# ANNUAL REPORT
# 2018

BONESUPPORT™

**BONESUPPORT™** is a fast growing orthobiologics company that focuses on innovative products for the treatment of bone disorders. The company develops and sells injectable bio-ceramic bone graft substitute based on its CERAMENT® platform, which is remodelled to bone and has the ability to release drugs directly into bone voids.

**BONESUPPORT** markets and sells CERAMENT®|BONE VOID FILLER (BVF), CERAMENT®|G and CERAMENT®V, as well as developing pre-clinical product candidates designed to promote bone regrowth. BONESUPPORT's products focus on trauma, revision arthroplasty (replacement of joint prostheses), chronic osteomyelitis (bone infection) and foot infections and ankle surgery.

**BONESUPPORT** has its registered office in Sweden and is listed on Nasdaq Stockholm. Sales in 2018 totalled SEK 96.6 million and the company had 72 employees.

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# 2018 IN BRIEF

## IMPORTANT EVENTS

- Emil Billbäck joined on 1 March as the CEO
- It was decided to build up an own distribution structure and the agreement with Zimmer Biomet was terminated
- Zimmer Biomet cancelled most of its orders in June-August as a result of the termination
- The new distribution network of 38 independent distributors began sales of CERAMENT BVF on 23 October 2018 when Zimmer Biomet's exclusivity for CERAMENT BVF ceased
- Decision to substantially strengthen the commercial organisation in Europe in 2018
- In November, the first results of the CERTiFy study were presented showing that CERAMENT BVF is a fully satisfactory alternative to autograft
- An agreement was signed with Collagen Matrix Inc. to sell several of its products containing natural and synthetic bone material
- The company signed an agreement with MTF Biologics on distribution rights for two DBM products to expand and strengthen the product range in the USA
- At the AGM in May, Simon Cartmell was elected as a new board member
- On 18 July, Michael Diefenbeck, CMO, took over responsibility for R & D and Clinical Affairs
- The company appointed Håkan Johansson as the new CFO, who took up the post during November 2018

## FINANCIAL RESULTS

**SEK 96.6 million**

Net sales amounted to SEK 96.6 million (129.3), a decrease of 25%. The Europe and ROW segment increased by 22 % and sales in the North America segment decreased by 56%. The year's sales in North America were affected by the transition to our own distribution network and the terminated distribution agreement with Zimmer Biomet

**SEK -174.4 million**

Operating profit/loss amounted to SEK -174,4 million (-99.3). The result was primarily impacted by lower sales and the expansion of sales organization, with more employees in the sales organizations in the USA and Europe

**84%**

Gross margin amounted to 84% (87)

**SEK -3.46**

Earnings per share before and after dilution were SEK -3.46 (-3.24)

# BECOMING A GLOBAL ORTHOBIOLOGICS LEADER

## VISION

**Becoming a global leader in orthobiologics**

The driving force of Professor Lars Lidgren, to find a better alternative for the treatment of bone disorders, laid the foundation for the company. For seven years, extensive research was performed that eventually led to a product: CERAMENT. This is a unique product derived from Swedish research on bone biology and bone healing.

## MISSION

**Restoring health to improve the quality of life for patients with bone disorders**

## The strategy is based on three pillars:

INNOVATION

**Innovation –** The three products currently in the commercial phase were developed within the company. BONESUPPORT allocated SEK 66 million for research and development to continuously advance technology and treatment for skeletal injuries.

LEADING CLINICAL AND HEALTH ECONOMICS EVIDENCE

**Leading clinical and health economics evidence –** It is our objective to provide health care with solid evidence of how our products works and the benefits of treatment with CERAMENT.

EFFECTIVE COMMERCIAL PLATFORM

**Effective commercial platform –** BONESUPPORT provides health care with the most innovative solution for treating bone disorders and also with first-class service and training.

# IN 2018 WE LAID THE BASIS FOR INCREASING SALES GROWTH

2018 was a significant year with a number of important strategic decisions. We decided to build a more aggressive and much more effective distributor organisation in the USA. We therefore terminated our cooperation with our former distributor. In Europe, we strengthened our sales organisation by increasing the number of sellers in our key markets. We have also conducted a strategic review of operations and established a clear strategy. All in all, these and a number of other measures we have implemented during the year have created a strong platform for our continued development and expansion.

## FIRST TIME WITH BONESUPPORT

Since I started as CEO in March 2018, I have spent a significant amount of my time together with our customers. I have participated in product demonstrations, information meetings and surgical operations, where CERAMENT is used, and thereby formed a clear view of how our products are perceived by users. I have also invested time in meeting all employees. This has helped me to form a good impression of the business and the potential for our technology. It is obvious that we at CERAMENT have a unique product with the potential to establish a new standard in the treatment of bones voids at risk of bone infection, a market that is currently greatly underdeveloped.

## UPDATING OUR STRATEGY

During the spring and summer, we conducted a significant strategic review of the operations. Virtually the entire company participated in the work of developing a clear vision and strategy.

There are many potential application areas for the CERAMENT platform. In our strategy, we have chosen to focus on those areas where there is strong clinical evidence of CERAMENT's therapeutic benefits, i.e. trauma, revision arthroplasty, osteomyelitis, foot and ankle surgery and bone tumors. By concentrating our resources on these indications, we address a market of approximately 650,000 surgical procedures per year.

**Our strategy is based on three pillars:**

- *Innovation*
- *Leading clinical and health economics evidence*
- *Effective commercial platform*

## INNOVATION

We currently have four product candidates in our development portfolio, designed to combine CERAMENT with substances that promote bone regeneration. A number of pre-clinical studies have been performed and we are currently evaluating which of the four candidates is most promising from a clinical and commercial perspective.

During 2018, we signed agreements with Collagen Matrix and with MTF Biologics to add products that are complementary to CERAMENT to our portfolio.

## LEADING CLINICAL AND HEALTH ECONOMIC EVIDENCE

In November, we presented the first results from the **CERTiFy study**. The study has been performed to investigate whether CERAMENT BVF can replace autograft in tibial plateau fractures, i.e. bone fractures in the upper part of the tibia. Finding a satisfactory alternative to autograft has long been sought after, because autograft involves another surgical procedure for the patient and is associated with lengthy pain after surgery. The ground-breaking results show that CERAMENT BVF is a fully viable alternative to autograft, which means that patients with this type of injury do not have to undergo additional surgery to take bone tissue for autograft. Every year about 165,000 autograft procedures are carried out within our focus markets. **The FORTIFY study** compares the use of CERAMENT G with standard treatment for patients with open bone fractures. The study is in the patient recruitment phase. The purpose of the study is to demonstrate the absence of infection and the lack of need for secondary intervention to promote fracture healing. The results will form the basis of our


pre-market approval (PMA) application to the FDA for CERAMENT G. The approval of CERAMENT G in the American market opens up significant opportunities thanks to the focus of American health care on preventing care-related infections.

## EFFECTIVE COMMERCIAL PLATFORM

The number of users of CERAMENT is increasing greatly in Europe. Sales increased by 26 per cent in 2018. To further accelerate market penetration in areas where CERAMENT has so far had low or no sales, we have employed 11 new sales people with extensive experience of orthopaedic products. The sales force has thus expanded from 14 to 25 people. Europe and Rest of the World developed strongly in 2018 with sales growth of 22 per cent, primarily driven by our antibiotic-releasing products.

In May, we took the strategic decision to establish a network of independent distributors and terminate the exclusive distribution agreement with Zimmer Biomet in the USA. The American market is the world's largest for synthetic bone graft products and therefore our most important market. Through Zimmer Biomet, we reached approximately 30 per cent of the target group for CERAMENT. By establishing a network of independent distributors, we reach virtually the entire market. At the end of the year we had contracted 38 distributors with a total of more than 500 sellers, compared with about 300 sellers with Zimmer Biomet.

As expected, Zimmer Biomet cancelled its orders for the period June-August and our sales to the USA decreased by 56 per cent during 2018. We have great expectations for our new organization in the USA and we expect a strong sales trend in 2019.

## THE TEAM

We are at an exciting stage in our development. We have strengthened the management team and employed a large number of new sellers in Europe. We have expanded and upgraded our American organization and have begun the important work of strengthening our company culture. During the year, our employees have impressed me with their expertise, performance and passion to take the company to the next level.

## OUTLOOK

The strengthened commercial platform, both in the USA and in Europe, the results of our clinical studies and the launch of new products mean that we expect a strong sales increase in 2019 and then an annual sales growth of around 40 per cent.

We are well funded to execute our existing strategy until the business generates a positive cash flow.

**Emil Billbäck**
**VD**

# CERAMENT – EFFECTIVE HEALING THAT RELEASES HEALTHCARE RESOURCES


CERAMENT is a synthetic bone graft substitute with unique advantages in the treatment of skeletal injury. The material promotes bone growth, which means that CERAMENT is reabsorbed within six to twelve months and is replaced by the patient's own bone tissue. CERAMENT is injectable and visible on X-rays, which makes it ideal for minimally invasive surgery.

### WHEN SKELETAL INJURY OCCURS THAT DOES NOT HEAL SPONTANEOUSLY

There are many different situations when natural healing does not work. This can happen with, for example, complicated fractures (trauma), revision arthroplasty (replacement of joint prostheses), tumors and infection. When healing does not work, a void occurs in the bone. Voids that are not treated can lead to severe complications. Traditionally, orthopaedic surgeons have treated these voids by filling them with the patient's own bone tissue taken from another part of the skeleton, known as autograft, or through donated bone tissue, known as allograft.

### TRADITIONAL TREATMENT STANDARD

Autograft is based on the patient's own bone tissue, so tolerance and healing is usually good. However, autograft requires further an extra surgical procedure (usually at the hip bone). The availability of bone tissue can also be limited in relation to the need. Each intervention takes extra surgical resources from the health care, increases the risk of infections and risks to lead to extended hospital time.

Studies have shown that many patients experience pain from the place where autograft is made, up to two years after the procedure. Allograft is impacted of limited access and quality and means a risk of transmission of viral diseases.

### CERAMENT A SYNTHETIC OPTION WITH ESSENTIAL BENEFITS FOR PATIENT AND HEALTH CARE

As CERAMENT is a synthetic bone substitute this eliminates the need for an extra surgical intervention and there is never a shortage on materials. CERAMENT has in a clinical study proved to be a strong alternative to autograft. CERAMENT is reconstituted into the body bone, which means that the original cavity is replaced by the patient's own bone tissue within six to twelve months..

The great advantages of CERAMENT are:

- More predictable results
- Ease of use
- Unlimited access to material
- No need to take bone from donors

## THE BONE GRAFT MARKET

Orthopaedic diseases and injuries are the second most common cause of disability. Demographic development is a driving factor in increasing treatment needs for musculoskeletal disorders:

- **an ageing population, which leads to increased incidence of osteoporosis and arthrosis**
- **the desire to remain active longer and increased sports activity**

Bone has the ability to heal completely without leaving any traces of injury. However, skeletal injury leading to voids and bone defects may occur when the injury to the bone is too great to heal spontaneously or when the healing process is disrupted, for example by infection. The most common underlying causes of voids in bone and bone defects are complicated fractures (trauma), revision arthroplasty (replacement of joint prostheses), osteomyelitis (bone infection) and benign bone tumours or bone metastases.

The global market for the treatment of voids caused by skeletal injury is estimated to be worth about USD 3 billion. The part of the market that BONESUPPORT focuses on today, and where there is so far strong clinical evidence of CERAMENTs benefits, amounts to USD 580 million or 650,000 surgical procedures per year (in the USA and the five largest European markets).

The obvious benefits of synthetic bone grafts mean that the use of these will grow steadily at the expense of autograft and allograft. BONESUPPORT's CERAMENT products are synthetic bone grafts and are unique in the category through their ability to be transformed into bone within 6-12 months and, in the case of CERAMENT G and CERAMENT V, to release antibiotics as part of treating and preventing bone infections to promote the bone healing process.

**One surgical procedure, instead of several**
With CERAMENT, voids in bones can be treated with a single surgical procedure instead of several, which means time and cost savings, less pain for the patient and a quicker return to normal life.

**Release of resources**
As the treatment can be given with a single surgical procedure, capacity in hospital wards and operating theatres is released.

**Ideal for minimally invasive surgery**
CERAMENT is injectable and visible on X-rays, which is ideal for minimally invasive surgery.

**Also ideal for open surgery**
Some treatments, such as complicated fractures, require open surgery. Since CERAMENT can be easily shaped to fit into any type of void regardless of appearance and size, CERAMENT is also ideal for open surgery.

**Local release of antibiotics**
CERAMENT G and CERAMENT V contain antibiotics – Gentamicin and Vancomycin respectively. This protects the healing process by effectively reducing the risk of infection. Bone infections are difficult to treat and may require frequent and prolonged treatment and repeated surgical procedures.

## MARKET OPPORTUNITY

The five largest European markets + the USA: about 650,000 surgical procedures per year[1] (excl. autograft)

**580 million $**

**The present focus market** for BONESUPPORT amounts to USD 580 million[2], defined as the 5 largest European markets and the USA and the following indications:

- Trauma
- Osteomyelitis
- Revision arthroplasty
- Foot and ankle surgery
- Ortho-Oncology

**The total global market value** for bone grafts amounts to USD 3.0 billion[2], with annual growth of +5% per year[3].

[1] APEX HC US/EU Quantitative Market Research
[2] BONESUPPORT market sizing calculation
[3] Market Value Source: AMR & SMR Market Outlook Reports based on 2015 sales estimates Reference

### MORE EFFECTIVE AND SAFER OPERATIONS

For orthopaedic surgeons, CERAMENT has substantial advantages during the surgical procedure. CERAMENT is injectable and visible on X-rays, which means great opportunities for minimally invasive procedures with all the benefits in terms of limited infection risk and shorter rehabilitation that this type of procedure involves. When the patient's injury requires the operation to be performed using open surgery, CERAMENT has the great advantage that it can be easily shaped into the void to be filled.

### LESS PAIN

For patients, the pain is reduced because the surgical treatment is limited to one procedure, which also reduces the risk of infections occurring. Autograft, which has been the standard treatment for chronic bone damage, has been shown to cause pain from the donation site for up to two years after the procedure[1]. Because CERAMENT is reabsorbed and replaced by the patient's own bone tissue, no secondary procedure is required to remove the product and the patient can quickly return to a normal life.

### RELEASES RESOURCES

For health care, the use of CERAMENT means that significant resources can be released: the need for additional surgical procedures to take bone tissue from the patient, autograft, disappears completely and the smaller number of procedures reduces the risk of infection complications, which are often difficult to treat and require considerable care resources, while also causing great suffering for the patient.

### INTEGRATED ANTIBIOTIC TREATMENT

CERAMENT's unique advantages can also be supplemented with the local release of antibiotics, through the products CERAMENT G and CERAMENT V. This protects the healing process by effectively reducing the risk of infection. Bone infections are difficult to treat and may require frequent and prolonged treatment and repeated surgical procedures.

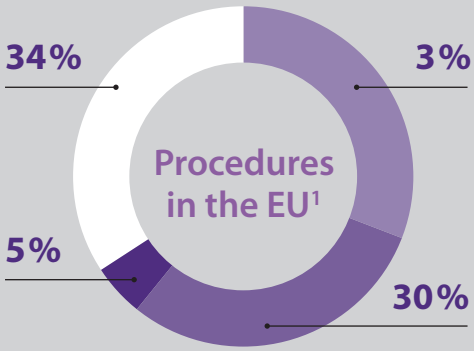
[1] Silber et al. Donor site morbidity after anterior iliac crest bone harvest for single-level anterior cervical discectomy and fusion. Spine 2003;28(2):134–9

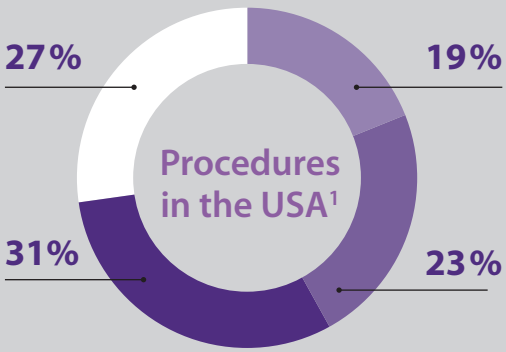
## A CHANGING MARKET

The five largest European markets + the USA: about 650,000 surgical procedures per year (excl. autograft)

Bone substitute (excl. DBM) represents 42-61% compared to synthetic bone graft substitute, which represents 27-34% of surgical procedures

- Autografts
- Allografts
- Demineralised bone matrix (DBM)
- Synthetic BVF graft substitute



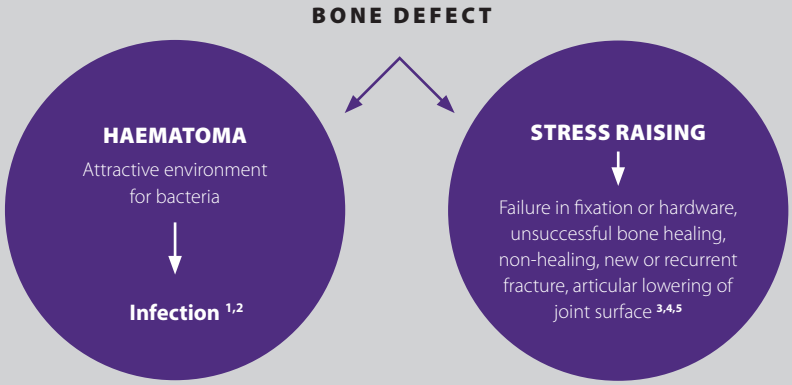




Synthetic BVF graft substitutes are the fastest growing segment thanks to its advantages over autograft and allograft.

[1] Myerhoff et al. Autogenous bone graft: Donor sites and techniques. J. Bone Joint Surg Am. 2011; 93: 2227-36. Dmitriou et al. Complications following autologous bone graft harvesting from the iliac crest and using the RIA: A systematic review. Injury, 2011 (42) S3-S15

## A VOID IN BONE RESULTING FROM BONE DAMAGE MUST NOT BE LEFT UNTREATED

To optimise results, support the bone's healing and reduce the risk of infection.




[1] Osteomyelitis. Martin McNally, Kugan Nagarajah. Orthopedics and Trauma. 2010; 24:6.
[2] A Comparative Study Of Three Bioabsorbable Antibiotic Carriers In Chronic Osteomyelitis: 313 Patients With Minimum 1 Year Follow-Up. M. McNally, J. Ferguson, J. Kendall, M. Dudareva, M. Scarborough, D. Stubbs. Podium presentation at EBJIS 2016.
[3] Augmentation of tibial plateau fractures with an injectable bone substitute: CERAMENT™. Three-year follow-up from a prospective study. Riccardo Iundusi, Elena Gasbarra, Michele D'Arienzo, Andrea Piccioli and Umberto Tarantino. Iundusi et al. BMC Musculoskeletal Disorders (2015) 16:115.
[4] Current concerns regarding healing of bone defects. A. Oryan, S. Alidadi, A. Moshiri. Hard Tissue 2013 Feb 26;2(2):13.
[5] Bone substitutes: An update. Peter V. Giannoudis, Haralambos Dinopoulos, Eleftherios Tsiridis. Injury, Int. J. Care Injured (2005) 36S, S20–S27

# STRENGTHENED COMMERCIAL PLATFORM

During 2018, BONESUPPORT has strengthened its commercial platform in Europe and laid the foundation for an aggressive approach to the important American market by establishing a new distributor structure.

## INCREASED SALES FORCE IN EUROPE

In 2018, presence has been strengthened in the key European markets by recruiting salespeople with a specific focus on trauma. In total, the number of sellers has increased sharply in 2018 and amounts to 25 at the end of the year. The expanded sales organisation, along with a more focused governance and prioritisation, is expected to have significant positive effects on sales in Europe from mid-2019 onwards.

In Europe, the company currently has its own sales organisations in the United Kingdom, Germany, Switzerland, Denmark and Sweden. Other markets are covered by distributors with a focus on orthopaedics.

The company's ambition for the European markets is to increase the use of the antibiotic-releasing products CERAMENT G and CERAMENT V at leading trauma centres. During 2018, this strategy was very successful with a sales growth of 22.1 per cent compared to the previous year.

**22 %**

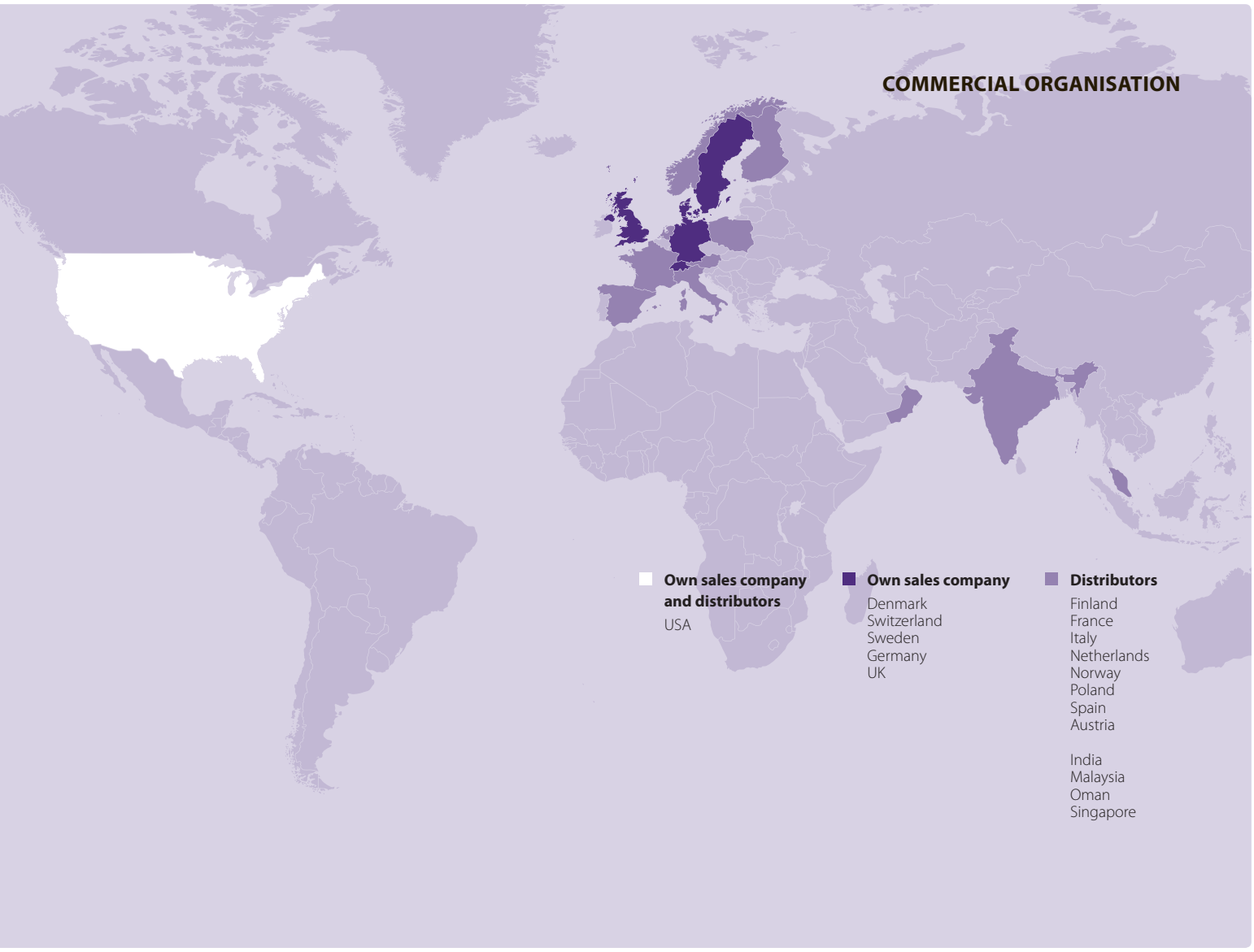
Strong growth in Europe and the rest of the world, primarily driven by our antibiotic-eluting products

**> 38**

**contracted distributors**

Successful establishment of new distribution structure in the USA

**22% sales increase in Europe & ROW based on wider use and strong clinical publications**




## NEW DISTRIBUTOR ORGANISATION IN THE USA

The American market is the world's largest for synthetic bone graft products and therefore the company's most important market. The former distributor, Zimmer Biomet, reached only about 30 per cent of the potential customers for CERAMENT. The strategic decision was therefore taken to establish a new distributor organisation with better conditions to cover the entire American market. As a consequence of this decision, the agreement with Zimmer Biomet was terminated in May. Zimmer Biomet's exclusivity ended on 20 October 2018 and by the end of the year, our own commercial organisation had 21 employees and 38 contracted distributors with a total of more than 500 sellers, compared with about 300 Zimmer Biomet sellers.

