injectable bioceramic bone graft substitutes which remodel to host bone and have the capability of eluting drugs directly into the bone void. BONESUPPORT's marketed synthetic bone graft substitutes are CERAMENT BVF, CERAMENT G and CERAMENT V, all of which are based on the novel and proprietary CERAMENT technology platform. To date, all BONESUPPORT's marketed products have undergone the medical device approval process in the markets in which they are currently available. The Company is not aware of any other commercially available products with the same properties as CERAMENT G and CERAMENT V, i.e. an injectable antibiotic-eluting bone graft substitute with proven rapid remodeling into host bone.

BONESUPPORT's products represent an innovative technology backed by an intellectual property portfolio of approximately 100 registered and/or pending patents.

BONESUPPORT has 13 years of documented experience of safety and efficacy and, based on sales data, estimates that more than 50,000 treatments have been performed with its products worldwide. There is a great market potential in trauma, chronic osteomyelitis, revision arthroplasty, bone tumors and diabetic foot infections. The Company's research focuses on continuing to further develop and refine the current technology.

The CERAMENT portfolio is currently commercially available in several European markets, Colombia, Saudi Arabia, Oman and Singapore. In addition, CERAMENT BVF is commercially available in the US and CERAMENT G in Canada.

The Company started as a research company in the early 2000s by Professor Lars Lidgren, with the vision of developing a synthetic product that could replace autograft. CERAMENT BVF received the CE mark in 2009, CERAMENT G in 2013 and CERAMENT V in 2015. BONESUPPORT's mission is to improve the quality of life for patients suffering from bone diseases that cause skeletal injuries and can lead to pain and a reduced quality of life.

PRESENTATION OF INTERIM REPORT JANUARY - JUNE 2020

The Company invites investors, analysts and media to a web conference (in English) on July 17 at 11.00 CEST, where CEO Emil Billbäck and CFO Håkan Johansson will present and comment on the report and also answer questions. The report will be avail-

able on BONESUPPORT's website from 08.00 CEST on the same day and the presentation from the webcast will be uploaded during the day on July 17, 2020. For further details regarding participation, see the investor pages at www.bonesupport.com

FORWARD LOOKING STATEMENTS

The report contains certain forward looking information that reflects BONESUPPORT's current views of future events and financial and operational performance. Words such as "intends", "anticipates", "expects", "can", "plans", "estimates" and similar expressions regarding indications or forecasts of future developments or trends, and which are not based on historical facts, constitute forward looking information. Forward looking information is inherently associated with both known and unknown risks and uncertainties because it is dependent on future events

and circumstances. Forward-looking information is not a guarantee of future results or developments and actual results may differ materially from results referred to in forward looking information. Forward looking information in the report is only applicable on the date of issue of the report. BONESUPPORT does not commit to publishing updates or revision of any forward-looking statements as a result of new information, future events or similar circumstances other than those required by applicable legislation.

CONTACT INFORMATION

Emil Billbäck, CEO
T: +46 46 286 53 70

Håkan Johansson, CFO
T: +46 46 286 53 70

E: ir@bonesupport.com
www.bonesupport.com