CERAMENT BVF is the only product that is currently marketed in the USA. THE FORTIFY study, conducted on open tibia fractures, is expected to pave the way for the company's registration application for CERAMENT G in 2020.

During the year an agreement was signed with Collagen Matrix and MTF Biologics to add products that are complementary to CERAMENT to the company's portfolio.

An important initiative in 2018 was the establishment of four advisory expert panels consisting of orthopaedic surgeons with a high international reputation in their respective fields, including trauma, revision hip arthroplasty, foot and ankle surgery and oncology.

The sales trend was weak in the second half of the year as a direct result of Zimmer Biomet cancelling its orders after BONESUPPORT terminated the distribution agreement in May.

## CERAMENT G APPROVED IN CANADA

During the year, CERAMENT G received approval from Health Canada. CERAMENT G will be the first injectable antibiotic-releasing bone graft substitute to be launched on the Canadian market. BONESUPPORT is currently in dialogue with potential distributors to launch the product in Canada

# NEW TECHNOLOGY MAKES HEALTHCARE MORE EFFECTIVE

One of the biggest challenges when new and innovative healthcare technologies are introduced to the market is to ensure that healthcare systems around the world understand their value and include the technology in the care that is offered. The value of a treatment is determined in different ways in different countries and BONESUPPORT works on a variety of activities to ensure that the company's products are included in the compensation systems in the markets where the products are marketed.

## WORK ADAPTED TO MARKET

BONESUPPORT works strategically on clinical studies to demonstrate the clinical and health economics value of the company's innovative technology. In 2019, data will be published showing the health economics effects of CERAMENT G and CERAMENT V in the treatment of bone infection in the United Kingdom. The health economic data has been collected over five years to show how great the cost and resource savings are that the health care system can achieve when using CERAMENT G and CERAMENT V as part of the treatment of osteomyelitis (bone infection).

BONESUPPORT is also performing a number of smaller projects to demonstrate the economic benefits of using CERAMENT G and CERAMENT V to reduce reinfection and new hospital admissions and avoid repeated surgical procedures.

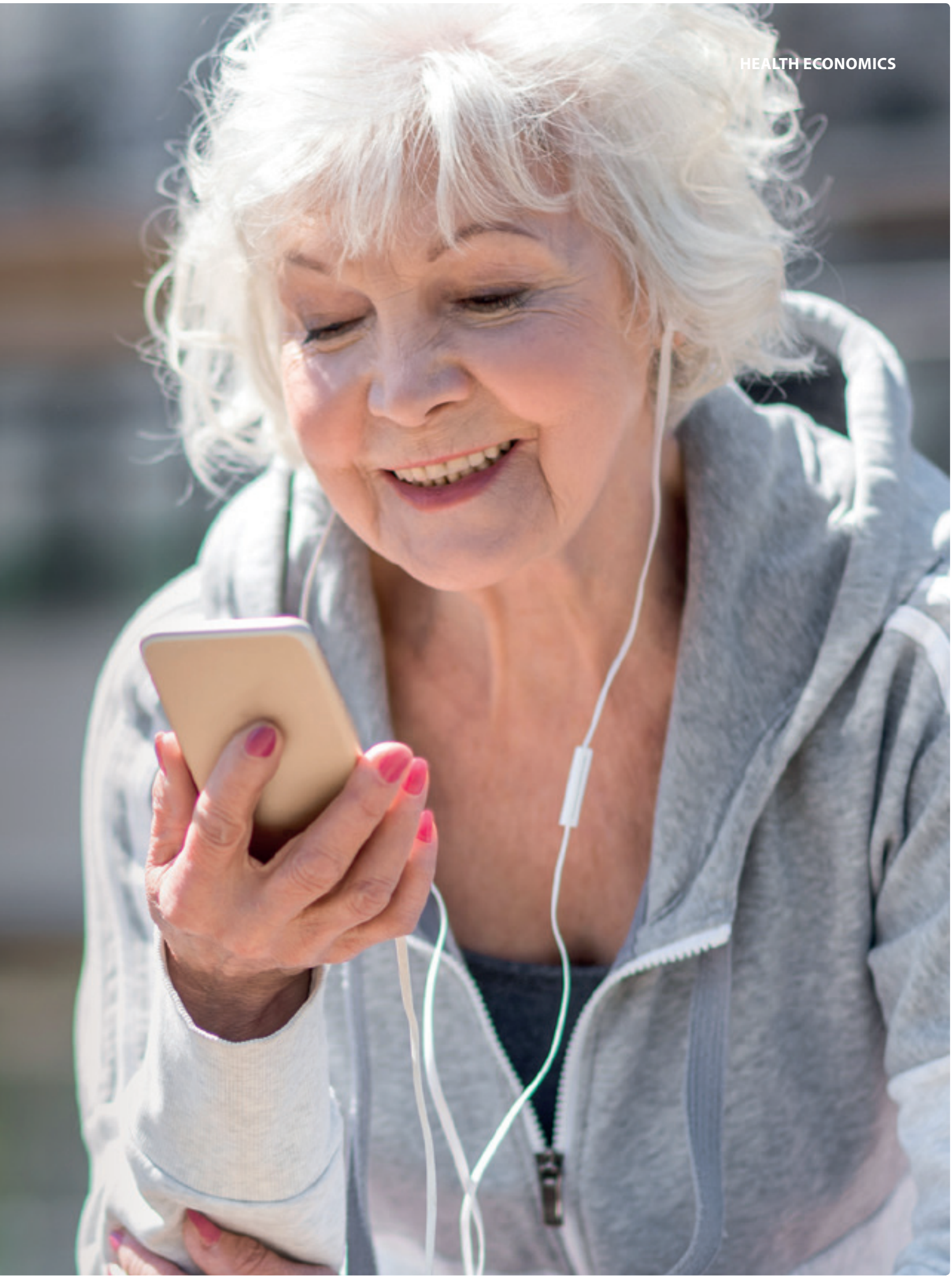
The purpose of all studies is to scientifically demonstrate CERAMENT's beneficial clinical effects and how increased use of CERAMENT has beneficial health economics effects in the form of fewer surgical procedures, shorter care time and thus shorter waiting lists.

## THE IMPORTANCE OF CLINICAL DATA

One of the three cornerstones of the strategy is to deliver industry-leading scientific and clinical evidence that validates the many benefits of CERAMENT. Today there is already an extensive database of more than 130 research publications and abstracts of preclinical and clinical studies with CERAMENT. Two of the most important and largest clinical trials are CERTiFy and FORTIFY.

## THE CERTiFy STUDY

The CERTiFy study is the largest clinical study to date that has been conducted with CERAMENT. The study is a prospective, randomised, controlled clinical trial of 137 patients at 20 leading trauma centres in Germany, the purpose of which is to compare treatment with CERAMENT BVF with transplantation of autologous bone grafts (autograft) in tibial plateau fractures where bone defects have arisen. Autograft has long been the prevailing treatment practice for this type of injury. The CERTiFy study concluded in June 2018 and full results are expected to be published during 2019. Already in November, BONESUPPORT announced that the main objective of the study had been achieved: CERAMENT BVF has proved to be a strong alternative to autograft in evaluation of the physical component summary (SF-12 v2). The clinical trial director Professor P.M. Rommens commented on the results: "Bone graft substitute is often used for strengthening post-traumatic bone defects. However, there has never been a direct randomised clinical comparison with autologous bone transplantation, which is the prevailing practice in the reconstruction of bone defects. Professor Rommens also said: "These findings pave the way for a potential change in the standard for care of post-traumatic bone defects in terms of user-friendliness and other benefits of CERAMENT BVF". It is the company's view that the publication of CERTiFy could be leading evidence for changing the treatment standard for this type of bone defect. Estimates show that in Europe's five largest markets alone, 25,000 procedures per year are carried out with autograft for the treatment of tibial plateau fractures. The CERTiFy study thus opens up great market potential for CERAMENT.




**FORTIFY**

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 trial will include up to 230 patients in clinics in the USA and Europe. Data from the FORTIFY study will be used to support a planned PMA (pre-market approval) application to the FDA, an important step in approval in the USA for CERAMENT G at the end of 2021. Recruitment of patients is ongoing.

**Increasing presence at national and regional scientific congresses**

The European Bone and Joint Infection Society (EBJIS) is the most important congress focusing on infections in the musculoskeletal system. In 2018, the congress was held in Helsinki, where 12 new abstracts were presented regarding the use of CERAMENT G and CERAMENT V. The presentations showed, among other things, data that demonstrated CERAMENT's bone remodeling properties. Positive data was also shown of bone reformation with CERAMENT compared to a competing product consisting of calcium sulphate.

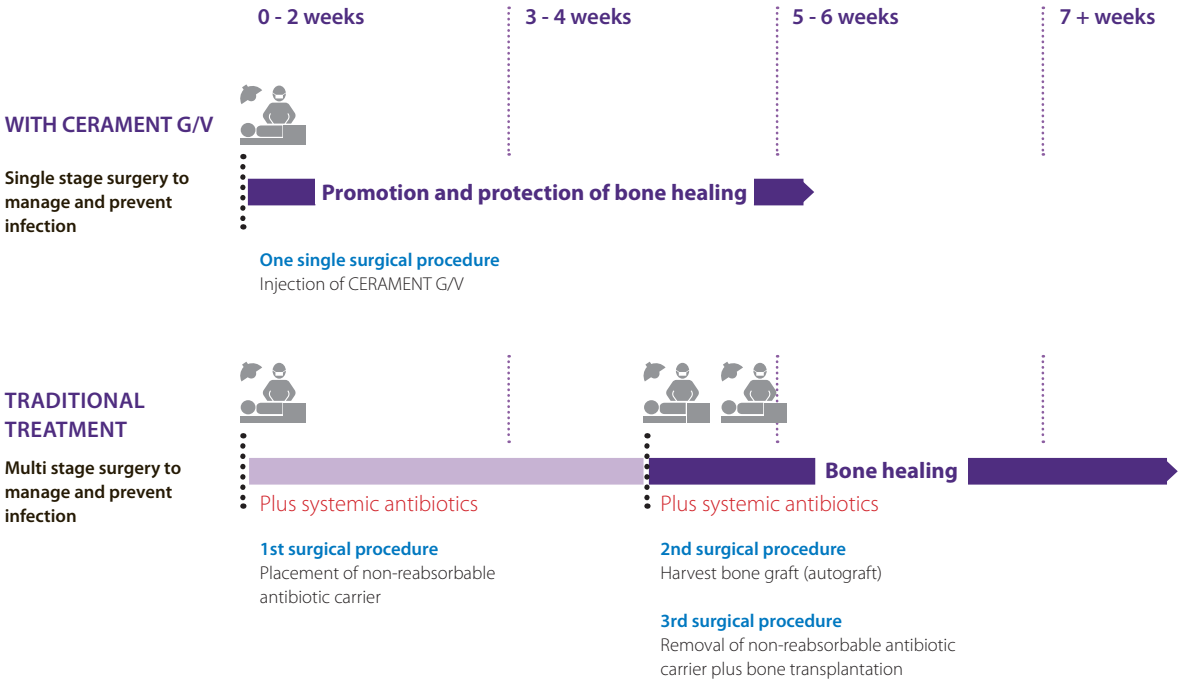
BONESUPPORT focused during the year on participating in national and regional congresses in key regions, including the British Limb Reconstruction Society (BLRS) and the British Orthopaedic Foot and Ankle Society (BOFAS) in the United Kingdom. In Berlin, we once again attended the largest and most important meeting in orthopaedics and trauma in Germany, Der Deutsche Kongress für Orthopädie und Unfallchirurgie (DKOU).

In the USA, we had a a well-attended presence at the American Academy of Orthopedic Surgeons congress (AAOS) and for the first time we participated at the Musculo-Skeletal Infection Society (MSIS) in Miami.

**Further research**

BONESUPPORT supports a range of researcher-initiated prospective and retrospective studies including the promotion of fracture healing, foot and ankle surgery, periprosthetic joint revision, bone regrowth and management of bone infection. A larger study, Systematic Or Local Antibiotic Regimes In Othopaedics (SOLARIO), which is estimated to include 500 patients with bone infection, has recently been initiated. The study will investigate if effective local treatment with CERAMENT G can lead to reduced use of systemic antibiotic treatment. Positive results from the SOLARIO study could mean a change in the current treatment standard for bone infections.

## CERAMENT G and V – HANDLES BONE INFECTIONS MORE COST-EFFECTIVELY WITH LESS SURGERY AND SHORTER HOSPITAL ADMISSIONS



# INNOVATION FOR THE FUTURE

BONESUPPORT's research and development aims to develop new products, based on the CERAMENT platform, that address clinical needs for bone healing and treatment of skeletal injury. Products in the current product portfolio, CERAMENT BVF and the antibiotic-releasing products CERAMENT G and CERAMENT V, have all been developed within the company.

## FOUR PRODUCT CANDIDATES FOR BONE HEALING

BONESUPPORT currently has four potential product candidates, all of which aim to improve bone growth by taking advantage of CERAMENT's ability to release drugs and biological substances. The candidates are:

- **CERAMENT in combination with bisphosphonates**
- **CERAMENT in combination with Bone morphogenetic proteins (BMPs)**
- **CERAMENT in combination with bisphosphonates and BMPs**
- **CERAMENT in combination with bone marrow aspiration (BMA**),

A number of pre-clinical studies presented in publications and conferences include data that supports the potential of the product candidates. A thorough evaluation is now being carried out to identify which product candidate should be prioritised for further development work.

## SHORT-AND MEDIUM-TERM INNOVATIONS

In addition to the long-term development of bone healing products, BONESUPPORT is examining the possibilities of introducing a number of products in the short and medium term, such as CERAMENT in new formulations and in combination with other products.

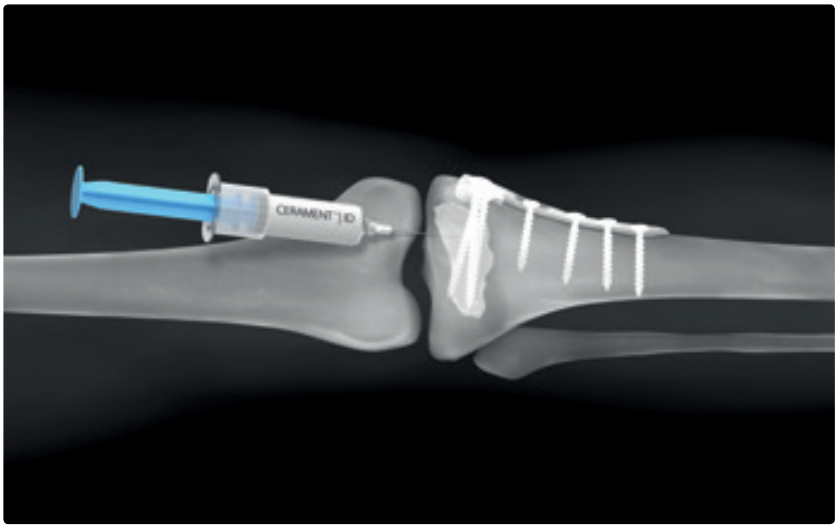
To strengthen the company's product portfolio in the USA, in May 2018 BONESUPPORT entered into an agreement with Collagen Matrix Inc. (CMI) to gain access to a number of products that can be used complementarily with CERAMENT. In August 2018, BONESUPPORT entered into an agreement with MTF Biologics (MTF) to access products containing demineralized bone matrix (DBM). The US market for DBM is estimated at USD 75 million. The products from CMI and MTF will have a positive impact on sales in the USA from the middle of 2019 onwards.

## ACADEMIC COLLABORATION

Research at a high scientific level has been conducted with CERAMENT in combination with bone-active molecules in a number of academic projects at the Department of Orthopaedics at Lund University in collaboration with the Indian Institute of Technology in Kanpur in India and the Lithuanian University of Health Sciences in Kaunas, Lithuania.

One result of this academic research is the thesis of doctoral student Deepak Raina at the Faculty of Medicine at Lund University, which was presented and defended in October 2018. Raina's research concerns methods with great potential for use in bone healing and is based on versions of CERAMENT and its ability to be combined with bone-active substances

such as bone morphogenetic protein and bisphosphonate or bone morphogenetic protein and zoledronic acid. The studies indicate that local delivery of these substances, in particular the bisphosphonate, may increase growth and regrowth of bone tissue in both healthy and defective bone, such as osteoporotic bone. The results of this thesis confirm CERAMENT's excellent properties for drug supply and local release and point to the potential to use CERAMENT in the future with more indications and in additional treatment areas.



# INTERVIEW WITH PROFESSOR POL. M. ROMMENS

Linda Butcher from BONESUPPORT, talked to Professor Pol. M. Rommens, head of the Department of Orthopaedics and Traumatology at the University Medical Centre at Mainz in Germany, regarding the recently completed CERTiFy study.

Professor Rommens headed the trials in the CERTiFy study, a prospective, multicentre-based, controlled, randomised study comparing CERAMENT BVF with autologous hip bone grafts (autograft). The study recorded 137 patients with bone defects associated with traumatic tibia fracture at 20 participating centres in Germany. Autograft, which is the prevailing gold standard for treating this type of trauma fracture, has the disadvantage that it requires an additional surgical procedure to take bone from the patient's hip bone.

The first results of the CERTiFy study were presented in November 2018 and show that CERAMENT BVF is a fully viable alternative to autograft.

**Can you explain why you decided to perform the CERTiFy study?**
When I first heard about CERAMENT BVF in 2012, I thought it would be an interesting product to use, considering its excellent biomechanical properties, which are important in this patient group. Another important factor was CERAMENT BVF's usability as an injectable material and the predictability of how it can fill out bone voids. Although clinical data was available to support the use of CERAMENT, it was clear that there was no clinical evidence of the effectiveness of the product in the form of phase I studies with large patient groups. After discussing this with BONESUPPORT, it was decided to conduct a prospective randomised study comparing CERAMENT BVF with autograft.

**Do you know of any other similar randomised studies comparing a synthetic bone graft substitute with autograft in such large patient groups?**
As far as I am aware, there are no corresponding prospective, randomised studies comparing a synthetic bone graft substitute with autograft. This is why CERTiFy is such an important study. Conducting prospective surgical studies is challenging, partly because of the difficulties in recruiting patients.

**Can you describe the top line results from the CERTiFy study that were presented in November 2018?**
The CERTiFy study fulfilled its primary efficacy endpoint where CERAMENT BVF is equivalent to autograft with respect to the evaluation of physical components. The researchers were very pleased with this result, because we have shown that synthetic bone grafting is as good as autograft, the gold standard among today's treatment options. This is an excellent result, because the use of CERAMENT BVF has the added benefit of sparing patients the extra surgical procedure needed to take autologous material from the hip bone. This is important because autograft was previously seen as the best treatment option because, in addition to stability, it also delivers cells and growth factors, which are considered crucial for the successful treatment of these fractures.

**Do you expect that more surgeons will use CERAMENT BVF for the treatment of patients with tibia fractures instead of autograft?**
Yes, I am sure that will happen. Good patient results combined with CERAMENT's ability to transform into bone and its ease of use and predictability make CERAMENT BVF a very viable alternative. Over time, I believe that the care standard can be changed in favour of using CERAMENT BVF, but to catalyse this change it is important that we publish the results of the CERTiFy study in a prominent surgical journal. We are confident that we can achieve this, given that this is the first large, prospective randomised study comparing a synthetic bone graft substitute with autograft. Given the positive result, I believe that an article in a prominent journal would help orthopaedic surgeons feel comfortable with the idea that CERAMENT BVF is a safe and effective alternative to autograft. We are working on getting the results published in 2019.

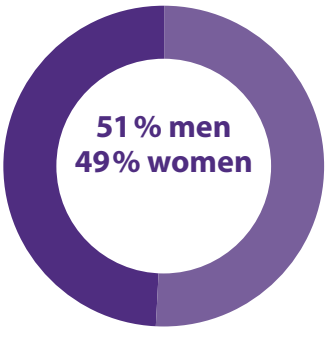
# OUR EMPLOYEES AND OUR COMPANY CULTURE

We who work at BONESUPPORT have the stated ambition to offer people with skeletal injury a better quality of life and in this way increase the use of our products and make the company successful. The benefits of our products are our most important contribution to society through better patient treatment and reduced costs in healthcare. Our contribution to society is thus part of our business model.

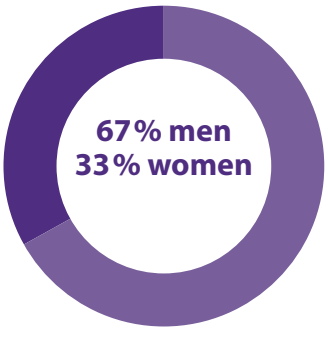
During the year we have worked on the foundations that our company stands on. Organisation, processes and procedures form the structure and we colleagues, our values, attitudes and behaviour, strengthen our culture so that it contributes to our business goals. We develop our culture in a purposeful way. During 2018, we began systematic work to map out our company culture, our existing attitudes and behaviour, and above all formulate and start working towards our desired vision, that is to say the culture we believe we need to deliver our strategy and our goals. We who work at BONESUPPORT are purposeful and want to contribute to improving people's quality of life with the aid of our products. That is a passion that we share and that brings us together.

We are proud to show the great diversity among us: diversity in age, gender, ethnicity and time with the company. We wish to recruit, develop and retain our skilled employees and we offer interesting jobs in an exciting and dynamic business where the individual employee has room to contribute, develop and be developed. As employers and as individual employees, we take responsibility for developing ourselves and the team. We are a great asset and intend to ensure that we remain an asset. Before last Christmas, we chose to give a gift to help vulnerable children instead of the traditional Christmas present to employees.

We challenge ourselves and each other with important ethical dialogues based on our Code of Conduct and our Global HR Handbook, which represent the basis of how we as a company and as individual employees act so as to be in compliance with laws and regulations.




**Employees**




**In leadership roles**

## GOALS

In 2019 we continue to work on our targeted company culture and intend by the end of the year to be well on the way in our endeavours linked to our strategic vision.

## WORK ENVIRONMENT & THE ENVIRONMENT

We have ongoing dialogue on sustainability related to our environment and social responsibility. We work continuously to develop our work environment, our routines and procedures, to both make it physically safe and at the same time offer people and thus ideas the opportunity to thrive.

## SAFETY

We develop and sell innovative medical products and wish to demonstrate the effectiveness and safety of our products. We ensure that our ethical, scientific and clinical ambitions are the highest possible. We prioritise patient safety highest of all. We follow the relevant laws and regulations in our research and development, quality work, production, warehousing, distribution and marketing activities. Our compliance is uncompromising on procedures and methods to ensure product safety and quality.

## OUR PARTNERS

Our suppliers are chosen with the utmost care based on objective criteria. Our demands on them are in all respects as high as the internal requirements. Our suppliers are evaluated and inspected regularly in line with the regulatory requirements that exist for us and them.

Our industry is subject to a strict regulatory framework. We are regularly evaluated, inspected and audited. Our employees shall always act honestly and professionally in contact with representatives of regulatory authorities. We shall always have the highest possible integrity and correctness when we interact with representatives of the healthcare system.

# FINANCIAL REPORTS 2018

# DIRECTORS' REPORT

## THE GROUP

### GENERAL INFORMATION

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 was founded in 1999 and 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 develops and commercializes innovative injectable bioceramic bone graft substitutes which are converted to the patient's own bone and with drug eluting properties. BONESUPPORT's bonegraft substitute is based on the proprietary technology platform CERAMENT. Three commercial products have mainly been developed to date:

- **CERAMENT®|BVF** (BONE VOID FILLER) have significantly improved osteoporosis and other fractures caused by disease or trauma.
- **CERAMENT®|G** is the first CE-labeled injectable ceramic bone graft substitute with the addition of antibiotics (gentamicin). The product shows properties that support and protect bone healing in the treatment of osteomyelitis (bone infections).
- **CERAMENT®V** is the first injectable bone substitute with the addition of vancomycin that supports and protects bone healing in the management of osteomyelitis (bone infections).

All three products are marketed in several markets in Europe and in the rest of the world, but in the US, so far, only CERAMENT BVF has received the approval by the FDA for use.

BONESUPPORT's strategy primarily focuses on continuing to increase sales of current products in existing and new markets and to generate additional clinical data through studies and health economic data (HEOR data) to highlight the benefits of CERAMENT.

BONESUPPORT has all the necessary competencies required to take a medical device from the research and development stage through sales to the end customer. Most of the production is outsourced to an external party. BONESUPPORT controls the product flow from supplier to customer.

The products are based on an innovative technology that is backed up by a patent portfolio of approximately 100 registered and / or applied patents. BONESUPPORT has 12 years of documented experience of safety and efficacy and, based on sales data, estimates that more than 35,000 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 and extend it to further indications by the release of other drugs.

In 2018 agreements were signed with Collagen Matrix and MTF Biologics to gain access to products, complementary to CERAMENT.

**Five year overview - Group**

| | 2018 | 2017 | 2016 | 2015 | 2014 |
|---|---|---|---|---|---|
| Net Sales, SEKm | 96.6 | 129.3 | 104.6 | 61.8 | 41.0 |
| Net Sales growth, % | -25.3 | 23.6 | 69.3 | 50.7 | 28.8 |
| Gross profit, SEKm | 81.5 | 112.4 | 88.3 | 52.2 | 34.6 |
| Gross margin, % | 84.3 | 87.0 | 84.4 | 84.6 | 84.4 |
| Operating result, SEKm | -174.4 | -99.3 | -88.7 | -53.9 | -39.3 |
| Net loss, SEKm | -176.4 | -128.9 | -110.2 | -59.6 | -51.1 |
| Equity, SEKm | 278.5 | 450.8 | 34.3 | 20.3 | -43.5 |
| Net debt, SEKm | -261.5 | -434.7 | -31.8 | -6.0 | 48.4 |
| Operating cash flow, SEKm | -171.6 | -107.5 | -81.9 | -65.3 | -45.9 |
| Cash at period end, SEKm | 261.5 | 533.4 | 141.5 | 68.9 | 18.4 |
| Earnings per share, SEK | -3.46 | -3.24 | -4.26* | -0.51** | -6.06** |
| Average number of employees | 72 | 57 | 46 | 31 | 25 |
| Net sales per employee, SEKt | 1,342 | 2,268 | 2,274 | 1,992 | 1,638 |

* Adjusted for consolidation of shares (5:1)
** Not adjusted for consolidation of shares

Definitions and calculations of Alternative Performance Measures, see page 71.

### SIGNIFICANT EVENTS IN 2018

- Emil Billbäck was appointed as new CEO from March 1.
- Decided to build up own distribution structure in the US and terminated the agreement with Zimmer Biomet.
- Zimmer Biomet canceled most of its orders for the period June-August as a result of the termination.
- The new distributor network with 38 independent distributors started the sale of CERAMENT BVF on October 23, 2018, while Zimmer Biomet's exclusivity for CERAMENT BVF ceased.
- Decided to substantially strengthen the commercial organization in Europe during 2018.
- Top line results from the CERTiFy study were presented in November, which show that CERAMENT BVF is a strong alternative to autograft.

– Entered an agreement with Collagen Matrix to sell several of their products containing natural and synthetic bone material.
– Entered a distribution agreement with MTF Biologics of two DBM products to broaden and strengthen the product offering in the US.
– The Annual General Meeting in May elected Simon Cartmell as new Director.
– Michael Diefenbeck, CMO,18 July taking over responsibility for R&D and Clinical Affairs.
– Håkan Johansson hired as new CFO, starting in November.

## REVENUES

Revenue is generated through three different channels:

– The United States with a combination of its own sales company and distributors
– Direct sales in five countries in Europe
– Sales through distributors in all other markets

In 2018, the focus was on the strategic decision to establish a network of independent distributors in the US and terminate the exclusive distribution agreement with Zimmer Biomet but also on the continued market focus for increased end-user acceptance of CERAMENT BVF, CERAMENT G and CERAMENT V. Revenues decreased by -25% (+24) and amounted to SEK 96.6 million (129.3). Sales in the US showed a decline in sales of SEK 44.0 million attributable to ongoing changes in the distribution structure, whilst sales in Europe and the rest of the world report continued growth and a sales increase in the period of SEK 11.3 million.

As a result of the changes in the US, the products are now sold directly to end customers and distributors receive commission on generated sales. Under the former agreement with Zimmer Biomet BONESUPPORT repored sales to Zimmer Biomet only. Zimmer Biomet was responsible for delivery and invoicing of end customers with no end customer commitment from BONESUPPORT.

## SALES AND MARKETING

In the US, CERAMENT BVF is distributed through BONESUPPORT's new distributor network, which at the end of the period included 38 distributors who are supported through our platform by our directly employed and specially trained American sales and marketing organization. The operations in the US are led by an EVP Commercial Operations and a business controller. In addition the organization consists of 10 sales representatives, 3 within customer support, 4 product specialists and a VP Marketing.

In Europe, BONESUPPORT currently has direct sales with 24 directly employed sellers in the UK, Germany, Switzerland, Sweden and Denmark. BONESUPPORT sells through distributors in Finland, France, Italy, the Netherlands, Norway, Poland, Spain, and Austria. BONESUPPORT also sells through distributors in some countries outside North America and Europe and has retained the rights to sell to other countries in the rest of the world.

## RESEARCH AND DEVELOPMENT

BONESUPPORT's research and development aims to produce new products, based on the CERAMENT platform, which addresses clinical needs in terms of bone healing and treatment of bone injury. The products in the current product portfolio, CERAMENT BVF and the antibiotic-releasing products CERAMENT G and CERAMENT V, have all been developed within the company.

The FDA classifies CERAMENT G as a medical device and has approved the Investigational Device Exemption (IDE) for a prospective randomized controlled trial, with project name FORTIFY. The FORTIFY study compares the use of CERAMENT G with standard therapy for patients with open tibial fracture. The study is in the patient recruitment phase. The purpose of the study is to demonstrate the absence of infection and the lack of need for secondary procedures to promote fracture healing. The results will form the basis for our PMA (pre-market approval) application at the FDA for CERAMENT G.

In November we presented the top line results of the CERTiFy study. The study has been conducted to investigate whether CERAMENT BVF can replace autograft treating tibial plateau fractures, ie bone fractures in the upper part of the tibia. Finding an adequate alternative to autograft has long been seeked, as autograft involves another surgical intervention on the patient and is associated with prolonged pain after surgery. The groundbreaking result shows that CERAMENT BVF is a strong alternative to autograft, which means that patients with this type of injury do not need to undergo another surgery to take bone tissue into autograft.

BONESUPPORT currently has four candidates in its pre-clinical development pipeline, which are designed to enhance bone growth through capitalizing on the drug-eluting capabilities. The candidates are:

– CERAMENT plus bisphosphonates
– CERAMENT plus bone morphogenic protein (BMP)
– CERAMENT plus bisphosphonates and BMP
– CERAMENT plus bone marrow aspirate (BMA)

BONESUPPORT carries out a careful evaluation to identify which product candidate should be prioritized for further development work.

## PERSONNEL AND ORGANIZATION

On December 31, 2018, the Group had 72 (57) employees. Of these, 55% (54) were active in sales and markets. Of the employees, 81% (78) has a university degree. The number of PhDs is 4 (6).

## EXPENSES AND RESULTS

### Gross profit

Declined sales in the US of SEK 44.0 million, attributable to ongoing changes in the distribution structure, whilst the EUROW segment reports continued growth, reporting a net sales increase of SEK 11.3 million, resulted in a reduced gross profit of SEK 81.5 million (112.4) and a gross margin of 84% (87).

### Operating expenses

In 2018, the company continued to invest substantially in sales and marketing. Sales and marketing expenses increased to SEK 133.3 million (92.9), mainly related to an increased number of sales representatives in both the US and Europe, as well as increased marketing activities with distributors, healthcare units and doctors. Research and development costs increased to SEK 66.1 million (60.6), mainly related to the costs for the FORTIFY study for CERAMENT G in the US and increased resources for clinical, medical and regulatory activities. Administrative expenses are on a par with last year and amounted to

SEK 58.3 million (57.5). Of the total costs, depreciation amounted to SEK 1.5 million (1.2).

**Operating loss**
Operating loss increased to SEK -174.4 million (-99.3), mainly as effect of lower net sales and expansion of the sales- and marketing organization, with more employees in the sales organizations in both the US and in Europe.

**Financial net**
Financial net was SEK -0.5 million (-28.6). No interest expenses were recognized after the repayment of the loans in February 2018. In 2017 the net loss was impacted by both interest expenses and exit fees related to the loans.

**Loss for the year**
The loss for the year increased to SEK -176.4 million (-128.9) as a result of the increased operating loss as described above.

## INVESTMENTS
Investments in intangible assets during the year amounted to SEK 1.0 million (1.6) for the acquisition of patents and capitalized development costs, and to SEK 1.6 million (3.0) for tangible assets.

## FINANCIAL POSITION AND CASH FLOW
**Financing**
Cash and cash equivalents amounted to SEK 261.5 million at the end of the period, a decrease of SEK 271.9 million since the beginning of the year. The change consists of cash flow from operating activities amounting to SEK -171.6 million and SEK -98.8 million from financing activities. The latter consists of repayment of the loan to Kreos Capital of SEK -93.3 million, SEK -8.9 million in costs for termination and remaining interest and SEK 3.4 million in prepaid loan. At the end of the year, shareholders' equity amounted to SEK 278.5 million (450.8), of which SEK 32.4 million (31.4) was share capital.

## QUALITY APPROVALS
BONESUPPORTS quality system follows the Medical Device Directive 93/42 / EEC, ISO 13485 "Medical device-quality management system-Requirements for regulatory purposes", the FDA's Quality System Requirements and other national regulations. The implementation of the new EU regulations Medical Device Regulation 2017/745 is proceeding according to plan.

The company's products are so-called Class III products in Europe and undergo extensive design verifications / validations before being assessed and approved for CE marking by the notified body British Standard Institute. Before that, the competent authority has been consulted for examination of the product's medical substance.

## ENVIRONMENT
The company's operations are not subject to permit under the Swedish Environmental Code (miljöbalken). During the year, the company has continued work on the working environment.

## OPERATIONAL AND FINANCIAL RISKS
During 2018 we conducted a significant strategic review of the operations. There are several potential application areas for the CERAMENT platform. We have chosen to focus on those areas where there is strong clinical evidence of CERAMENT's therapeutic benefits, i.e. trauma, revision arthroplasty, osteomyelitis, foot and ankle surgery and bone tumors. By concentrating our resources on these indications, we address a market of approximately 650,000 surgical procedures per year.

Our strategy is based on tree pillars:
– Innovation
– Leading clinical and health economics evidence
– Effective commercial platform

In line with our new strategy the distribution structure in the US has been changed and as part of this change, the cooperation with the former distributor, Zimmer Biomet, was terminated. A change of this nature entails risks of negative impact on sales.

BONESUPPORTS main business risks, as well as financial risks, are market penetration and the time it takes to create acceptance for the products and thereby generate revenue.

There is a currency exposure primarily linked to EUR and USD. As revenues are mainly generated in these currencies, a weak krona has a positive effect.

BONESUPPORT's result has been impacted, and will be impacted in the future, by several factors, wholly or partly beyond the Company's control. In addition to the above mentioned follows a description of the main factors BONESUPPORT deems have affected the operations result and can be expected to continue to affect the company's result.

- Risks related to the regulatory environment for medical devices and combination products, such as high costs for regulatory compliance, in particular regarding the requirements in the EU directive on medical device products and similar national and regional regulations on medical device products, impacts from regulatory changes and consequences of failure to comply with applicable regulations.
- Risks related to the conduction and outcome of clinical studies, such as studies being expensive and time consuming and may be delayed or cancelled due to a number of factors, including lack of study approvals, lack of patient requirement, undesired side effects or lack of clinical benefit.
- Risks related to failed market acceptance from healthcare providers, patients and payers, e.g. based on perceived advantages over competing treatments, prevalence and severity of adverse side effects, the costs of treatment in relation to alternative treatments as well as risks related to lack of adequate reimbursement which may lead to a reluctance to use the company's products.
- Risks such as BONESUPPORT not reaching sufficient levels of revenue or positive cash flow in the future in order to finance its operations or that the company is unable to secure additional funding when required.
- Risks relating to manufacturing, supply and storage, such as the company's suppliers and manufacturers not performing their services to the satisfaction of the company or having their operations restricted by authorities, which could lead to costly and time consuming procedures for the company in order to replace or find new suppliers.
- Risks related to competition and that the company has a limited product portfolio based on one technology platform, such as competing products proving to be better or gaining greater market acceptance or that the company's product candidates do not de-

monstrate enough potential for further development, which could prevent gaining market approval.
- Risks related to key personnel and qualified employees, such as the company being dependent of its senior management team and other key personnel and if the company loses key personnel, or fails to recruit necessary personnel, it could delay or impair the continued operations and product development.
- Risks related to intellectual property rights, such as the company's patent protection not being sufficient to protect its operations, that the company infringes third party rights or that the company becomes involved in proceedings regarding intellectual property.
- Risks related to potential product liability claims and insurance matters, such as the company facing risk for substantial liability for damages if its products or product candidates were to cause patients side effects that cause illness, bodily injury or death and the company fails to maintain its insurance cover or that the insurance cover is insufficient.

A detailed description of risks is found in Note 2. The group's internal control system and risk management in connection with preparation of consolidated accounts is found in the Corporate Governance Report.

## LEGAL DISPUTES

BONESUPPORT has no ongoing or known potential litigation within the group.

## LONG-TERM STRATEGIC ACTIVITIES

BONESUPPORT's strategy comprises the following main activities:

- Develop compelling clinical data and health economic data.
- Commercial focus on selected markets and indications.
- Complete the FORTIFY study to launch CERAMENT G in the US.
- Develop new products that meet the market's needs in the short, medium and long term.

BONESUPPORT will develop further compelling clinical and health economic data to strengthen the position in the markets for trauma, revision arthroplasty, chronic osteomyelitis and diabetic foot.

To obtain approval for CERAMENT G in the US, BONESUPPORT will continue to gather clinical evidence for the product's safety and efficacy. BONESUPPORT intends to complete the ongoing FORTIFY study which aims to demonstrate safety and higher efficacy in the treatment of a challenging orthopedic condition and in support of the broad indication approval. The company sees a market potential for CERAMENT G in the US, based on how the product is perceived by patients in Europe.

BONESUPPORT currently evaluates four product candidates in preclinical phase based on the CERAMENT platform in combination with other therapeutic agents, see section Research and development for more information.

## OUTLOOK

The strengthened commercial platform, both in the US and in Europe, together with the results of our clinical studies and the launch of new products, mean that we expect a strong sales increase in 2019 and followed by an annual sales growth of around 40 percent.

## THE BOARD OF DIRECTORS AND ITS WORK

At the Annual General Meeting in May 2018 Simon Cartmell was appointed new Director. Current Directors are: Håkan Björklund, Björn Odlander, Lars Lidgren, Nina Rawal, Tone Kvåle, Lennart Johansson and Simon Cartmell.

The board's work is governed by rules of procedure, which are revised and approved by the board at least once per year. The rules of procedure mainly govern the Board's work, the division of work between the board and the CEO and financial reporting requirements. The Swedish Corporate Governance Code is applied. Further details are found in the Corporate Governance report.

## CORPORATE GOVERNANCE

The company has chosen to report corporate governance separate from the Annual Report. The corporate governance report is found om pages 62-65.

## THE BOARD OF DIRECTORS PROPOSAL ON PRINCIPLES FOR REMUNERATION TO SENIOR EXECUTIVES

According to the Swedish Companies Act, the general meeting shall determine the guidelines for remuneration to the CEO and other senior executives. At the annual general meeting held on 22 May 2018 guidelines were adopted with the following main content:

The Company's starting point is to offer remuneration levels at market terms, aimed at facilitating the recruitment and retention of senior executives, and that the terms should be competitive considering the situation in the country in which the employee is employed. The remuneration to the senior executives can be comprised of fixed salary, variable remuneration, pension benefits, share-based incentive programs resolved by the shareholders' meeting and other benefits.

The fixed salary shall take into consideration the individual's competence, area of responsibility and performance. The variable remuneration is to be based on the outcome of predetermined well defined objectives. The variable consideration is to be limited and may not exceed 75 percent of the fixed annual salary for the CEO and 40 percent of the fixed annual salary for other senior executives, whereby the individual highest level should be based on factors such as the position held by the specific individual.

In addition to what follows from law or collective bargain agreements or other agreements, the CEO and other senior executives may be entitled to arrange individual pension schemes. Refrained salaries and variable remuneration can be used for increased pension contributions, provided that the total cost for the Company is unchanged over time.

Share-based incentive programs shall, where applicable, be resolved by the shareholders' meeting. The senior executives may be awarded other customary benefits, such as a company car, occupational health services, etc.

In case of termination of the CEO's employment by the Company, the notice period should not exceed 6 months. In case the Company terminates the CEO without cause the CEO shall, in addition to salary during the notice period, be entitled to severance payment corresponding to 12 months' base salary. The notice period for other senior

executives shall not exceed 12 months. In case of termination from the Company, in addition to salary during the notice period, severance payment corresponding to an amount equal to up to 12 months base salary may be paid.

The board of directors shall be entitled to deviate from these guidelines in individual cases if there are special reasons for doing so.

The board of directors has proposed that the annual general meeting to be held 14 May 2019, should resolve on essentially unchanged guidelines for remuneration to apply until the annual general meeting in 2020.

# PARENT COMPANY

### REVENUES, LOSS AND FINANCIAL POSITION

The parent company BONESUPPORT HOLDING AB (publ) owns and administers the shares in BONESUPPORT AB, which in turn owns the shares in the other group companies. BONESUPPORT HOLDING AB does not undertake any operational activity. BONESUPPORT HOLDING AB was registered on 15 March 2010 in conjunction with the restructuring of the group.

Management fees were debited in the group in 2018. In the parent company SEK 51.6 million (37.9) was reported as net sales and SEK 66.8 million (50.5) as administrative expenses. The parent company's operating expenses totaled SEK 67.8 million (50.5).

Unconditional shareholders contributions of SEK 200.7 million (100.0) were made to BONESUPPORT AB. Loss for the year was SEK -13.6 million (-15.8).

Shareholders equity decreased to SEK 907.0 million (920.7). Cash and bank balances at the end of the year totaled SEK 243.2 million (513.9).

### FINANCIAL RISKS

The parent company's financial risks are in all material aspects the same as those of the group.

### OWNERSHIP STRUCTURE AT 31 DECEMBER 2018

The main shareholders at the end of the year were Health Cap V L.P 12.8%, Stiftelsen Industrifonden 9.3%, Lundbeckfonden 9.3%, Robur AB 8.7%, 3:e AP-fonden 7.8%, Tellacq AB 5.7% and Carl Westin Ltd 5.2%.

### SHARE CAPITAL

At 31 December 2018 the number of shares was 51,795,917, of which all are common stock with a quotient value of 0.625 SEK per share. The number of shareholders was 1,805. BONESUPPORT HOLDING AB holds no shares of its own. The number of shares should be no less than 29,000,000 (29,000,000) and no more than 116,000,000 (116,000,00).

### THE BOARD'S PROPOSAL FOR APPROPRIATION

| **Appropriation parent company, SEK** | |
|---|---|
| Unrestricted equity in the parent company | |
| Share premium reserve | 1,187,896,490 |
| Accumulated losses | -299,699,240 |
| Loss for the year | -13,577,527 |
| **Total unrestricted equity in the parent company** | **874,619,723** |

The board of directors proposes that the share premium reserve, accumulated losses and net loss be carried forward.

# CONSOLIDATED INCOME STATEMENT

| SEKt | Note | 2018 | 2017 |
|---|---|---|---|
| Net sales | 4 | 96,623 | 129,301 |
| Cost of sales | 6,7 | -15,157 | -16,871 |
| **Gross profit** | | **81,466** | **112,430** |
| Selling expenses | 6,10,11,21 | -133,311 | -92,858 |
| Research and development expenses | 6,10,11 | -66,064 | -60,636 |
| Administrative expenses | 6,8,10,11,12 | -58,345 | -57,478 |
| Other operating income | 13 | 8,530 | 5,282 |
| Other operating expenses | 6,14 | -6,680 | -6,025 |
| **Operating loss** | | **-174,404** | **-99,285** |
| **Profit from financial items** | | | |
| Financial income | 15 | 975 | 5,723 |
| Financial expenses | 15 | -1,440 | -34,300 |
| **Net financial items** | | **-465** | **-28,577** |
| **Loss before income tax** | | **-174,869** | **-127,862** |
| Income tax | 16 | -1,536 | -1,007 |
| **Loss for the year** | | **-176,405** | **-128,869** |
| **Attributable to:** | | | |
| Equity holders of the parent | | -176,405 | -128,869 |
| **Earnings per share (SEK) calculated on earnings attributable to equity holders of the parent** | | | |
| Earnings per share before and after dilution | 23 | -3.46 | -3.24 |

# CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

| SEKt | 2018 | 2017 |
|---|---|---|
| | | |
| **Loss for the year** | **-176,405** | **-128,869** |
| | | |
| **Other comprehensive income** | | |
| *Other comprehensive income to be reclassified to profit or loss in subsequent periods:* | | |
| Exchange differences on translation of foreign operations | 129 | 2 |
| *Other comprehensive income not to be reclassified to profit or loss in subsequent periods:* | 0 | 0 |
| **Other comprehensive income of the year** | **129** | **2** |
| | | |
| **Total comprehensive income of the year** | **-176,276** | **-128,867** |
| | | |
| **Attributable to:** | | |
| Equityholders of the parent | -176,276 | -128,867 |
| Non-controlling interests | 0 | 0 |
| **Total comprehensive income of the year** | **-176,276** | **-128,867** |

Other comprehensive income of the year refers in its entirety to exchange differences with no tax effects

# CONSOLIDATED BALANCE SHEET

| SEKt | Note | 31 December 2018 | 31 December 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| *Intangible assets* | 18 | | |
| Capitalized development expenses | | 3,208 | 3,529 |
| Patents | | 2,303 | 1,715 |
| **Total non-current assets** | | **5,511** | **5,244** |
| *Tangible assets* | 19 | | |
| Equipment and tools | | 3,885 | 3,099 |
| **Total tangible assets** | | **3,885** | **3,099** |
| *Other non-current assets* | | | |
| Other receivables | 21,26 | 375 | 248 |
| **Total other non-current assets** | | **375** | **248** |
| **Total non-current assets** | | **9,771** | **8,591** |
| **Current assets** | | | |
| *Inventories* | 17 | | |
| Raw materials and consumables | | 14,645 | 12,171 |
| Finished goods and goods for resale | | 9,036 | 9,908 |
| **Total inventories** | | **23,681** | **22,079** |
| *Current receivables* | | | |
| Trade receivables | 21,26 | 18,683 | 20,678 |
| Other operating receivables | 21,26 | 8,011 | 6,825 |
| Prepaid expenses | 22 | 4,527 | 5,144 |
| **Total current receivables** | | **31,221** | **32,647** |
| Cash and cash equivalents | 26,28 | 261,468 | 533,367 |
| **Total current assets** | | **316,370** | **588,093** |
| **TOTAL ASSETS** | | **326,141** | **596,684** |

# CONSOLIDATED BALANCE SHEET

| SEKt | Note | 31 December 2018 | 31 December 2017 |
|---|---|---|---|
| **EQUITY AND LIABILITIES** | | | |
| **Equity attributable to equity holders of the parent** | | | |
| Share capital | 23 | 32,373 | 31,424 |
| Other paid-in capital | | 1,187,895 | 1,189,015 |
| Reserves | | -175 | -304 |
| Accumulated losses including loss for the year | | -941,562 | -769,349 |
| **Total equity** | | **278,531** | **450,786** |
| **Non-current liabilities** | | | |
| Provisions | 24 | 289 | 173 |
| **Total non-current liabilities** | | **289** | **173** |
| **Current liabilities** | | | |
| Current borrowings | 25,26,28 | 0 | 98,620 |
| Trade payables | 26 | 12,472 | 11,553 |
| Income tax payable | | 228 | 798 |
| Other operating liabilities | | 9,084 | 6,577 |
| Accrued expenses | 22,26 | 25,537 | 28,177 |
| **Total current liabilities** | | **47,321** | **145,725** |
| **Total liabilities** | | **47,610** | **145,898** |
| **TOTAL EQUITY AND LIABILITIES** | | **326,141** | **596,684** |

# CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| SEKt | Share capital | Other paid-in capital | Reserves | Accumulated losses | Total equity |
|---|---|---|---|---|---|
| **As at 1 January 2017** | **18,132** | **669,552** | **-306** | **-653,074** | **34,304** |
| **Comprehensive income** | | | | | |
| Loss for the year | | | | -128,869 | -128,869 |
| **Other comprehensive income** | | | | | |
| Exchange differences on translation of foreign operations | | | 2 | | 2 |
| **Total comprehensive income** | **0** | **0** | **2** | **-128,869** | **-128,867** |
| **Transactions with equity holders** | | | | | |
| New share issue | 13,292 | 557,002 | | | 570,294 |
| Transaction costs, new share issue | | -39,101 | | | -39,101 |
| Allotted warrants | | 1,562 | | | 1,562 |
| Share-based payment transactions | | | | 12,594 | 12,594 |
| **Total transactions with equity holders** | **13,292** | **519,463** | **0** | **12,594** | **545,349** |
| **As at 1 January 2018** | **31,424** | **1,189,015** | **-304** | **-769,349** | **450,786** |
| **Comprehensive income** | | | | | |
| Loss for the year | | | | -176,405 | -176,405 |
| **Other comprehensive income** | | | | | |
| Exchange differences on translation of foreign operations | | | 129 | | 129 |
| **Total comprehensive income** | **0** | **0** | **129** | **-176,405** | **-176,276** |
| **Transactions with equity holders** | | | | | |
| New share issue | 949 | | | | 949 |
| Transaction costs, new share issue | | -1,860 | | | -1,860 |
| Allotted warrants | | 740 | | | 740 |
| Share-based payment transactions | | | | 4,192 | 4,192 |
| **Total transactions with equity holders** | **949** | **-1,120** | **0** | **4,192** | **4,021** |
| **As at 31 December 2018** | **32,373** | **1,187,895** | **-175** | **-941,562** | **278,531** |

**Changes in reserves**

Reserves comprise exchange differences on translation of foreign operations

# CONSOLIDATED STATEMENT OF CASH FLOWS

| SEKt | Note | 2018 | 2017 |
|---|---|---|---|
| | | | |
| **Operating activities** | | | |
| Operating loss | | -174,404 | -99,285 |
| Non-cash adjustments | 29 | 3,230 | 16,707 |
| Interests received | | 46 | 3 |
| Interests paid | | -868 | -11,740 |
| Other paid financial costs | | 558 | 0 |
| Income tax paid | | -2,151 | -737 |
| **Net cash flows from operating activities before changes in working capital** | | **-173,589** | **-95,052** |
| | | | |
| *Changes in working capital* | | | |
| Increase in inventories | | -588 | -6,557 |
| Decrease (+)/increase (-) in operating receivables | | 2,670 | -8,579 |
| Decrease (-)/increase (+) in operating liabilities | | -118 | 2,654 |
| **Net cash flows from operating activities** | | **-171,625** | **-107,534** |
| | | | |
| **Investing activities** | | | |
| Investments in intangible assets | 18 | -997 | -1,574 |
| Investments in tangible assets | 19 | -1,609 | -3,037 |
| Investments in financial assets | | -113 | -77 |
| **Net cash flows from investing activities** | | **-2,719** | **-4,688** |
| | | | |
| **Financing activities** | | | |
| New share issue | | 949 | 570,294 |
| Transaction costs, new issue of shares | | -1,860 | -39,101 |
| Allotted warrants | | 740 | 1,562 |
| Repayments of borrowings | 29 | -98,620 | -27,922 |
| **Net cash flows from financing activities** | | **-98,791** | **504,833** |
| | | | |
| **Net cash flow** | | **-273,135** | **392,611** |
| | | | |
| Cash and cash equivalents as at 1 January | 26 | 533367 | 141,501 |
| Net foreign exchange difference | | 1236 | -745 |
| **Cash and cash equivalents as at 31 December** | 26 | **261,468** | **533,367** |

# PARENT COMPANY INCOME STATEMENT

| SEKt | Note | 2018 | 2017 |
|---|---|---|---|
| Net sales | 5 | 51,578 | 37,873 |
| Administrative expenses | 5,8,10,11 | -66,756 | -50,516 |
| Other income | 13 | 528 | 23 |
| Other expenses | 14 | -1,033 | -33 |
| **Operating loss** | | **-15,683** | **-12,653** |
| | | | |
| **Result from financial items** | | | |
| Other interest income and similar income | 15 | 2,253 | 0 |
| Other interest expenses and similar expenses | 15 | -148 | -3,162 |
| **Net financial items** | | **2,105** | **-3,162** |
| | | | |
| **Result after financial items** | | **-13,578** | **-15,815** |
| Income tax | 16 | 0 | 0 |
| **Loss for the year** | | **-13,578** | **-15,815** |

Parent Company loss for the year equals comprehensive income

# PARENT COMPANY BALANCE SHEET

| Sekt | Note | 31 December 2018 | 31 December 2017 |
|---|---|---|---|
| **ASSETS** | | | |
| **Non-current assets** | | | |
| *Non-current financial assets* | | | |
| Participations in group companies | 20 | 704,652 | 503,912 |
| **Total non-current financial assets** | | **704,652** | **503,912** |
| **Total non-current assets** | | **704,652** | **503,912** |
| **Current assets** | | | |
| **Receivables** | | | |
| Other receivables | 21 | 153 | 0 |
| Prepaid expenses | 22 | 728 | 715 |
| **Total receivables** | | **881** | **715** |
| Cash | 26 | 243,247 | 513,945 |
| **Total current assets** | | **244,128** | **514,660** |
| **TOTAL ASSETS** | | **948,780** | **1,018,572** |

# PARENT COMPANY BALANCE SHEET

| SEKt | Note | 31 December 2018 | 31 December 2017 |
|---|---|---|---|
| | | | |
| **EQUITY AND LIABILITIES** | | | |
| | | | |
| **Equity** | | | |
| | | | |
| *Restricted equity* | | | |
| Share capital | 23 | 32,373 | 31,424 |
| **Total restricted equity** | | **32,373** | **31,424** |
| | | | |
| *Unrestricted equity* | | | |
| Share premium reserve | | 1,187,895 | 1,189,015 |
| Accumulated losses | | -299,698 | -283,883 |
| Loss for the year | | -13,578 | -15,815 |
| **Total unrestricted equity** | | **874,619** | **889,317** |
| | | | |
| **Total equity** | | **906,992** | **920,741** |
| | | | |
| **Current liabilities** | | | |
| Trade payables | | 485 | 433 |
| Liabilities to group companies | 26 | 38,067 | 94,572 |
| Other liabilities | 26 | 233 | 1,667 |
| Accrued expenses | 22,26 | 3,003 | 1,159 |
| **Total current liabilities** | | **41,788** | **97,831** |
| | | | |
| **TOTAL EQUITY AND LIABILITIES** | | **948,780** | **1,018,572** |

# PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

| SEKt | Share capital | Other paid-in capital | Accumulated losses | Total equity |
|---|---|---|---|---|
| **As at 1 January 2017** | **18,132** | **669,552** | **-283,883** | **403,801** |
| **Comprehensive income** | | | | |
| Loss for the year | | | -15,815 | -15,815 |
| **Total comprehensive income** | **0** | **0** | **-15,815** | **-15,815** |
| **Transactions with equity holders** | | | | |
| New share issue | 13,292 | 557,002 | | 570,294 |
| Transaction costs, new share issue | | -39,101 | | -39,101 |
| Allotted warrants | | 1,562 | | 1,562 |
| **Total transactions with equity holders** | **13,292** | **519,463** | **0** | **532,755** |
| **As at 1 January 2018** | **31,424** | **1,189,015** | **-299,698** | **920,741** |
| **Comprehensive income** | | | | |
| Loss for the year | | | -13,578 | -13,578 |
| **Total comprehensive income** | **0** | **0** | **-13,578** | **-13,578** |
| **Transactions with equity holders** | | | | |
| New share issue | 949 | | | 949 |
| Transaction costs, new share issue | | -1,860 | | -1,860 |
| Allotted warrants | | 740 | | 740 |
| **Total transactions with equity holders** | **949** | **-1,120** | **0** | **-171** |
| **As at 31 December 2018** | **32,373** | **1,187,895** | **-313,276** | **906,992** |

# PARENT COMPANY STATEMENT OF CASH FLOWS

| SEKt | Note | 2018 | 2017 |
|---|---|---|---|
| | | | |
| **Operating activities** | | | |
| Operating loss | | -15,683 | -12,653 |
| Interest received | | 2,253 | 0 |
| Interests paid | | -148 | -3,162 |
| **Net cash flows from operating activities before changes in working capital** | | **-13,578** | **-15,815** |
| | | | |
| *Changes in working capital* | | | |
| Increase in operating receivables | | -166 | -408 |
| Increase in operating liabilities | | 462 | 1,655 |
| **Net cash flows from operating activities** | | **-13,282** | **-14,568** |
| | | | |
| **Investing activities** | | | |
| Shareholders contribution | | -200,740 | -100,000 |
| **Net cash flows from investing activities** | | **-200,740** | **-100,000** |
| | | | |
| **Financing activities** | | | |
| New share issue | | 949 | 570,294 |
| Transaction costs, new share issue | | -1,860 | -39,101 |
| Allotted warrants | | 740 | 1,562 |
| Decrease in liabilities to group companies | | -56,505 | -8,018 |
| **Net cash flows from financing activities** | | **-56,676** | **524,737** |
| | | | |
| **Net cash flow** | | **-270,698** | **410,169** |
| Cash as at 1 January | 26 | 513,945 | 103,776 |
| **Cash as at 31 December** | 26 | **243,247** | **513,945** |

# NOTES

## NOTE 1
GENERAL INFORMATION, ACCOUNTING POLICIES

### CORPORATE INFORMATION
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.

The parent company, BONESUPPORT HOLDING AB (publ), is a limited company, registered and domiciled in Lund. The address of the head office is Scheelevägen 19, 223 70 Lund, Sweden.

The Board of Directors approved these consolidated accounts on 17 April, 2019 which will be presented before the Annual General Meeting for adoption on 14 May, 2019.

### ACCOUNTING PRINCIPLES OF THE GROUP
The most important accounting policies, applied when these consolidated accounts were prepared, are stated below. If nothing else is stated these policies have been consequently applied for the periods presented.

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Financial Accounting Standards Board (IASB) and adopted by the EU. In addition, the consolidated accounts are prepared in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 1 Supplementary accounting regulations for Groups.

The consolidated accounts are based on historical acquisition values and prepared on a going concern basis.

The functional currency is Swedish Kronor and all amounts are in thousand SEK if nothing else is stated.

#### Implementation of new accounting policies
The accounting policies applied include new and amended standards effective for periods beginning on 1 January 2018. None of these has had any major impact on the group's financial statements.

BONESUPPORT has applied IFRS 9 Financial instruments and IFRS 15 Revenue from contracts with customers since 1 January 2018.

**IFRS 9** 'Financial Instruments' replaces IAS 39 Financial Instruments: Recognition and Measurement. The implementation has not had any impact on the group's financial statements given the current level of operations where trade receivables, other receivables and cash and cash equivalents are the only financial assets. No financial instruments have been reclassified and no additional credit risk reserves have been recorded. IFRS 9 has been applied according to the prospective method.

**IFRS 15** 'Revenue from contracts with customers' replaces IAS 18 Revenue. According to IFRS 15 revenue is recognized when the customer obtains control over the sold goods or services, replacing previous principle where revenue is recognized when risks and rewards are transferred to the customer. The groups's revenue mainly arise from one category, sale of goods. BONESUPPORT has one performance obligation for which revenue is reported at the time of delivery. The transition to IFRS 15 has due to this not had any impact on the financial statements other than additional disclosures. IFRS 15 has been applied with full retrospective.

Besides IFRS 16, described below, new published standards, interpretations and changes will not, according to the initial judgement, have any major impact on the group's financial statements.

**IFRS 16** is applicable from 1 January 2019 and replaces IAS 17. IFRS 16 Leases means that, in principle, all leases are recognized in the balance sheet, the right to use the leasing object as an asset and the remaining lease payments as debt. In the income statement, the leasing cost is replaced by depreciation of the assets and interest expense on the lease liabilities. Key ratios such as equity ratio and debt/equity ratio change as liabilities in the balance sheet increase. The leasing agreements that will be reported in the balance sheet relate primarily to the leasing of premises. BONESUPPORT will apply IFRS 16 according to a simplified method. This means a calculation period based on the remaining payments, that the comparison year is not recalculated. The right to use asset is values at an amount equal to the leasing debt. Contracts shorter than 12 months are not taken into account. As of 1 January 2019 the effect of transition to accounting in accordance with IFRS 16 means an increased balance sheet total of approximately SEK 14,145 thousand and that the equity ratio decreases from 85.4% to 81.9%. For further information see note 27.

### ESTIMATES, ASSUMPTIONS AND ASSESSMENTS
When preparing the company's financial statements, a number of assessments and estimates are made and assumptions that affect the application of 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.

Those areas, which comprise estimation, assumption or assessment to the consolidated accounts, are disclosed in Note 3.

Current assets and current liabilities are expected to be of short- term nature and recovered or paid within 1 year. Other balance sheet items are expected to be paid later.

### BASIS FOR CONSOLIDATION
The consolidated accounts include the parent company and its subsidiaries. The financial reports for the parent company and the

subsidiaries, included in the consolidated financial statements, refer to the same period and are prepared according to the accounting principles applicable to the group.

All the intra-group transactions, income, expenses, gains or losses, which arise in transactions between companies included in the consolidated accounts, are eliminated in full.

### SUBSIDIARIES

A subsidiary is a company, where the parent company directly or indirectly has half of the votes or a in other aspects a controlling influence.

A subsidiary is included in the consolidated financial statements from the moment of acquisition, which is the day when the parent company receives controlling influence and is included in the group accounts up to the day the controlling influence ceases.

The group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interest issued by the group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at fair values at the acquisition date.

### TRANSLATION OF FOREIGN SUBSIDIARIES' FINANCIAL STATEMENTS

Items in the subsidiaries' balance sheets are measured in the respective functional currency, which normally the same as the country's local currency. The group's financial statements are presented in Swedish kronor (SEK), which is the parent company's functional currency. The income statements and balance sheets of the foreign subsidiaries are translated to Swedish kronor (SEK). The balance sheets are translated to the rate of the closing date. The income statements are translated to the average rate of the period. Exchange rate differences that occur do not affect the profit for the year but are reported in other comprehensive income in the consolidated financial statements. The following exchange rates have been applied for translations:

| | USD | EUR | CHF | GBP |
|---|---|---|---|---|
| Closing day rate 31 December 2018 | 8.9690 | 10.2613 | 9.1136 | 11.3630 |
| The period's average rate 2018 | 8.6921 | 10.2567 | 8.8831 | 11.5928 |
| | | | | |
| Closing day rate 31 December 2017 | 8.2322 | 9.8497 | 8.4281 | - |
| The period's average rate 2017 | 8.5380 | 9.6326 | 8.6693 | - |

### CONSOLIDATED STATEMENT OF CASH FLOWS

The statement of cash flows has been set up according to indirect method. The reported cash flow includes only transactions involving payments in or out of the group.

### REVENUE AND REVENUE RECOGNITION – IFRS 15

Revenue is generated through three different channels:

- The United States with a combination of its own sales company and distributors
- Direct sales in five countries in Europe
- Sales through distributors in all other markets

All revenue from customer contracts is recognized when control over the goods has passed over to the buyer. The group's revenue mainly arise from one category, the sale of the CERAMENT products. Revenue is recognized when the performance obligation is satisfied. For distributors that are also end customers, delivery terms Ex Works apply to the company's premises, which means that the risk passes on to the buyer when the goods leave the warehouse. For end customers, DDP to the customer's specified destination or FOB is applied. This means that the performance obligation is satisfied and the revenue recognized when the goods is available at the customers specified address or has been handed over to a freight company. Consignment stock is held by some customers. In these cases revenue is recognized when products are taken out of consignment stock.

Customer contracts contain no right of return, this applies to both distributors and end customers. Warranty costs amount to immaterial amounts, however covered by IAS 37 since not related to service type warranties.

As described in the Directors' report, BONESUPPORT sells directly to end customers in the US through the new distributor organization (from October 2018). This means no change of the accounting principles and no major effect on the financial reports, follows above described process. The distributors receive commission based on net sales, reported as selling expenses.

### INTANGIBLE ASSETS

**Capitalized development expenses and patents:**

Expenses for the development of new products are accounted for as intangible assets when they have received regulatory approval by licensing authorities and if it is highly probable that such expenses will lead to economic benefits for the company. Capitalized development expenses are reported as intangible assets, and depreciation is made from the date the product is ready to use. The depreciation period is to the remaining patent period, but never longer than 15 years. Development costs that do not meet these criteria are expensed.

Externally acquired patents are capitalized and reported as patents. All intangible assets are assessed annually with regard to any impairment requirement.

### TANGIBLE ASSETS

Tangible assets are carried at cost less accumulated amortization and impairment, if any. The acquisition value includes expenses directly attributable to the acquisition of the asset. Additional expenses are added to the asset's carrying amount or is reported as a separate asset, whichever is applicable. Depreciation according to plan is based on depreciable amount, being the acquisition value less its residual value, which is distributed over the expected useful life. Equipment and tools are written off in five years.

Profits and losses on disposal are determined by a comparison between received sales price and the carrying amount. The gain or loss is recognized in the income statement as other income/expense.

### IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is made with the amount at which the asset's carrying amount exceeds its recoverable

amount. The recoverable amount is the higher of an assets fair value less cost of disposal and its value in use. When assessing write-down requirements, assets are classified at the lowest levels with separately identifiable cash flows (cash generating units).

## FINANCIAL INSTRUMENTS

A financial asset or liability is recognized in the balance sheet when the group is entering into an agreement. Financial assets are derecognized when the rights to receive cash flows from the asset has expired and the group has transferred all risks and rewards of the asset. Financial liabilities are derecognized when the obligation under the liability is discharged.

## CLASSIFICATION OF FINANCIAL ASSETS AND LIABILITIES – IAS 39 (UNTIL 31 DECEMBER 2017)

**Trade and other receivables:**

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted on an active market, such as receivables from financial services or trade receivables. Receivables are initially recognized at fair value and subsequently at accrued acquisition value less any provision for impairment. Gains and losses attributable to receivables are recognized in the income statement. Interest rate effects arising from the application of the effective interest method are also recognized in the income statement. The fair value of current financial assets is considered to correspond to the book value due to the short maturity.

**Impairment of trade and other receivables:**

Significant financial difficulties at the debtor, probability that the debtor will go bankrupt or undergo financial reconstruction and failed or delayed payments (fallen due since more than 60 days) are considered as indicators that a write-down requirement for a customer debt may be required. The size of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The reserved amount is reported in the income statement. Recovering of previously written down amounts is credited to the income statement.

**Borrowing:**

Borrowing is initially recognized at fair value, net of transaction expenses. Borrowing is thereafter accounted for at amortized cost. Gains and losses are recognized in profit and loss.

**Trade payables:**

Trade payables are classified as current liabilities and initially recognized at fair value and thereafter at amortized cost by applying the effective rate method. Due to the short maturity no material interest rate effect arises.

## CLASSIFICATION OF FINANCIAL ASSETS – IFRS 9 (FROM 1 JANUARY 2018)

**Interest bearing financial assets:**

All interest-bearing assets are held to collect. These are initially recognized at fair value and subsequently at accrued acquisition value according to the effective interest method. Gains and losses attributable to receivables are recognized in the income statement. Interest rate effects arising from the application of the effective interest method are also recognized in the income statement. BONESUPPORT reports the following interest-bearing financial asset in the balance sheet:

- Trade receivables
- Non-current receivables
- Cash and cash equivalents

**Impairment of financial assets:**

A credit risk reserve of interest-bearing financial assets is recognized based on future expected losses regarding the individual assets. The credit risk reserve for trade receivables is based on the expected loss for the total life of the asset. Any impairment on cash and cash equivalents is immaterial.

## INVENTORIES

Inventories are valued at the lower of cost and net realizable value. The acquisition value is determined using the first-in, first-out method (FIFO). The cost of finished goods consists of raw materials, direct wage/salary and other direct expenses. Borrowing costs are not included. Net realizable value is the estimated selling price in the ordinary course of business.

## CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash on hand and bank balances.

## FOREIGN CURRENCIES

Transactions in foreign currencies are reported at the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate at the closing date. Gains and losses on the balance sheet date are recorded in the income statement as other income/expenses.

## SHARE CAPITAL

Transaction expenses directly attributable to the issue of new shares are accounted for, net after tax, in equity as an allowance after the issue payment.

## REMUNERATION TO EMPLOYEES

**Pensions:**

The group has only defined contribution pension plans. The defined contribution pension plans mainly comprise retirement pension, sickness pension and family pension. The premiums are paid during the year by the respective group companies to separate legal entities, such as insurance companies. The size of the premium is based on the salary level. Pension costs for the period are included in the income statement.

**Share based compensation:**

The group has outstanding employee stock options, which are regulated by equity instruments. For detailed descriptions of the programs, see Note 12. Share based payments (employee stock options) are valued based on the market value of the employee stock options in the granting of the options. The value of the remuneration is not revalued after the grant date. The total cost is distributed over the vesting period, which is the period during which all of the specified earnings terms are to be met. The cost is reported as personnel cost and credited to equity. At each balance sheet date, the group reviews its estimates of how many shares are expected to be earned. Any deviations from the original assessments that the review gives rise to are accounted for in the income statement and the corresponding adjustments are made in equity.

When the options are exercised, the company issues new shares. Reveived payments are credited to the share capital (quota value) and other capital accrued when the options are exercised.

Social security costs attributable to equity-related instruments as described above are expensed over the periods during which the services are performed. The cost is calculated based on the same valuation model used when the employee stock options were granted. The liability for social security contributions that arises is revalued at each period end based on a new calculation of the fees that may be paid when the instruments are redeemed. This means that a new market valuation of the options is made at each financial year and is the basis for calculating the liability for social security contributions.

### DEFERRED TAX

Deferred tax is reported on temporary differences. Deferred tax is computed by applying tax rate that has been decided or announced at the balance sheet date and is expected to be applied when the deferred tax asset concerned is realized or the deferred tax liability is adjusted. Deferred tax assets relating to tax losses are accounted for to the extent there are convincing reasons that these could be offset against future taxable surpluses.

### OPERATING SEGMENTS

The group manages and monitors operations in two operating segments: North America (NA) and Europe and Rest of the world (EUROW). Information about the operating segments' sales and earnings is reported in Note 4. There is no follow-up on neither assets nor liabilities on segment level as management and follow-up on these are done by management and board at group level.

### PARENT COMPANY'S ACCOUNTING PRINCIPLES

The parent company prepares Annual Reports according to the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for legal entities. RFR 2 sets out that the parent company's annual report for the legal entity must apply all, by the EU approved, IFRS and statements as far as possible within the frame of the Annual Accounts Act and considering the connection between accounting and taxation. The recommendation states what exceptions and supplements that must be made compared with accounting according to IFRS.

The following differences exist between the group's and the parent company's accounting principles:

Participations in subsidiaries are accounted for in the parent company according to the cost method.

The group perform impairment test of investments in subsidiaries on a yearly basis or on indication of decrease in value. The impairment test is based on a cash flow analysis for the next five years. For further information see Notes 3 and 20.

The parent company does not apply IFRS 9 and will not apply IFRS 16. Currently the parent company has not entered into any lease agreements. The parent company reports financial instruments at amortized cost.

The parent company observes the Annual Accounts Act's format for the income statement and statement of financial position, which among other things implies another format for equity.

## NOTE 2
## FINANCIAL RISK MANAGEMENT

Through its operations the group is exposed to various types of financial risks as market risk, liquidity risk and credit risk. The primary market risk is currency risk. BONESUPPORT has a comprehensive finance policy for both the parent company and the group, which regulates the assignment of responsibilities in financial matters between the board of directors, the CEO, the CFO and other group companies. The board of directors audit committee is responsible of monitoring the design of the finance policy and, if necessary, propose changes to the board of directors. The finance policy is characterized by low risk levels. There have been no changes to the finance policy or the risk management process since 2017. The strategy comprises continuous identification and management of risks.

### MARKET RISK

Market risk is the risk that fair value of, or future cash flows from, a financial instrument will vary due to changes in market prices. Market risks are classified into three types, interest risk, currency risk and other price risk. The market risk that primarily affects the group is currency risk.

#### Currency risk

Currency risk is the risk that fair value of future cash flows fluctuate due to changes in currency rates. The currency risk exposure comes primarily from payments in foreign currencies (transaction exposure) and from translation of foreign group companies' income statements and balance sheets to SEK (translation exposure). The group's operations are international and exposed to currency risks mainly from USD, EUR and GBP.

Approximately 35% of BONESUPPORT AB sales are invoiced in USD, approximately 33% in EUR and approximately 20% in GBP. This is only to a small extent offset by purchases in EUR. If, all else equal, USD is strenghtened or weakened by 5% against SEK, the group's loss after tax is affected by +/- approximately SEK 3.7 million based on transactions in 2018. The equivalent weakening of EUR gives an impact of SEK 1.9 million and GBP an impact of SEK 0.9 million.

The foreign subsidiaries invoice and carry costs in their respective local currencies, USD, EUR, GBP and CHF. Translation risk implies that the value of the group's net investments in foreign currency might be negatively impacted by changes in currency rates since net assets are translated at SEK on the balance sheet date.

The group does not hedge currency risks by forward contracts or other instruments.

Currency risk is mainly attributable to exposure from trade receivables at end of period, see Note 21 for split by currency. The largest part of trade receivables are based in EUR and GBP, of which EUR is approximately 34% of trade receivables, currency fluctuations may affect future cash flows. If, all else equal, EUR is is strenghtened or weakened by 5% against SEK, the group's loss after tax is affected by +/- SEK 0.4 million based on trade receivables as per 31 December 2018. The equivalent effect for GBP is SEK 0.3 million and USD is SEK 0.2 million.

The sensitivity analysis in the table below shows the effects from changes in SEK against currencies for the group. The numbers are based on 2018 results and financial position.

+ implies a weakening of SEK
- implies a strenghtening of SEK

| SEK million | +/- 5% | +/- 5% EUR | +/- 5% GBP |
|---|---|---|---|
| Transaction risk | +/-3.7 | +/-1.9 | +/-0.9 |
| Translation risk | +/- 0.0 | +/- 0.1 | +/- 0.0 |

**Interest risk**
Interest risk implies that fair values or future cash flows fluctuate due to changes in market interest rates.

As per 31 December 2018 a general increase or decrease in interest rates have no impact on the group's result since the interest bearing loans were fully repaid by 1 February 2018. For more information on loans and interest rates see the Directors Report and Note 25.

### CREDIT RISK AND COUNTERPARTY RISK
Credit risk implies the risk that a counterparty in a transaction causes a loss to the group by failing to fulfill its contractual commitments. The group's exposure to credit risk is primarily attributable to trade receivables. The simplified model is applied to calculate credit losses on the group's trade receivables. Expected credit losses are calculated based on historical events, current status and estimates of future economic conditions.

The group's customers are primarily hospitals, clinics and distributors with high credit rating. Trade receivables are split by a large number of customers and no customer stands for a major part of total trade receivables. Trade receivables are geographically spread out. The concentration risks are considered limited. Reversal of estimated credit losses were SEK 753 thousand during 2018. In 2017 estimated and actual credit losses were SEK -2,641 thousand. See Note 21 for further information on trade receivables.

Credit risks in cash and cash equivalents are considered immaterial since the counterparties are banks with high credit rating by international credit rating institutes. As per 31 December 2018 cash and cash equivalents amount to SEK 241,468 thousand of which SEK 94%, USD 3%, EUR 2% and GBP 1%.

The group's maximum exposure to credit risk is considered equal to reported amounts of total financial assets, see Note 26.

### LIQUIDITY RISK AND FUNDING RISK
Liquidity risk implies the risk that the group encounter problems meeting its payment obligations for financial liabilities. Funding risk implies the risk that the group fails to raise sufficient funds at reasonable cost.

The liquidity risk is low since the group's financial liabilities by end of 2018 are current, consist of trade payables and accrued expenses. The major part falls due within three months.

Funding risk is estimated based on liquidity forecasts over several years, if future cash flows are sufficient to fund planned operations. In case there is a risk that funds are not sufficient, the company will well in time balance costs against future revenue and/or seek alternative funding through loans or similar.

## NOTE 3
ASSESSMENTS, ESTIMATES AND ASSUMPTIONS

When preparing the company's financial statements, several assessments and estimates are made and assumptions that affect the application of the accounting principles and the values accounted for in the income statement and balance sheet. The actual outcome may deviate from these estimates and assessments. Estimates and assessments are evaluated and based on historical experience and other factors, including expectations of future events.

Estimates, assumptions and assessments are described in more detail below.

### VALUATION OF TAX LOSS CARRY FORWARDS
The possibilities for capitalization of deferred tax assets for tax loss carry forwards are investigated annually. Deferred tax receivables are only included in cases where there are convincing arguments that future tax surpluses will be available against which the temporary difference can be utilized. Despite the positive development at present, the likelihood that the company reports profit in 2019 is small.

### VALUATION OF INVESTMENTS IN SUBSIDIARIES
The parent company is annually, or more frequently, evaluating whether there are any indicators of impairment in investments in subsidiaries, if recognition of an impairment loss is required. The recoverable amount of investments in subsidiaries has been determined by calculating value in use which require extensive estimates and assumptions. In these assumptions present values of forecasted future cash flows for the coming five years have been calculated using a discount rate of 20% after tax (25% pre-tax). When determining the discount rate, risk free interest rate, market premium, corporate specific capital structure and actual tax rate have been considered. Cash flows after the five-year period have been based on forecasted growth rate. The calculated value in use has been compared to the carrying value showing no impairment. A sensitivity analysis has been performed where different discount rates have been simulated. An increase in discount rate of 5 percentages shows no impairment. The result of the impairment test shows a surplus value why no recognition of impairment loss is required for investments in subsidiaries.

## NOTE 4
OPERATING SEGMENTS

| | 2018 | | | | 2017 | | | |
|---|---|---|---|---|---|---|---|---|
| | NA | EUROW | Other | Total | NA | EUROW | Other | Total |
| Net sales | 34,126 | 62,497 | 0 | 96,623 | 78,127 | 51,174 | 0 | 129,301 |
| Operating costs [1] | -79,084 | -72,224 | 0 | -151,308 | -59,319 | -58,775 | 0 | -118,094 |
| Contribution | -44,958 | -9,727 | 0 | -54,685 | 18,808 | -7,601 | 0 | 11,207 |
| Other operating items [2] | 0 | 0 | -119,719 | -119,719 | 0 | 0 | -110,492 | -110,492 |
| Operating result | -44,958 | -9,727 | -119,719 | -174,404 | 18,808 | -7,601 | -110,492 | -99,285 |
| Net financial items | 0 | 0 | -465 | -465 | 0 | 0 | -28,577 | -28,577 |
| Loss before income tax | -44,958 | -9,727 | -120,184 | -174,869 | 18,808 | -7,601 | -139,069 | -127,862 |
| Net sales CERAMENT\|BVF | 34,126 | 10,993 | 0 | 45,119 | 78,127 | 12,682 | 0 | 90,809 |
| Net sales CERAMENT\|G, CERAMENT\|V | 0 | 51,504 | 0 | 51,504 | 0 | 38,492 | 0 | 38,492 |

1 Operating costs comprise cost of sales and selling expenses and research & development costs directly attributable to a segment.
2 Other operating items comprise administrative expenses, other operating income & expenses and selling expenses and research & development expenses not directly attributable to a segment.

BONESUPPORT manages and monitors operations in the North America (NA) and Europe & Rest of the World (EUROW) segments. The sales function follows the segments, where each segment is managed by a responsible business manager, including members of group management. Other functions are organized mainly group-wide, although it is a minor development unit that operates in the United States. The costs included in other operating items are mainly costs for group functions that cannot be directly allocated to any of the two operating segments. Costs for the option programs are not allocated by segment, as the cost of these programs depends partly on external factors such as valuation of the company. Therefore, a breakdown by segment could lead to a non-fair allocation if an external factor affects with different impact per segment. The contribution per segment is calculated as net sales minus directly attributable operating costs (see definition above) for the segments.

Net sales in Sweden was 6.2 SEKm (3.2). United States, Germany and United Kingdom were the only markets that delivered more than 10% of net sales 2018. 1 (1) customer represents more than 10% of net sales, amounting to 29,925 SEKt (78,127).

The Group's non-current assets are basically based in Sweden.

## NOTE 5
INTRA-GROUP PURCHASES AND SALES

Intra-group purchases and sales amounted to 234,997 SEKt (150,656). The parent company rendered services to group companies of 51,578 SEKt (37,873) and purchased services from group companies of 54,053 SEKt (45,593).

All intragroup dealings, income, expenses, gains or losses, which arise in transactions between group companies are eliminated in total.

## NOTE 6
EXPENSES BY TYPE

| GROUP | 2018 | 2017 |
|---|---|---|
| Changes in inventories of finished goods and work in progress | 2,443 | 11,310 |
| Raw materials and consumables | -10,359 | -15,643 |
| Employee benefit expenses | -129,674 | -86,954 |
| Depreciation and amortization | -1,547 | -1,169 |
| Other expenses | -140,420 | -141,412 |
| **Total** | **-279,557** | **-233,868** |

Other expenses mainly concern external services, advertising & public relations, travel expenses and exchange rate losses. Exchange rate losses amount to 6,590 SEKt (6,006).

## NOTE 7
DEPRECIATION AND AMORTIZATION

| GROUP | 2018 | 2017 |
|---|---|---|
| Capitalized development expenses | 718 | 787 |
| Patents | 12 | 12 |
| Equipment and tools | 817 | 370 |
| **Total** | **1,547** | **1,169** |

Depreciation is included in cost of sales.

## NOTE 8
COMPENSATION TO AUDITORS

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| **Ernst & Young** | | | | |
| Audit fees related to the assignment | 1,899 | 1,249 | 821 | 65 |
| Audit related fees | 175 | 1,573 | 175 | 1,471 |
| Fees for tax services | 55 | 295 | 0 | 60 |
| Other fees | 0 | 524 | 0 | 253 |
| **Total** | **2,129** | **3,641** | **996** | **1,849** |

The above are reported fees and compensation to auditors expensed during the year. Compensation for consultations is reported in cases where the same audit firm holds the audit assignment in the individual company. Audit fees related to the assignment refer to the statutory audit of the annual report and the administration of the Board of Directors and the managing director. Audit related fees refer to the audit of management or financial information to be performed in accordance with statutes, articles of association, or agreements not included in the audit assignment, which shall be concluded in a report, certificate or other document intended for others than the client. Tax services is consultation in tax law issues. Other fees are consultations that cannot be attributed to any of the other categories.

Audit fees 2017 was higher due to the company's new share issue and listing of the share at Nasdaq Stockholm.

Other fees 2017 include review of IT control, internal control, financial manual, quarterly report etc. in connection with the IPO.

## NOTE 9
PERSONNEL (AVERAGE NUMBER)

| | 2018 | | |
|---|---|---|---|
| | Men | Women | Total |
| **PARENT COMPANY:** | | | |
| Sweden | 1 | 0 | 1 |
| **SUBSIDIARIES:** | | | |
| Sweden | 7 | 18 | 25 |
| Germany | 3 | 6 | 9 |
| USA | 15 | 5 | 20 |
| The Netherlands | 2 | 0 | 2 |
| Switzerland | 3 | 0 | 3 |
| Great Britain | 6 | 6 | 12 |
| **Total subsidiaries** | **36** | **35** | **71** |
| **Total Group** | **37** | **35** | **72** |

## NOTE 9, cont'd
PERSONNEL (AVERAGE NUMBER)

| | 2017 | | |
|---|---|---|---|
| | Men | Women | Total |
| **PARENT COMPANY:** | | | |
| Sweden | 0 | 0 | 0 |
| **SUBSIDIARIES:** | | | |
| Sweden | 10 | 18 | 28 |
| Germany | 2 | 6 | 8 |
| USA | 11 | 5 | 16 |
| The Netherlands | 2 | 0 | 2 |
| Switzerland | 2 | 1 | 3 |
| Great Britain | 0 | 0 | 0 |
| **Total subsidiaries** | **27** | **30** | **57** |
| **Total Group** | **27** | **30** | **57** |

The number of employees in the tables above represent average full-time equivalents. At the end of the financial year, the Board of Directors was composed of 5 (4) men and 2 (2) women. The management comprised 6 (8) men and 3 (5) women.

## NOTE 10
SALARY, OTHER COMPENSATION AND SOCIAL SECURITY

| | 2018 | | 2017 | |
|---|---|---|---|---|
| **GROUP** | Board & CEO | Other employees | Board & CEO | Other employees |
| **Salary and other compensation** | | | | |
| Parent Company | 4,915 | 0 | 1,009 | 0 |
| Subsidiaries | 4,801 | 88,818 | 4,499 | 63,619 |
| **Total** | **9,716** | **88,818** | **5,508** | **63,619** |

| **Social security all employees** | 2018 | 2017 |
|---|---|---|
| Parent Company | 1,840 | 0 |
| (of which pension cost) | (129) | (0) |
| Subsidiaries | 19,525 | 11,021 |
| (of which pension cost) | (5,257) | (3,329) |
| **Total** | **21,365** | **11,021** |
| **(of which pension cost)** | (5,386) | (3,329) |

The managing director is employed in the parent company since 1 March 2018. During 2017 no salaries or compensation was paid by the parent company.

The former CEO (until February 2018) was employed in a subsidiary. The role as Head of HR was held by a consultant until October 16, 2017 when Helena L Brandt was employed. Salaries, social security and other compensation to this consultant is not included above as he was contracted through a consulting agreement. The costs for 2017 amounted to 1 105 SEKt.

Social security costs for BONESUPPORT AB include social security fees on employee stock option benefits.

Above amounts do not include share-based remuneration. These are included in Note 11.

## NOTE 11
## COMPENSATION TO SENIOR EXECUTIVES AND RELATED PARTY TRANSACTIONS

Compensation to the CEO is decided by the board of directors on a proposal from the remuneration committee. Senior executives consisted of the CEO and an additional 9 (12) persons. On 31 december 2018 the number of senior exexutives was 9 including the CEO. For the group management, market conditions apply to salaries and other employment benefits, which are approved by the remuneration committee.

Most employees have individual, variable bonus systems with measurable goals. Follow-up and evaluation is done quarterly or yearly.

The CEO's agreement can be terminated by either party with a notice period of 6 (6) months. In case of termination on the part of the company, a severance pay of 12 (12) months salary (and benefits and average bonus for the last 3 years will be paid). If the contract is terminated before 1 May 2019 an additional severance pay of 6 (0)months salary will be paid. Other senior executives' contracts have notice periods of up to 12 (12) months.

**Compensation to Chairman of the Board, Board of Directors and Senior Executives, Group**

| | 2018 | | | 2017 | | |
|---|---|---|---|---|---|---|
| | Salaries, fees | Social security | Share-based compensation | Salaries, fees | Social security | Share-based compensation |
| Håkan Björklund, Chairman of the Board | 375 | 0 | 0 | 375 | 0 | 0 |
| Nina Rawal, Director | 185 | 58 | 0 | 220 | 0 | 0 |
| Lars Lidgren, Director | 150 | 0 | 67 | 150 | 0 | 190 |
| Björn Odlander, Director | 175 | 55 | 0 | 175 | 0 | 0 |
| Tone Kvåle, Director | 275 | 0 | 15 | 275 | 0 | 0 |
| Lennart Johansson, Director from March 2017 | 220 | 69 | 15 | 220 | 0 | 0 |
| Simon Cartmell, Director from May 2018 | 150 | 0 | 29 | 0 | 0 | 0 |
| Emil Billbäck, CEO from March 2018 | 3,636 | 1,298 | 64 | 0 | 0 | 0 |
| Richard Davies, CEO until February 2018 | 4,801 | 625 | 1,610 | 4,499 | 328 | 7,511 |
| Other senior executives 9 (12) persons | 18,625 | 5,557 | 1,103 | 19,523 | 2,636 | 2,766 |

Compensation to the board of directors in the table above are yearly fees. In Note 10 fees for the period from Annual General Meeting until end of year are reported. The guidelines for remuneration to senior executives 2019 are proposed to be unchanged from 2018. For further information see the Director's report and the Corporate Governance Report.

Bonus to the current CEO amounts to 540 SEKt (810) and to other senior executives to 1 518 SEKt (2,487). For one of the senior executives the total variable compensation 2017 was 49% of the fixed salary. The agreement with this person was signed before the guidelines for remuneration to senior management were determined by the Annual General Meeting in April the same year. This particular agreement describes variable compensation in relation to total compensation, which makes the total variable compensation according to agreement, but not in line with the guidelines for remuneration to senior management that states 40%.

The former CEO was entitled to a defined contribution pension of 300 SEKt per year. The premiums were paid corresponding to 18% of the base salary, of which the company paid 50%. For the current CEO and other senior executives the company pays pension premiums up to 35% of base salaries. The pension schemes are different since management, excluding the CEO, is based in 4 (5) different countries. Pension premiums relating to the CEO were paid at 214 SEKt (153) and premiums to other senior executives were paid at 1,881 SEKt (1,376). Board directors have not received any pension.

On 23 January 2018 the board of directors decided to appoint Emil Billbäck as new CEO. Richard Davies left his position 28 February 2018. Severance pay to the resigning CEO and one of the senior executives has been granted. The former CEO receives monthly payments of 32 CHFt and additional bonus of 10 CHFt during a 12 month period. The other former senior executive has been granted a severance pay of 1,620 SEKt in total.

BONESUPPORT AB has had an ongoing consultancy agreement with Professor Lars Lidgren's company Seagles AB. The agreement meant that Seagles AB received 175 SEKt per year for advice regarding the company's research and intangible assets. The agreement was ended during spring 2017 and an amount of 44 SEKt for the first quarter only was paid. The agreement is decided upon yearly by the board of directors.

BONESUPPORT AB has purchased a patent by Professor Lars Lidgren's company Seagles AB – "Case 13-CERAMENT+BMP+anti-catabolic drugs". The agreement was signed in March 2015 and the purchase price for the patent amounts to a total of 2,1 SEKm divided in three installments, of which two have been paid, 660 SEKt in 2017 and 500 SEKt in 2015.

Furthermore, BONESUPPORT has acquired another patent by Professor Lars Lidgren's company Seagles AB. The purchase contains the patent rights to a new CERAMENT-based carrier. The agreement was signed in December 2017 and the purchase price amounts to 2,0 SEKm in total, divided in three installments of which two have been paid, 500 SEKt in 2017 and 600 SEKt in 2018.

During 2018 BONESUPPORT has signed a consultancy agreement with Board Director Simon Cartmells company Route 2 Advisors Ltd, relating to Life Science. 81 SEKt has been paid.

## NOTE 12
EMPLOYEE STOCK OPTION PROGRAMS AND SHARE SAVING PROGRAMS

At the end of 2018 BONESUPPORT has 3 employee stock option programs and 2 share saving programs.

Of the 3 employee stock option programs 2 runs over 10 years and expires 2022 and 2025 and one program runs over 8 years and expires 2024. Each stock option gives the holder the right to acquire 0.2 ordinary share in BONESUPPORT HOLDING AB at a price of 0.125 SEK, equivalent of 0.625 SEK per share, in the first 2 programs and 5.30 SEK, equivalent of 26.50 SEK per share, in the third program. The options vest according to a schedule in each program. A prerequisite for taking part in the stock option plans is an employment or contractual relationship on a recurring vesting date. Of the 25.7 million options that were already allocted, 18.0 million options were vested before 1 January 2018 and 2.4 million options were vested during 2018. On 31 December 2018 the value of employee stock options in the first two programs was 3.92 SEK (3.78) and 0.39-0.55 SEK (0.90-1.09) SEK in the third program.

The two share saving programs were started 2018. There is one program mainly for new employees and one for 3 Board Directors. Both programs run over 4 years, until 2021. Each savings share gives the opportunity to be allotted a maximum of 2, 3 or 4 performance shares depending on share price development and the company's development in terms of net sales and EBITDA. These two programs could result in potential dilution based on the full issuance of 505,000 performance shares during the first quarter of 2022.

| **VALUATION - SHARE SAVING PROGRAM EMPLOYEES 2018/2021** | **20 Jun 2018** |
|---|---|
| Dividend | – |
| Expected volatility | 35% |
| Interest rate | -0.21 – 0.35% |
| Valuation of the share (SEK) | 10.17 |
| Valuation model | Black & Scholes/ Monte Carlo |

| **VALUATION - SHARE SAVING PROGRAM BOARD 2018/2021** | **20 Jun 2018** |
|---|---|
| Dividend | – |
| Expected volatility | 35% |
| Interest rate | -0.35% |
| Valuation of the share (SEK) | 10.17 |
| Valuation model | Monte Carlo |

| **VALUATION - PROGRAM 2016/2024 (Employee stock option program 3)** | **9 Nov 2016** |
|---|---|
| Dividend | – |
| Expected volatility | 50% |
| Interest rate | 0% |
| Valuation of the share (SEK) - recalculated after share consolidation 5:1 | 26.50 |
| Valuation model | Black & Scholes |

| **VALUATION - PROGRAM 2015/2025 (Employee stock option program 2)** | **1 Jan 2016** |
|---|---|
| Dividend | – |
| Expected volatility | 50% |
| Interest rate | 0% |
| Valuation of the share (SEK) - recalculated after share consolidation 5:1 | 21.50 |
| Valuation model | Black & Scholes |

| **VALUATION - PROGRAM 2012/2022 (Employee stock option program 1)** | **1 Jan 2012** |
|---|---|
| Dividend | – |
| Expected volatility | 40% |
| Interest rate | 3% |
| Estimated average duration (years) | 9 |
| Assumption of the share of employees remaining at the date of exercise | 96% |
| Valuation of the share (SEK) - recalculated after share consolidation 5:1 | 21.50 |
| Valuation model | Black & Scholes |

| **CHANGES DURING THE YEAR (NUMBER) - SHARE SAVING PROGRAMS** | **2018** | **2017** |
|---|---|---|
| Outstanding at 1 January | 0 | 0 |
| Granted during the year | 575,000 | 0 |
| Cancelled during the year | -70,000 | 0 |
| Outstanding at 31 December | 505,000 | 0 |
| **Exercisable at 31 December** | **0** | 0 |

| **CHANGES DURING THE YEAR (NUMBER) - PROGRAM 2016/2024** | **2018** | **2017** |
|---|---|---|
| Outstanding at 1 January | 3,538,420 | 2,804,420 |
| Granted during the year | 0 | 864,000 |
| Cancelled during the year | -1,311,641 | -130,000 |
| Outstanding at 31 December | 2,226,779 | 3,538,420 |
| **Exercisable at 31 December** | **1,480,717** | **732,447** |

| **CHANGES DURING THE YEAR (NUMBER) - PROGRAM 2015/2025** | **2018** | **2017** |
|---|---|---|
| Outstanding at 1 January | 5,398,300 | 5,398,300 |
| Cancelled during the year | -2,249,292 | 0 |
| Exercised during the year | -3,149,008 | 0 |
| Outstanding at 31 December | 0 | 5,398,300 |
| **Exercisable at 31 December** | **0** | 2,637,361 |

| **CHANGES DURING THE YEAR (NUMBER) - PROGRAM 2012/2022** | **2018** | **2017** |
|---|---|---|
| Outstanding at 1 January | 8,208,371 | 14,431,732 |
| Cancelled during the year | -97,497 | -163,625 |
| Exercised during the year | -4,157,463 | -6,059,736 |
| Outstanding at 31 December | 3,953,411 | 8,208,371 |
| **Exercisable at 31 December** | **3,220,283** | **6,350,160** |

| **CHANGES DURING THE YEAR (NUMBER) - PROGRAM 2010/2017** | **2018** | **2017** |
|---|---|---|
| Outstanding at 1 January | 283,677 | 2,350,070 |
| Expired during the year | 0 | -109,480 |
| Exercised during the year | -283,677 | -1,956,913 |
| Outstanding at 31 December | 0 | 283,677 |
| **Exercisable at 31 December** | **0** | **283,677** |

The expected maturity of the options is based on current expectations and is not necessarily an indication of future actual exercising. The valuation of the share is based on the latest issue price and is fixed. The total cost will change as social security is calculated on the fair value and a new fair value calculation is made quarterly. Volatility, at end of perod 35% (50%), is a conservative valuation of market risk and is based on peer group data due to the share being traded a limited period of time.

During 2018 the cost of employee stock option plans, excluding social security contributions, was recognized as operating expense amounting to 4,192 SEKt (12,594). Accrued social security contributions amounts to 2,277 SEKt (8,337).

Former CEO, Richard Davies, holds 749,758 (2,849,099) vested employee stock options at the end of the year.

## NOTE 13
OTHER OPERATING INCOME

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Exchange rate gains | 7,761 | 4,208 | 528 | 23 |
| Other | 769 | 1,074 | 0 | 0 |
| **Total** | **8,530** | **5,282** | **528** | **23** |

## NOTE 14
OTHER OPERATING EXPENSES

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| Exchange rate losses | 6,590 | 6,006 | 1,033 | 33 |
| Loss from disposal of tangible assets | 55 | 0 | 0 | 0 |
| Other | 35 | 19 | 0 | 0 |
| **Total** | **6,680** | **6,025** | **1,033** | **33** |

## NOTE 15
FINANCIAL ITEMS

| **GROUP** | 2018 | 2017 |
|---|---|---|
| Interest income | 46 | 3 |
| Exchange rate differences on borrowings from financial institutions | 929 | 5,720 |
| **Total financial income** | **975** | **5,723** |

| | 2018 | 2017 |
|---|---|---|
| Interest expenses | -1,069 | -16,993 |
| Exchange rate differences on borrowings from financial institutions | -371 | -8,372 |
| Exit fee loans | 0 | -8,935 |
| **Total financial expenses** | **-1,440** | **-34,300** |

| **PARENT COMPANY** | 2018 | 2017 |
|---|---|---|
| Interest income, group | 2,253 | 0 |
| Interest expenses, group | -148 | -3,162 |
| **Net financial items** | **2,105** | **-3,162** |

## NOTE 16
INCOME TAX

**GROUP**

| *The following components are included in the tax expense of the year:* | 2018 | 2017 |
|---|---|---|
| Current tax on loss for the year | -1,536 | -1,007 |
| Deferred tax related to changes in temporary differences | 0 | 0 |
| **Reported tax** | **-1,536** | **-1,007** |

| *The difference between reported tax and tax expense based on applicable tax rate consists of:* | 2018 | 2017 |
|---|---|---|
| Loss before income tax | -174,869 | -127,862 |
| Tax according to the applicable tax rate 22% (22%) | 38,471 | 28,130 |

| *Tax effects from:* | 2018 | 2017 |
|---|---|---|
| Difference between Swedish and foreign tax rates | -69 | -373 |
| Non tax-deductible items | -7,133 | -3,639 |
| Non taxable income | 456 | 108 |
| Adjustments not included in reported result | 409 | 8,602 |
| Tax deficits used for which no deferred tax assets have been recognized | 0 | 182 |
| Current tax attributable to prior years | -16 | -17 |
| Loss carry forward for which no deferred tax asset has been recognized | -33,654 | -34,000 |
| **Tax expense for the year** | **-1,536** | **-1,007** |

Reported tax expense related to foreign subsidiaries, mainly the US company that reports positive result before tax. Tax effect from non-deductible costs primarily relates to intercompany profit in inventory and costs for employee stock option programs. No tax is reported in the comprehensive income or directly against equity.

**PARENT COMPANY**

| *Reported tax expense:* | 2018 | 2017 |
|---|---|---|
| Tax expense of the year | 0 | 0 |

| *The difference between reported tax and tax expense based on applicable tax rate consists of:* | 2018 | 2017 |
|---|---|---|
| Loss before income tax | -13,578 | -15,815 |
| Tax according to the applicable tax rate 22% (22%) | 2,987 | 3,479 |

| *Tax effects from:* | 2018 | 2017 |
|---|---|---|
| Non tax-deductible items | -15 | 0 |
| Adjustments not included in reported result | 409 | 8,602 |
| Loss carry forward for which no deferred tax asset has been recognized | -3,381 | -12,081 |
| Tax expense for the year | 0 | 0 |

The parent company's prevailing tax rate is 22% (22%).

**GROUP**

The Group's total loss carry forwards as per 31 December 2018 amount to approximately 756 SEKm (604) whereof 79 SEKm (64) refers to the Parent Company. Deferred tax assets attributable to the loss carry forwards have been valued at zero as it is currently not possible to assess when tax losses carry forwards can be utilized. The tax loss carry forwards have no fixed maturity.

## NOTE 17
INVENTORIES

| GROUP | 31 Dec 2018 | 31 Dec 2017 |
|---|---|---|
| Raw material and consumables | 14,645 | 12,171 |
| Finished good and goods for resale | 9,036 | 9,908 |
| **Total** | **23,681** | **22,079** |

Changes in inventory are classified as costs of sales and amount to 2,443 SEKt (11,310).

Impairment write-down of inventory to net realizable value due to products with short durability or other impairment risk amounts to 186 SEKt (480).

## NOTE 18
INTANGIBLE ASSETS

**GROUP**

| *Capitalized development expenses:* | 31 Dec 2018 | 31 Dec 2017 |
|---|---|---|
| Opening accumulated acquisition value | 11,147 | 10,073 |
| Investments | 397 | 1,074 |
| **Closing accumulated acquisition value** | **11,544** | **11,147** |
| | | |
| Opening accumulated amortization | -7,618 | -6,831 |
| Amortization for the year | -718 | -787 |
| **Closing accumulated amortization** | **-8,336** | **-7,618** |
| **Closing book value** | **3,208** | **3,529** |

| Patents: | 31 dec 2018 | 31 dec 2017 |
|---|---|---|
| Opening accumulated acquisition value | 1,783 | 1,283 |
| Investments | 600 | 500 |
| **Closing accumulated acquisition value** | **2,383** | 1,783 |
| | | |
| Opening accumulated amortization | -68 | -56 |
| Amortization for the year | -12 | -12 |
| Closing accumulated amortization | -80 | -68 |
| **Closing book value** | **2,303** | **1,715** |

## NOTE 19
TANGIBLE ASSETS

**GROUP**

| *Equipment and tools:* | 31 Dec 2018 | 31 Dec 2017 |
|---|---|---|
| Opening accumulated acquisition value | 8,275 | 5,248 |
| Investments | 1,609 | 3,037 |
| Disposals | -4,478 | 0 |
| Translation difference | -4 | -10 |
| | | |
| **Closing accumulated acquisition value** | **5,402** | **8,275** |
| | | |
| Opening accumulated depreciation | -5,176 | -4,806 |
| Disposals | 4,478 | 0 |
| Depreciation for the year | -817 | -370 |
| Translation difference | -2 | 0 |
| **Closing accumulated depreciation** | **-1,517** | **-5,176** |
| **Closing book value** | **3,885** | **3,099** |

## NOTE 20
PARTICIPATIONS IN GROUP COMPANIES

| PARENT COMPANY | 31 Dec 2018 | 31 Dec 2017 |
|---|---|---|
| Opening accumulated acqusition value | 801,698 | 701,698 |
| Shareholders contribution | 200,740 | 100,000 |
| **Closing accumulated acquisition value** | **1,002,438** | **801,698** |
| | | |
| Opening accumulated write-down | -297,786 | -297,786 |
| **Closing accumulated write-down** | **-297,786** | **-297,786** |
| **Closing book value** | **704,652** | **503,912** |

| | Share of equity % | Number of shares | Book value 31 Dec 2018 | Book value 31 Dec 2017 | Corporate Reg. No. | Registered office |
|---|---|---|---|---|---|---|
| BONESUPPORT AB | 100 | 1,000 | 704,652 | 503,912 | 556800-9939 | Lund |

**SUBSIDIARIES OF BONESUPPORT AB:**

| | Share of equity % | Number of shares | Book value 31 Dec 2018 | Book value 31 Dec 2017 | Corporate Reg. No. | Registered office |
|---|---|---|---|---|---|---|
| BONESUPPORT Inc. | 100 | 100 | 69 | 69 | 98-0539754 | Delaware |
| BONESUPPORT GmbH | 100 | 1,000 | 0 | 0 | HRB 80228 | Frankfurt |
| BONESUPPORT BV | 100 | 18,000 | 183 | 183 | 34 377 023 | Amsterdam |
| BONESUPPORT Switzerland GmbH | 100 | 20,000 | 171 | 171 | CHE-474.771.411 | Zürich |
| BONESUPPORT UK Ltd | 100 | 1 | 0 | 0 | 10 352 673 | London |
| BONESUPPORT ApS | 100 | 500 | 69 | – | 40 081 135 | Kongens Lyngby |
| BONESUPPORT, S.L.U. | 100 | 3,500 | 36 | – | B67244988 | Barcelona |
| BONESUPPORT Incentive AB | 100 | 100,000 | 840 | 100 | 556739-7780 | Lund |

In 2018 a danish subsidiary has been formed and a spanish ready-made company has been acquired.

## NOTE 21
### TRADE RECEIVABLES AND OTHER RECEIVABLES

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 31 Dec 2018 | 31 Dec 2017 | 31 Dec 2018 | 31 dec 2017 |
| Trade receivables | 18,683 | 20,678 | 0 | 0 |
| Other receivables | 8,386 | 7,073 | 153 | 0 |
| **Total** | **27,069** | **27,751** | **153** | **0** |

| *Other receivables above refer to:* | 31 Dec 2018 | 31 Dec 2017 | 31 Dec 2018 | 31 dec 2017 |
|---|---|---|---|---|
| VAT receivable | 3,651 | 4,891 | 153 | 0 |
| Other | 4,735 | 2,182 | 0 | 0 |
| **Total other receivables** | **8,386** | **7,073** | **153** | **0** |

| *Credit risk exposure:* | 31 Dec 2018 | 31 Dec 2017 |
|---|---|---|
| Trade receivables not past due, gross amounts | 7,516 | 9,475 |
| Expected credit loss | 0 | 0 |
| (Expected credit loss, %) | 0% | 0% |
| Trade receivables past due, gross amounts | 13,616 | 14,372 |
| Expected credit loss | -2,449 | -3,169 |
| (Expected credit loss, %) | 18% | 22% |
| **Total trade receivables** | **18,683** | **20,678** |

The result was impacted with 753 SEKt (-2 641) due to reversal of impaired trade receivables/impairment of trade receivables.

Principles for measurement of expected credit losses are described in note 1.

| *Due date for trade receivables past due but not written off:* | 31 Dec 2018 | 31 Dec 2017 |
|---|---|---|
| Less than 1 month | 6,938 | 1,977 |
| 1-3 months | 2,122 | 1,380 |
| More than 3 months | 2,107 | 7,846 |
| **Total** | **11,167** | **11,203** |

| *Changes in provision for bad debs:* | 2018 | 2017 |
|---|---|---|
| As of 1 January | 3,169 | 780 |
| Provision for bad debts | 2,151 | 3,169 |
| Recovery of provision for bad debts | -2,871 | -780 |
| **As of 31 December** | **2,449** | **3,169** |

No provision for expected credit losses have been made in other receivables since it is considered immaterial.
The 4 (4) largest customers represent 15% (68%) of total trade receivables. The single largest customer stood for 5% (56%).

| *Group's trade receivables per currency:* | 31 Dec 2018 | 31 Dec 2017 |
|---|---|---|
| USD | 3,637 | 11,632 |
| SEK | 785 | 338 |
| EUR | 6,426 | 4,663 |
| GBP | 5,817 | 2,499 |
| DKK | 961 | 620 |
| CHF | 1,057 | 926 |
| **Total** | **18,683** | **20,678** |

The group's customers are mainly hospitals and clinics. Credit risk is considered low for the vast majority of customers. The group showes a history of very low realised credit losses.

## NOTE 22
### ACCRUALS AND PREPAID ITEMS

| | GROUP | | PARENT COMPANY | |
|---|---|---|---|---|
| | 31 Dec 2018 | 31 Dec 2017 | 31 Dec 2018 | 31 Dec 2017 |
| **Prepaid expenses** | | | | |
| Prepaid rents | 911 | 781 | 0 | 0 |
| Other prepaid expenses | 3,616 | 4,363 | 728 | 715 |
| **Total** | **4,527** | **5,144** | **728** | **715** |
| | | | | |
| **Accrued expenses** | | | | |
| Accrued social security contributions for employee stock options | 2,277 | 8,337 | 0 | 0 |
| Other accrued employee expenses | 16,336 | 8,402 | 1,310 | 0 |
| Other accrued expenses | 6,924 | 11,438 | 1,693 | 1,159 |
| **Total** | **25,537** | **28,177** | **3,003** | **1,159** |

## NOTE 23
SHARE CAPITAL AND EARNINGS PER SHARE

| **Total number of shares, quotient value SEK 0.625 (0.625)** | **51,795,917** |
|---|---|
| Number of shares 31 December 2016 | 145,056,103 |
| Consolidation of shares 12 April 2017 | -116,044,882 |
| New share issue 20 June 2017 | 17,241,379 |
| Conversion of warrants 29 June 2017 | 378,000 |
| New share issue 21 July 2017 | 2,043,966 |
| Conversion of employee stock options 21 August - 12 December 2017 | 1,603,324 |
| **Number of shares 31 December 2017** | **50,277,890** |
| Conversion of employee stock options 2018 | 1,518,027 |
| **Number of shares 31 December 2018** | **51,795,917** |
| **Number of votes** | **51,795,917** |

The total number of shares at 31 December 2018, 51,795,917 (50,277,890) are common shares. The share capital amounts to 32,373 SEKt (31,424). During 2018 1,518,027 shares were issued from exercise of employee stock options. In April 2017 consolidation of shares 5:1 was decided. In connection with the listing of the share on Nasdaq Stockholm in June 2017, 17,241,379 shares were issued. Warrants granted to Tellacq AB were converted to 378,000 new shares 29 June 2017. In July 2017 an over allotment option was exercised and further 2,043,966 shares were issued. During the period August to December 2017, 1,603,324 shares were issued from exercise of employee stock options.

**EARNINGS PER SHARE - BEFORE DILUTION**

*Earnings per share before dilution is calculated using the following results and number of shares:*

| | 2018 | 2017 |
|---|---|---|
| Loss for the year, SEKt | -176,405 | -128,869 |
| Weighted average number of shares, thousands | 50,971 | 39,826 |
| Earnings per share before dilution, SEK | -3.46 | -3.24 |

**EARNINGS PER SHARE AFTER DILUTION**

BONESUPPORT has in total 2,952,250 (4,243,991) potential shares in form of employee stock options and warrants. The number as per end of 2017 excludes 90,876 issued in January 2018. These refer to employee stock options exercised in December 2017 but registration of the new shares was done in January 2018. Of the number of potential shares as of end 2018, 1,210,210 are warrants. During 2018, 361,096 warrants were issued to management. 599,114 warrants were issued to Kreos Capital in connection with signing of the loan agreement in 2016 and 250,000 are held by a former exeutive. The rest of the potential share are employee stock options, 1,236,038, and performance shares, 505,000.

However, as the result is negative dilution does not affect earnings per share.

## NOTE 24
PROVISIONS

The group has capitalized direct pensions that has been presented net in the balance sheet. Payroll tax relating to the pensions has been recorded as provision.

| | 2018 | 2017 |
|---|---|---|
| Per 1 januari | 173 | 164 |
| Ytterligare avsättning | 103 | 0 |
| Omvärdering | 13 | 9 |
| **Per 31 december** | **289** | **173** |

## NOTE 25
LOANS FROM FINANCIAL INSTITUTIONS

| | Interest rate | Due date | 31 Dec 2018 | 31 Dec 2017 |
|---|---|---|---|---|
| 13 383 TEUR venture loan | 11% | 2,020 | 0 | 98,620 |
| **Total** | | | **0** | **98,620** |

On 30 September 2016 the previous credit facility was replaced by a larger amount of 22.3 EURm, of which 13.4 EURm was utilized. The facility term was four years and has been amortized monthly. The nominal interest rate was 11.0% and the effective interest rate was 16.2%. Of the book value of 0 SEKt (98,620) 0 SEKt (0) was reported as non-current and 0 SEKt (98,620) as current. BONESUPPORT has voluntarily ended the agreement and the debt was paid in full on 1 February 2018. The loan has initially been reported at fair value, net of transaction costs, and subsequently at accrued acquisition value.

In connection with the new loan agreement, a total of 2,995,568 warrants (corresponding to 599,114 shares after consolidation 5:1) were issued free fo charge to a lender-related fund. Each warrant entitles the tholder to subscribe for one share in BONESUPPORT HOLDING AB at the price of 21.50 SEK (4.30 SEK before consolidation of shares 5:1). The value of the options, 3,912 SEKt, has been recognized in equity, in the item other capital contributed. The counter item is the acquisition value of the loan. The warrants were reported at fair value 1.31 SEK per option, at the date of issue 30 September 2016. The valuation is based on a number of parameters where the volatility is set at 50% and interest rate is 0 %.

The warrants have been accelerated as the company's shares have been listed on a public exchange during 2017 and may be exercised up till the day four years after the listing, i.e. 21 June 2021. The original expiration date, before acceleration, was 27 October 2023. The warrants are subject to customary conversion rules in connection with issues etc.

For the loan, a number of collateral was disclosed as described in Note 28. These were released on the same day as the loan was repaid, 1 February 2018. The unutilized portion of the credit facility, 8,9 EURm, was available until 30 September 2017 but was not drawn. Special conditions for use was set, such as a completed new issue of at least 150 SEKm, presentation of new warrants to the creditor and change of control clauses.

The loan agreement did not include any terms of fulfilment of key ratios (covenants).

As per 31 December 2017, fair value was estimated to be in accordance with reported value due to the short period of time until repayment.

## NOTE 26
CLASSIFICATION OF FINANCIAL INSTRUMENTS

*The Group's financial assets and liabilities valued at amortzed cost:*

| | 31 Dec 2018 | 31 Dec 2017 |
|---|---|---|
| **Financial assets:** | | |
| Other receivables | 382 | 859 |
| Trade receivables | 18,683 | 20,678 |
| Cash and cash equivalents | 261,468 | 533,367 |
| | | |
| **Financial liabilities:** | | |
| Borrowings from financial institutions | 0 | 98,620 |
| Trade payables | 12,472 | 11,553 |
| Accrued liabilities | 23,259 | 19,432 |

*The Parent Company's financial assets and liabilities:*

| | 31 Dec 2018 | 31 Dec 2017 |
|---|---|---|
| **Financial assets:** | | |
| Participations in group companies | 704,652 | 503,912 |
| Cash | 243,247 | 513,945 |
| | | |
| **Financial liabilities:** | | |
| Trade payables | 485 | 433 |
| Liabilities to group companies | 38,067 | 94,572 |
| Other liabilities | 0 | 57 |
| Accrued liabilities | 3,003 | 1,159 |

All financial liabilities are valued at amortized cost. The fair value of financial assets and liabilities is estimated to be in accordance with the booked value due to the short maturity. The loan from Kreos Capital has been reported as current as per 31 December 2017 as it was repaid on 1 February 2018. For information on loans, see Note 25.

The parent company values all financial assets except participations in group companies at amortized cost.

Accrued expenses are specified in Note 22.

For information on interest income on financial assets, see Note 15. Losses on financial assets, recognized in the income statement as credit losses are described in Note 21

## NOTE 27
COMMITMENTS

The Group leases office, warehouse space as well as cars. The contracts are adjusted to market terms. The nominal value of the future minimun lease charges for lease contracts are distributed as follows:

| GROUP | 31 Dec 2018 | 31 Dec 2017 |
|---|---|---|
| Fall due within 1 year | 5,809 | 4,164 |
| Fall due later than 1 year but within 5 years | 8,984 | 12,563 |
| **Total** | **14,793** | **16,727** |

No leasing contracts last longer than five years.

During 2018 a new 5 year office lease in the USA has been signed.

The Parent Company is not engaged in any operational lease contracts. Total expenses relating to operating leases in the Group amounted to 4,734 SEKt (3,286).

**FINANCIAL LEASE CONTRACTS**

The Group is not involved in any finanacial lease contracts at the end of the years 2018 and 2017.

**TRANSITION EFFECTS IFRS 16 LEASING**

BONESUPPORT will apply the modified method of transition to IFRS 16. This means that the opening balance is adjusted for right of use assets and the liability calculated as remaining payments. The value of the right of use asset is based on the liability and no adjustment is made to equity.

When calculating the liability of remaining payments an interest rate of 6% has been applied as dicount rate. There is no marginal borrowing rate since the group has no loans. After discussing with external lenders a reasonable borrowing rate for a real estate loan has been evaluated. A development company carries a high risk premium why 6% is considered reasonable.

The transition effect has been calculated to 14,145 SEKt. Below the effect on the balance sheet at transition date is disclosed. The income statement will be affected to some extent. Leasing cost will be replaced by depreciation and interest expenses. Operating result will be affected postively since interest expenses are recognized in financial net. Key ratios as equity ratio and debt ratio will be affected when liabilities increase. The equity ratio will decrease from 85.4% to 81.9% as of 1 January 2019.

| Transition effect balance sheet 1 January 2019 | 1 Jan 2019 | 31 Dec 2018 |
|---|---|---|
| | | |
| Non-current assets | 23,916 | 9,771 |
| Current assets | 316,370 | 316,370 |
| **Total assets** | **340,286** | **326,141** |
| | | |
| Equity | 278,531 | 278,531 |
| Provisions | 289 | 289 |
| Non-current borrowing | 7,370 | 0 |
| Current borrowing | 6,775 | 0 |
| Other liabilities | 47,321 | 47,321 |
| **Total equity and liabilities** | **340,286** | **326,141** |

**Reconciliation of operating lease commitments as per 31 December 2018 and lease liabilities as per 1 January 2019:**

| | |
|---|---|
| Operating lease commitments as per 31 December 2018 | 14,793 |
| Discount effect applying estimated interest rate 6% | -648 |
| Financial lease liabilities as per 31 December 2018 | 14,145 |
| **Lease liability as per 1 January 2019** | **14,145** |

## NOTE 28
### PLEDGED SECURITIES AND CONTINGENT LIABILITIES

**PLEDGED SECURITIES**

The US subsidiary BONESUPPORT Inc. has provided a guarantee of 56 USDt (502 SEKt (0)). The parent company guaranteed a corresponding amount.

The group had pledged collateral for capital-invested direct pensions amounting to 979 SEKt (558).

When the loan agreement with Kreos Capital was signed in September 2016, the company issued many securities to the lender. The agreement was voluntarily terminated by BONESUPPORT and the loan fully repaid as of 1 February 2018. The securities were released on the same day.

At the end of 2017 the parent company had the following pledged collaterals issued to Kreos Capital:

- The shares in BONESUPPORT AB
- Any intra-group receivables on BONESUPPORT AB

In addition, the group had the following pledged collaterals issued to Kreos Capital at the end of 2017:

- The shares in BONESPPORT GmbH and BONESUPPORT Switzerland GmbH
- Floating charge of 35 SEKm
- Patent groups in the United States, Sweden and Germany
- Bank balances in USD in respect of payments from Zimmer Biomet
- Trade receivables in BONESUPPORT GmbH and BONESUPPORT Switzerland GmbH
- Bank balances in BONESUPPORT GmbH and BONESUPPORT Switzerland GmbH

At the end of 2018 and 2017 the group and the parent company had no other contingent liabilities.

## NOTE 29
### ITEMS NOT INCLUDED IN THE CASH FLOW AND CHANGES IN LOANS

| **GROUP - ITEMS NOT INCLUDED IN CASH FLOW** | **2018** | **2017** |
|---|---|---|
| Depreciation and impairment | 1,547 | 1,169 |
| Costs for employee stock option programs | 4,192 | 12,594 |
| Unrealized exchange rate differences | -1,720 | 1,375 |
| Write-down on trade receivables | -961 | 2,641 |
| Gain on disposals of equipment and tools | 55 | 0 |
| Other | 117 | -1,072 |
| **Total** | **3,230** | **16,707** |

| **GROUP - CHANGES IN LOANS** | **2018** | **2017** |
|---|---|---|
| Opening balance 1 January - current borrowings | 98,620 | 25,103 |
| Openig balance 1 January - non-current borrowings | 0 | 84,599 |
| **Total opening balance 1 January 2017** | **98,620** | **109,702** |
| *Cash flows:* | | |
| Amortizations | -98,620 | -27,922 |
| *Not affecting cash flows:* | | |
| Exit fee | 0 | 8,935 |
| Interest expenses | 0 | 5,253 |
| Unrealized exchange rate effects | 0 | 2,652 |
| **Closing balance 31 December - current borrowings** | **0** | **98,620** |

## NOTE 30
### EVENTS AFTER THE CLOSING DAY

BONESUPPORT announced on January 4, 2019 that Annelie Aava Vikner will join a new position as Executive Vice President Global Marketing & Communications in March.

On 1 March, 2019 the Company informed about issue and re-purchase of shares class C for performance share programs.

## NOTE 31
### PROPOSAL FOR APPROPRIATION - PARENT COMPANY

| **SEK**<br>**Unrestricted equity in the Parent Company** | **31 Dec 2018** | **31 Dec 2017** |
|---|---|---|
| Share premium reserve | 1,187,895,490 | 1,189,016,626 |
| Retained earnings | -299,698,240 | -283,883,945 |
| Loss for the year | -13,577,527 | -15,815,298 |
| **Total** | **874,619,723** | **889,317,383** |

The Board of Directors propose that the share premium reserve, retained earnings and loss for the year should be carried forward. The proposal will be presented at the Annual General Meeting on 14 May 2019.

# THE BOARD'S ASSURANCE

The Board of Directors and the CEO affirm that the consolidated accounts have been drawn up in accordance with international accounting standards IFRS as they have been resolved by the EU, and that they give a fair view of the company's results and financial position. The annual report has been drawn up in accordance with general accepted accounting principles and gives a fair view of the parent company's financial position and results.

The Board of Directors' report for the group and for the parent company shows a fair overview of the development, the Group's and the parent company's operation, position and results as well as describing the material risks and uncertainties the parent company and the companies owned by the parent company are facing.

Lund 17 April 2019

Håkan Björklund
*Chairman of the Board*

Simon Cartmell
*Director*

Lennart Johansson
*Director*

Tone Kvåle
*Director*

Lars Lidgren
*Director*

Björn Odlander
*Director*

Nina Rawal
*Director*

Emil Billbäck
*CEO*

Our audit report was issued on 17 April 2019

Ernst & Young AB

Johan Thuresson

*Certified Public Accountant*

# AUDITOR'S REPORT

## TO THE GENERAL MEETING OF THE SHAREHOLDERS OF BONESUPPORT HOLDING AB (PUBL), CORPORATE IDENTITY NUMBER 556802-2171

### REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

**Opinions**
We have audited the annual accounts and consolidated accounts of BONESUPPORT HOLDING AB (publ) for the year 2018. The annual accounts and consolidated accounts of the company are included on pages 24-56 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2018 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2018 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

We therefore recommend that the general meeting of shareholders adopts the income statement and balance sheet for the parent company and the group.

Our opinions in this report on the annual accounts and consolidated accounts are consistent with the content of the additional report that has been submitted to the parent company's audit committee in accordance with the Audit Regulation (537/2014) Article 11.

**Basis for Opinions**
We conducted our audit in accordance with International Standards on Auditing (ISA) and generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. This includes that, based on the best of our knowledge and belief, no prohibited services referred to in the Audit Regulation (537/2014) Article 5.1 have been provided to the audited company or, where applicable, its parent company or its controlled companies within the EU.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

### KEY AUDIT MATTERS

Key audit matters of the audit are those matters that, in our professional judgment, were of most significance in our audit of the annual accounts and consolidated accounts of the current period. These matters were addressed in the context of our audit of, and in forming our opinion thereon, the annual accounts and consolidated accounts as a whole, but we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

**Revenue recognition**

| Description | How our audit addressed this key audit matter |
|---|---|
| Net sales for 2018 amounts to KSEK 96,623 in the consolidated income statement. The revenue recognition principles are described in Note 1. Revenues are reported based on the compensation expected to be received by the group in exchange for transfer of promised goods or services to a customer, exclusive of any amounts collected on behalf of third parties (such as sales taxes), at the point at which the control over the good has transferred to the customer. The revenues arise from one revenue stream, sales of goods, via three channels with different sales conditions. We have thus considered revenue recognition to represent a key audit matter. | We have evaluated the company's revenue recognition process through our audit. Amongst other we have tested the company's recorded revenue transactions, audited credit notes and accounts receivable, performed data analytics and performed analytical review procedures. Moreover, we have analyzed sales compared to the prior year and movements in the recorded revenues compared to expectations, audited customer agreements, conducted sample tests on accruals at financial statement closing and conducted accounts receivable confirmations.<br><br>We have audited disclosures in the annual report. |

**Shares in subsidiaries**

| Description | How our audit addressed this key audit matter |
|---|---|
| The carrying amount of shares in subsidiaries per 31 December 2018 amounts to KSEK 704,652 in the parent company's balance sheet, which corresponds to 74% of total assets in the Parent Company. The company annually and at indication of impairment that reported values do not exceed the estimated recoverable amount. The recoverable amount is determined by a present value calculation of future cash flows. Future cash flows are based on management's forecasts and include a number of assumptions, including earnings, growth, investment needs and discount rates.<br><br>Changes in assumptions have a major impact on the calculation of the recoverable amount and the assumptions applied by the company may therefore be of major importance for the assessment of impairment. We have therefore considered the reporting of shares in subsidiaries as a key audit matter.<br><br>A description of the impairment test is included in the section on assessments, estimates and assumptions in Note 3 and information about shares in subsidiaries is included in Note 20. | In our audit we have evaluated and tested the company's process for establishing impairment tests, amongst other by evaluating accuracy in previous forecasts and assumptions. We have also made comparisons with other companies to evaluate the fairness of future cash flows and growth assumptions, and with the help of our valuation specialists evaluated the applied discount rate and assumptions about long-term growth. Moreover, we have examined the model and method for carrying out impairment test.<br><br>We have audited disclosures in the annual report. |

**Other Information than the annual accounts and consolidated accounts**

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-23, 61 and 66-71. The Board of Directors and the Managing Director are responsible for this other information.

Our opinion on the annual accounts and consolidated accounts does not cover this other information and we do not express any form of assurance conclusion regarding this other information.

In connection with our audit of the annual accounts and consolidated accounts, our responsibility is to read the information identified above and consider whether the information is materially inconsistent with the annual accounts and consolidated accounts. In this procedure we also take into account our knowledge otherwise obtained in the audit and assess whether the information otherwise appears to be materially misstated.

If we, based on the work performed concerning this information, conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Board of Directors and the Managing Director**

The Board of Directors and the Managing Director are responsible for the preparation of the annual accounts and consolidated accounts and that they give a fair presentation in accordance with the Annual Accounts Act and, concerning the consolidated accounts, in accordance with IFRS as adopted by the EU. The Board of Directors and the Managing Director are also responsible for such internal control as they determine is necessary to enable the preparation of annual accounts and consolidated accounts that are free from material misstatement, whether due to fraud or error.

In preparing the annual accounts and consolidated accounts, The Board of Directors and the Managing Director are responsible for the

assessment of the company's and the group's ability to continue as a going concern. They disclose, as applicable, matters related to going concern and using the going concern basis of accounting. The going concern basis of accounting is however not applied if the Board of Directors and the Managing Director intends to liquidate the company, to cease operations, or has no realistic alternative but to do so.

The Audit Committee shall, without prejudice to the Board of Director's responsibilities and tasks in general, among other things oversee the company's financial reporting process.

**Auditor's responsibility**
Our objectives are to obtain reasonable assurance about whether the annual accounts and consolidated accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these annual accounts and consolidated accounts.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the annual accounts and consolidated accounts, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinions. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of the company's internal control relevant to our audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board of Directors and the Managing Director.
- Conclude on the appropriateness of the Board of Directors' and the Managing Director's use of the going concern basis of accounting in preparing the annual accounts and consolidated accounts. We also draw a conclusion, based on the audit evidence obtained, as to whether any material uncertainty exists related to events or conditions that may cast significant doubt on the company's and the group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the annual accounts and consolidated accounts or, if such disclosures are inadequate, to modify our opinion about the annual accounts and consolidated accounts. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company and a group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the annual accounts and consolidated accounts, including the disclosures, and whether the annual accounts and consolidated accounts represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient and appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated accounts. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our opinions.

We must inform the Board of Directors of, among other matters, the planned scope and timing of the audit. We must also inform of significant audit findings during our audit, including any significant deficiencies in internal control that we identified.

We must also provide the Board of Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Board of Directors, we determine those matters that were of most significance in the audit of the annual accounts and consolidated accounts, including the most important assessed risks for material misstatement, and are therefore the key audit matters. We describe these matters in the auditor's report unless law or regulation precludes disclosure about the matter.

## REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

**Opinions**
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of BONESUPPORT HOLDING AB (publ) for the year 2018 and the proposed appropriations of the company's profit or loss.

We recommend to the general meeting of shareholders that the profit be appropriated in accordance with the proposal in the statutory administration report and that the members of the Board of Directors and the Managing Director be discharged from liability for the financial year.

[A separate list of loans and collateral has been prepared in accordance with the provisions of the Companies Act.]

**Basis for opinions**
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

**Responsibilities of the Board of Directors and the Managing Director**
The Board of Directors is responsible for the proposal for appropriations of the company's profit or loss. At the proposal of a dividend, this includes an assessment of whether the dividend is justifiable considering the requirements which the company's and the group's type of operations, size and risks place on the size of the parent company's and the group's equity, consolidation requirements, liquidity and position in general.

The Board of Directors is responsible for the company's organization and the administration of the company's affairs. This includes among other things continuous assessment of the company's and the group's financial situation and ensuring that the company's organization is designed so that the accounting, management of assets and the company's financial affairs otherwise are controlled in a reassuring manner. The Managing Director shall manage the ongoing administration according to the Board of Directors' guidelines and instructions and among other matters take measures that are necessary to fulfill the company's accounting in accordance with law and handle the management of assets in a reassuring manner.

**Auditor's responsibility**
Our objective concerning the audit of the administration, and thereby our opinion about discharge from liability, is to obtain audit evidence to assess with a reasonable degree of assurance whether any member of the Board of Directors or the Managing Director in any material respect:

- has undertaken any action or been guilty of any omission which can give rise to liability to the company, or
- in any other way has acted in contravention of the Companies Act, the Annual Accounts Act or the Articles of Association.

Our objective concerning the audit of the proposed appropriations of the company's profit or loss, and thereby our opinion about this, is to assess with reasonable degree of assurance whether the proposal is in accordance with the Companies Act.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with generally accepted auditing standards in Sweden will always detect actions or omissions that can give rise to liability to the company, or that the proposed appropriations of the company's profit or loss are not in accordance with the Companies Act.

As part of an audit in accordance with generally accepted auditing standards in Sweden, we exercise professional judgment and maintain professional skepticism throughout the audit. The examination of the administration and the proposed appropriations of the company's profit or loss is based primarily on the audit of the accounts. Additional audit procedures performed are based on our professional judgment with starting point in risk and materiality. This means that we focus the examination on such actions, areas and relationships that are material for the operations and where deviations and violations would have particular importance for the company's situation. We examine and test decisions undertaken, support for decisions, actions taken and other circumstances that are relevant to our opinion concerning discharge from liability. As a basis for our opinion on the Board of Directors' proposed appropriations of the company's profit or loss we examined whether the proposal is in accordance with the Companies Act.

Ernst & Young AB, Box 7850, 103 99 Stockholm was appointed auditor of BONESUPPORT HOLDING AB (publ) by the general meeting of the shareholders on 22 May 2018 and has been the company's auditor since 22 April 2010. BONESUPPORT HOLDING AB (publ) has been a company of public interest since 21 June 2017.

Malmö, 17 April 2019
Ernst & Young AB

**Johan Thuresson**
Authorized Public Accountant

# BONESUPPORT'S SHARE

BONESUPPORT's share was listed at Nasdaq Stockholm Small Cap 21 June 2017. There is only on class of share, A-shares. During 2018, the number of shareholders increased by 943 to 1,805 (868). Highest share price during 2018 was SEK 26.50 and lowest was SEK 9.04 per share. Closing share price 31 dec 2018 was SEK 20.25.

### SHARE CAPITAL AND NUMBER OF SHARES

Share capital by the end of the year was TSEK 32,373 distributed over 51,795,917 shares with a quotient value of SEK 0.625 per share.

### SHARE TURNOVER

During 2018, number of shares were 16,152,329. Average share turnover was MSEK 1.1 per trading day.

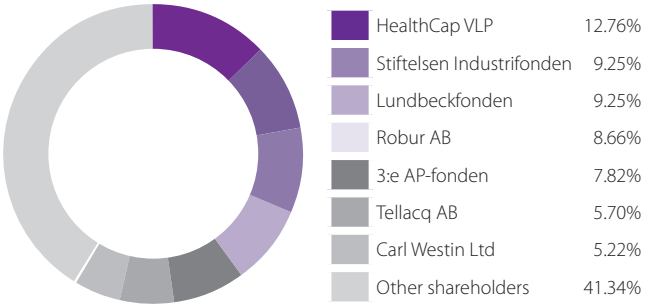
### OWNERSHIP STRUCTURE

At the end of 2018, BONESUPPORT had 1,805 (868) shareholders, where Swedish shareholders accounted for 62.2% of both capital and votes.

### DIVIDEND AND DIVIDEND POLICY

So far, BONESUPPORT has not made any dividend payments. Potential future dividends and the amount distributed will be established based on the Company's long term growth, earnings trend and capital requirements taking into account, at all times applicable goals and strategies.

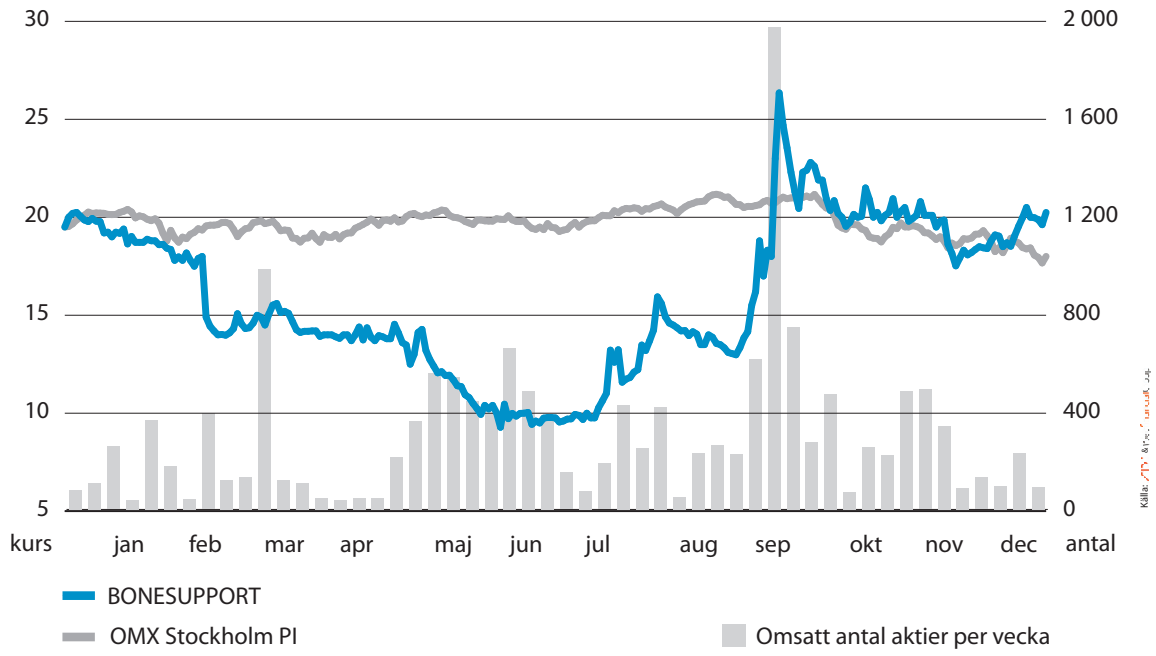
### LARGEST SHAREHOLDERS PER 31 DECEMBER 2018




### DEVELOPMENT NUMBER OF SHARES 2018

| Date | Event | No. of shares |
|---|---|---|
| 31 December 2017 | Opening balance | 50,277,890 |
| Januari-December 2018 | Conversion of options to shares | 1,518,027 |
| 31 December 2018 | Closing balance | 51,795,917 |

### BONESUPPORT CLOSING PRICE VS INDEX



# CORPORATE GOVERNANCE REPORT

BONESUPPORT HOLDING AB (publ) ("**BONESUPPORT**") is a Swedish public company with its registered office in Lund, Sweden. The Company's shares are listed on Nasdaq Stockholm and are traded under the ticker symbol BONEX. BONESUPPORT's corporate governance is based on applicable laws, rules and recommendations for listed companies, such as the Swedish Corporate Governance Code (the "**Code**"), Nasdaq Stockholm's Rule Book for Issuers, BONESUPPORT's articles of association and company specific rules and guidelines. For more information please see the companys web page www.bonesupport.com. During the financial year 2017, the Code has been applied by BONESUPPORT without any deviations.

## GENERAL MEETING

The annual general meeting, or as applicable, the extraordinary general meeting, is the supreme decision-making body of BONESUPPORT in which all shareholders are entitled to participate. The annual general meeting resolves for example on changes in the articles of association, election of board of directors and auditor, adoption of the income statement and balance sheet, discharge from liability for the board of directors and the CEO, allocation of result, principles for appointment of the nomination committee and guidelines for remuneration to senior executives.

At the annual general meeting held on 22 May 2018, eighteen shareholders were represented, corresponding to 60,69 per cent of the total number of shares and votes in the Company. Lawyer Ola Grahn was elected as chairman of the meeting. At the annual general meeting 2018, inter alia the following resolutions were adopted: determination of directors' and auditors' fees, re-election of Håkan Björklund, Björn Odlander, Nina Rawal, Lars Lidgren, Tone Kvåle and Lennart Johansson as ordinary board members and new election of Simon Cartmell as ordinary board member. Håkan Björklund was re-elected as chairman of the board of directors. Re-election of Ernst & Young AB as auditor with authorized public accountant Johan Thuresson as auditor in charge. Resolution on instruction and charter for the nomination committee, determination of Remuneration Policy for senior executives, resolution on implementation of long-term incentive for senior executives, employees and certain members of the board of directors and resolution on amendment of the articles of association.

The annual general meeting 2019 will be held Tuesday 14 May 2019, 10 a.m., at the Elite Hotel Ideon, Scheelevägen 27 in Lund. For further information on the annual general meeting, please see BONESUPPORT's website. A shareholder is entitled to participate with and vote for all its shares at a general meeting. For information on shares and voting rights, see the director's report page 29 in the annual report.

## NOMINATION COMMITTEE

According to the Code, the Company shall have a nomination committee, the duties of which shall include the preparation and drafting of proposals regarding the election of members of the board of directors, the chairman of the board of directors, the chairman of the general meeting and auditors. The nomination committee shall also propose fees for board members and the auditor. At the annual general meeting 2018, it was resolved to adopt instructions and rules of procedure for the nomination committee according to which the nomination committee shall consist of four members representing the three largest shareholders per the end of September, together with the chairman of the board of directors. For information on equity, see the director's report page 29 in the annual report or the company's web page www.bonesupport.com.

In accordance with the adopted instruction, a nomination committee for the annual general meeting 2019 has been constituted consisting of Jacob Gunterberg (chairman) representing HealthCap VLP, Johan Kördel representing Lundbeckfonden Invest A/S and Jonas Jendi representing Stiftelsen Industrifonden as well as the chairman of the board, Håkan Björklund. The composition of the nomination committee was announced in the interim report Q3 on 7 November 2018.

During the financial year 2018, the nomination committee has held 2 formal meetings and has had continuous contacts in between. The Nomination Committee has followed the instruction adopted at the annual general meeting on 22 May 2018.

In its work, the nomination committee has applied Rule 4.1 of the Swedish Corporate Governance Code as diversity policy, whereby the nomination committee has considered that the board, with regard to the Company's business, stage of development and circumstances in general, shall be characterized by diversity and breadth with respect to qualifications, experience and background of the board members and that an even gender balance shall be strived for.

## EXTERNAL AUDIT

The Company's auditor is appointed by the annual general meeting for the period until the end of the next annual general meeting. The auditor examines the annual report and accounts as well as the management performed by the board of directors and the CEO. Following each financial year, the auditor shall submit an audit report to the annual general meeting. The Company's auditor reports its observations from the audit.

At the annual general meeting 2018, Ernst & Young AB was re-elected as the Company's auditor with authorized public accountant Johan Thuresson as auditor in charge. At the annual general meeting, it was also resolved that the fees to the auditor should be paid in accordance with normal charging standards and approved invoice. Further information regarding the fees to the auditor, can be found in Note 8 in the annual report.

## THE BOARD OF DIRECTORS

After the general meeting, the board of directors is the highest decision-making body of the Company. The board of directors shall be responsible for the organization and management of the Company's affairs, for example by establishing targets and strategies, securing procedures and systems for monitoring of set targets, continuously assess the Company's financial position and evaluate the operational management. Furthermore, the board of directors is responsible for ensuring that proper information is given to the Company's stakeholders, that the Company complies with laws and regulations and that the Company develops and implements internal policies and ethical guidelines. The board of directors also appoints the Company's CEO and determines his/her salary and other remuneration on the basis of the guidelines adopted by the general meeting.

Board members elected by the general meeting are elected annually at the annual general meeting for the period until the end of the next annual general meeting. According to the Company's articles of association, the board of directors shall consist of no less than three and no more than eight members without any deputy members. According to the Code, the majority of the board members elected by the general meeting shall be independent of the Company and its management. Furthermore, at least two of the board members who are independent in relation to the Company and its management shall also be independent in relation to major shareholders. Major shareholders refer to shareholders who directly or indirectly control ten percent or more of all shares and voting rights in the Company. There are no further provisions in the articles

of association concerning the appointment and dismissal of board members and amendments to the articles of association.

In determining whether or not a board member is independent, an overall assessment shall be made of all the circumstances that could call into question the independence of the board member in relation to the Company, its management or the major shareholder. A board member who is an employee or a board member of a company that is a major shareholder is not considered to be independent.

All members of the board elected by the General Meeting, except Björn Odlander, are independent in relation to the company, its management and major shareholders and all proposed directors except Simon Cartmell are independent in relation to the company and its management. Björn Odlander is independent in relation to the Company and its management but not major shareholders as he is partner of Health Cap. Simon Cartmell is independent in relation to major shareholders but not in relation to the Company and its management as he after the Annual General Meeting in May 2018 entered into a consultancy agreement with the Company where he is assisting the Company in commercialization strategy and product- and business development. As indicated, the board of directors believes that the Company fulfils the Code's requirement in regard to independence. The members of the board of directors, own and related parties' holdings and which year they were elected are presented on page 67 in the annual report.

The board of directors adheres to written rules of procedure which are revised annually and adopted at the constituting board meeting. The rules of procedure regulate, among other things, the practice of the board of directors, tasks, decision-making within the Company, the board of directors' meeting agenda, the chairman's duties and allocation of responsibilities between the board of directors and the CEO. Instruction for financial reporting and instructions for the CEO are also adopted in connection with the constituting board meeting. The board of directors' work is also carried out based on an annual briefing plan which fulfils the board of directors' need for information. The chairman and the CEO maintain, alongside the board meetings, an ongoing dialogue on the management of the Company.

The board of directors meets according to a pre-determined annual schedule and in addition to the constituent board meeting, at least six ordinary board meetings shall be held between each annual general meeting. In addition to these meetings, extra meetings can be arranged for processing matters which cannot be referred to any of the ordinary meetings. The board of directors' work during the year has followed the framework described above. The number of meetings in 2018 has been 14. See table below for attendance.

| Member | Meetings |
|---|---|
| Håkan Björklund | 14/14 |
| Björn Odlander | 13/14 |
| Lars Lidgren | 14/14 |
| Nina Rawal | 12/14 |
| Tone Kvåle | 14/14 |
| Lennart Johansson | 11/14 |
| Simon Cartmell | 6/6 |

The board's work is evaluated annually with the purpose of developing the board's working methods and efficiency. It is the chairman of the board who is responsible for the evaluation and for presenting it to the nomination committee. The purpose of the evaluation is to get an idea of the board members' views on how the work of the board is conducted and what measures can be taken to streamline the work of the board and whether the board is well balanced in terms of competence. The evaluation is an important basis for the nomination committee for the annual general meeting.

In 2018, the chairman of the board conducted an evaluation with all board members. The result of the evaluation has been reported and discussed in the board and in the nomination committee.

### Remuneration to the board of directors

Fees to board members elected by the general meeting are resolved by the annual general meeting. For the annual general meeting 2019, the nomination committee will submit proposals in regard to remuneration. At the annual general meeting held on 22 May 2018, it was resolved that fees of SEK 325,000 were to be paid to the chairman and that fees of SEK 150,000 were to be paid to each of the other board members who are not employed by the Company. In addition, it was resolved that fees of SEK 125,000 should be paid to the chairman of the audit committee, that fees of SEK 70,000 should be paid to each other member of the audit committee, that fees of SEK 50,000 should be paid to the chairman of the remuneration committee and that fees of SEK 25,000 should be paid to each other member of the remuneration committee. For the financial year 2018, the board members received remuneration as set out in the table below. All amounts in TSEK.

| Name | Member of | Remuneration |
|---|---|---|
| Håkan Björklund | Chairman of the board, chairman of the remuneration committee | 375 |
| Lennart Johansson | Member of the board of directors, member of the audit committee | 220 |
| Tone Kvåle | Member of the board of directors, chairman of the audit committee | 275 |
| Lars Lidgren | Member of the board of directors | 150 |
| Björn Odlander | Member of the board of directors, member of the remuneration committee | 175 |
| Nina Rawal | Member of the board of directors, member of the audit committee | 185 |
| Simon Cartmell | Member of the board of directors | 150 |

### Audit committee

The audit committee's role is mainly to monitor the Company's financial position, to monitor the effectiveness of the Company's internal control, internal audit and risk management, to be informed about the audit of the annual report and consolidated financial statements, and to review and monitor the auditor's impartiality and independence. The audit committee shall also assist the nomination committee in proposals for decisions on the election and remuneration of the auditor. The audit committee is comprised of Tone Kvåle (chairman), Nina Rawal and Lennart Johansson. Nina Rawal resigned in April 2018.

The audit committees work during the year has followed the framework described above. During the financial year 2018, the audit committee has had 6 meetings and discussed matters regarding the Company's control system, review of quarterly reports and assessment of the auditor's work and risk management. See table below for attendance.

| Member | Meetings |
|---|---|
| Tone Kvåle | 6/6 |
| Lennart Johansson | 6/6 |
| Nina Rawal | 3/3 |

### Remuneration committee

The remuneration committee's role is primarily to prepare matters regarding remuneration and other terms of employment for the CEO and senior executives. The remuneration committee shall also monitor and evaluate ongoing and completed programs for variable remuneration to the Company's management and to monitor and evaluate the implementation of the guidelines for remuneration to senior executives which the annual general meeting

has adopted. The remuneration committee is comprised of Håkan Björklund (chairman) and Björn Odlander.

The remuneration committees work during the year has followed the framework described above. During the financial year 2018, the remuneration committee has had 5 meetings and discussed matters regarding the CEO's and other senior management's bonus for 2017, bonus criteria and salary revision for 2018 as well as implementation of long term incentives for employees and certain members of the board of directors for 2018. See table below for attendance.

| Member | Meetings |
|---|---|
| Håkan Björklund | 5/5 |
| Björn Odlander | 5/5 |

## THE CEO AND OTHER SENIOR EXECUTIVES

The role of the CEO is subordinate to the board of directors and the CEO's main task is to carry out the Company's ongoing management and the daily activities of the Company. The rules of procedure of the board of directors and the instructions for the CEO stipulate which matters the board of directors shall resolve upon, and which matters that fall within the CEO's area of responsibility. Furthermore, the CEO is responsible for preparing reports and necessary information for decision-making prior to board meetings and presents the material at board meetings.

BONESUPPORT has a management team consisting of nine people, as per today, including the CEO. For further information on the CEO and other senior management, see pages 68-69 in the annual report.

### Remuneration to senior management

Remuneration to senior management consists of basic salary, variable remuneration, pension benefits, share related incentive programs and other benefits.

For the financial year 2018, the CEO and other members of senior management received salary and other remuneration as set out in the table below. All amounts in SEK thousand.

| TSEK | Salary | Social costs | Share-based compensation |
|---|---|---|---|
| CEO | 8,437 | 1,923 | 1,674 |
| Other senior management | 18,625 | 5,557 | 1,103 |

### Guidelines for remuneration to senior management

According to the Swedish Companies Act, the general meeting shall determine the guidelines for remuneration to the CEO and other senior executives. At the annual general meeting held on 22 May 2018 guidelines were adopted with the following main content.

The Company's starting point is to offer remuneration levels at market terms, aimed at facilitating the recruitment and retention of senior executives, and that the terms should be competitive considering the situation in the country in which the employee is employed. The remuneration to the senior executives can be comprised of fixed salary, variable remuneration, pension benefits, share-based incentive programs resolved by the shareholders' meeting and other benefits.

The fixed salary shall take into consideration the individual's competence, area of responsibility and performance. The variable remuneration is to be based on the outcome of predetermined well defined objectives. The variable consideration is to be limited and may not exceed 75 percent of the fixed annual salary for the CEO and 40 percent of the fixed annual salary for other senior executives, whereby the individual highest level should be based on factors such as the position held by the specific individual.

In addition to what follows from law or collective bargain agreements or other agreements, the CEO and other senior executives may be entitled to arrange individual pension schemes. Refrained salaries and variable remuneration can be used for increased pension contributions, provided that the total cost for the Company is unchanged over time.

Share-based incentive programs shall, where applicable, be resolved by the shareholders' meeting. The senior executives may be awarded other customary benefits, such as a company car, occupational health services, etc.

In case of termination of the CEO's employment by the Company, the notice period should not exceed 6 months. In case the Company terminates the CEO without cause the CEO shall, in addition to salary during the notice period, be entitled to severance payment corresponding to 12 months' base salary. The notice period for other senior executives shall not exceed 12 months. In case of termination from the Company, in addition to salary during the notice period, severance payment corresponding to an amount equal to up to 12 months base salary may be paid.

The board of directors shall be entitled to deviate from these guidelines in individual cases if there are special reasons for doing so.

The board of directors has proposed that the annual general meeting to be held Tuesday 14 May 2019, should resolve on essentially unchanged guidelines for remuneration to apply until the annual general meeting in 2020.

## INTERNAL CONTROL

The board of director's responsibility for the internal control is governed by the Swedish Companies Act, the Swedish Annual Reports Act – which requires that information about the main features of BONESUPPORT's system for internal control and risk management related to financial reporting each year must be included in the corporate governance report – and the Code. The board of directors shall, among other things, see to that BONESUPPORT has sufficient internal control and formalized routines to ensure that established principles for financial reporting and internal control are adhered to and that there are effective systems to monitor and control the Company's operations and the risks associated with the Company and its operations.

The overall purpose of the internal control is to, to a reasonable degree, ensure that the Company's operating strategies and targets are monitored and that the owners' investments are protected. Furthermore, the internal control shall ensure that the external financial reporting, with reasonable certainty, is reliable and prepared in accordance with generally accepted accounting principles and that applicable laws and regulations are followed, and that the requirements imposed on listed companies are complied with. The internal control consists of the following five components: control environment, risk assessment, control activities, information and communication and monitoring. There is no function for internal auditing in the company. The Board of Directors evaluates the need for this function annually and judges that, given the Company's size, there is no need to institute a formal internal audit function.

### 1. Control environment

The board of directors has the overall responsibility for the internal control in relation to the financial reporting. In order to create and maintain a functioning control environment, the board of directors has adopted a number of policies and regulatory documents governing financial reporting. These documents primarily comprise the rules of procedure for the board of directors, instructions for the CEO and instructions for financial reporting. BONESUPPORT has also adopted a special authorization policy. The Company also has a financial handbook which contains principles, guidelines and process descriptions for accounting and financial reporting. The Company has also summarized its

procedures for internal control in a separate internal control policy. Finally, the board of directors has established an audit committee whose main task is to monitor the Company's financial position, to monitor the effectiveness of the Company's internal control, internal audit and risk management, to be informed about the audit of the annual report and consolidated financial statements, and to review and monitor the auditor's impartiality and independence. The responsibility for the ongoing work of the internal control over financial reporting has been delegated to the Company's CEO which in turn has delegated to the CFO to have overall responsibility to maintain a sound internal control over the financial reporting environment. The CEO regularly reports to the board of directors in accordance with the established instructions for the CEO and the instructions for financial reporting.

### 2. Risk assessment

Risk assessment includes identifying risks that may arise if the basic requirements for the financial reporting of the Company are not met. BONESUPPORT's management team has, in a specific risk assessment document, identified and evaluated the risks that arise in the Company's operations, and has assessed how these risks can be managed. Within the board of directors, the audit committee is primarily responsible for continuously assessing the Company's risk situation, after which the board of directors also conducts an annual review of the risk situation.

During the year, the senior management has reviewed risks related to strategies, compliance and financials and operational matters. Thereafter, these risks have been evaluated according to probability and effect, where risks with either high probability or effect have been prioritized. This has then been presented to the audit committee before being reviewed by the board of directors. The Company has distributed each risk factor to at least one person in the senior management to lead the work of establishing and executing action plans.

### 3. Control activities

In order to prevent, detect and correct errors and deviations, a framework for control in terms of policies, processes and routines has been established within BONESUPPORT in relation to control targets. The control activities help to ensure that necessary actions are taken to address risks to achievement of the Company's targets. Example of control activities on a high level are that BONESUPPORT has a clear governance structure with a number of forums and activities which constantly monitor the operations. Well defined business process, segregation of duties and appropriate delegation of authority are also activities that support good corporate governance and internal control.

Key processes identified to have potential significant risks are mapped out in detail in separate process descriptions in the financial handbook and key process steps are defined to make sure that there is enough segregation of duties and that the right control mechanism is in place. By end of the year a new ERP system was implemented throughout the group. The system implementation was followed by a thorough review of the group's control activities, work that began at the end of the year and is expected to be finalized by the end of the first quarter 2019.

### 4. Information and communication

BONESUPPORT has information and communication channels intended to promote the accuracy of financial reporting and to facilitate reporting and feedback from operations to the board of directors and management, for example by making corporate governance documents such as internal policies, guidelines and instructions regarding the financial reporting available and known for the employees concerned. The board of directors has also adopted an information policy that governs the Company's provision of information externally.

### 5. Monitoring

The compliance and effectiveness of the internal controls are constantly monitored. The CFO is responsible for ensuring that appropriate processes for monitoring are in place and the CEO ensures that the board of directors continuously receives reports on the development of the Company's activities, including the development of the Company's results and financial position, as well as information on important events, such as research results and important contracts. The CEO also reports on these matters at each board meeting.

The Company's compliance of relevant policy's and guidelines shall, according to adopted policies, be assessed annually and reported by the CFO to the audit committee. A summary including identified suggestions for improvements shall then be presented to the board of directors.

Lund 17 april 2019
BOARD OF DIRECTORIS IN BONESUPPORT HOLDING AB

## AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

To the general meeting of the shareholders of BONESUPPORT HOLDING AB (publ), corporate identity number 556802-2171.

### Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2018 on pages 62-65 in the annual report and that it has been prepared in accordance with the Annual Accounts Act.

### The scope of the audit

Our examination has been conducted in accordance with FAR's auditing standard RevU 16 The auditor's examination of the corporate governance statement. This means that our examination of the corporate governance statement is different and substantially less in scope than an audit conducted in accordance with International Standards on Auditing and generally accepted auditing standards in Sweden. We believe that the examination has provided us with sufficient basis for our opinions.

### Opinions

A corporate governance statement has been prepared. Disclosures in accordance with chapter 6 section 6 the second paragraph points 2-6 the Annual Accounts Act and chapter 7 section 31 the second paragraph the same law are consistent with the annual accounts and the consolidated accounts and are in accordance with the Annual Accounts Act.

Malmö 17 April, 2018
Ernst & Young AB

Johan Thuresson
Authorized Public Accountant

# BOARD OF DIRECTORS

HÅKAN BJÖRKLUND
CHAIRMAN OF THE BOARD

LARS LIDGREN
FOUNDER &
DIRECTOR

BJÖRN ODLANDER
DIRECTOR

NINA RAWAL
DIRECTOR

TONE KVÅLE
DIRECTOR

LENNART JOHANSSON
DIRECTOR

SIMON CARTMELL
DIRECTOR

# BOARD OF DIRECTORS

| Name | Born year | Education | Experience | Holding (own and related parties) per 31 December 2018 |
|---|---|---|---|---|
| Håkan Björklund<br>Member of the board of directors since 2016 | 1956 | Ph.D. in Neuroscience from Karolinska Institutet in Sweden | Dr. Björklund is Partner of Tellacq AB, a private investment firm. He joined the BONESUPPORT Board in December 2016 in conjunction with the Company's $37 million (SEK 315 million) financing, which was led by Tellacq. Dr. Björklund has a long and successful track record in the healthcare industry, including as the former CEO of Nycomed, which he grew from a small Scandinavian company into a global business before its acquisition by Takeda in 2011. He is currently chairman of the board of Swedish Orphan Biovitrum AB. | Owns 25% of the shares in Tellacq AB that holds 2,952,451 shares. |
| Lars Lidgren<br>Founder<br>Member of the board of directors since 2010. | 1943 | M.D., Ph.D. and professor in orthopaedics from Lund University | M.D, clinical professor at the University Hospital of Lund. Dr. Lidgren is leading a regenerative medicine research group at the Orthopaedic university department in Lund, which is a member of the ISOC group of worldwide leading hospitals. He is an honorary member of and served as president of several major societies and initiated the worldwide Bone and Joint Decade 2000-2010. Dr. Lidgren is a successful serial entrepreneur who founded the companies Scandimed (Biomet), AMeC and GWS, Sweden. He is also a board member of the stock listed companies Orthocell in Australia, Curando Nordic and GWS in Sweden. | 552,953 shares and 860,985 employee stock options (own holding). |
| Björn Odlander<br>Member of the board of directors since 2010 | 1958 | M.D. from Karolinska Institutet | M.D., Ph.D, in biochemistry at Karolinska Institutet in Stockholm. Managing and founding partner of HealthCap. Dr. Odlander serves on the following boards, among others: Oncorena AB and KK-Stiftelsen. | – |
| Nina Rawal<br>Member of the board of directors since 2015. | 1979 | MSc in Biomedicine and a Ph.D. from the Karolinska Institutet | Dr. Nina Rawal, Head of Life Science at Industrifonden. Previously, Dr. Rawal held the position of Vice President, Ventures at Gambro and before that as management consultant at The Boston Consulting Group in Stockholm and New York. Dr. Rawal serves on the boards of Smartfish and Airsonett and holds other assignments in Stockholms sjukhem and Cirkus Cirkör. In 2017, she was elected Young Global Leader by World Economic Forum. | – |
| Tone Kvåle<br>Member of the board of directors since 2016 | 1969 | Diploma in Finance & Administration from Harstad University College, Norway | Tone Kvåle has more than 20 years of experience gained in the biotech industry. She has been Chief Financial Officer at Nordic Nanovector ASA (publicly listed company in Norway) since November 2012. Prior to joining Nordic Nanovector, she was CFO of NorDiag ASA, Kavli Holding and Dynal Biotech, and has held senior management positions at Invitrogen, Life Technologies now ThermoFisher (US). Tone Kvåle was previously in the board and member of the audit committee of Badger Explorer ASA. | 15,000 shares (own holding). |
| Lennart Johansson<br>Member of the board of directors since 2017. | 1955 | MBA from the Stockholm School of Economics (1980). | Senior Advisor at Patricia Industries AB since 2015, Lennart was previously Managing Director (Business Development, Operating and Financial Investments) at Investor AB (2006-2015). Prior to this he was Chief Executive Officer of Emerging Technologies ET AB. He is currently Board Member of Swedish Orphan Biovitrum AB, Vectura AB and Hi3G Access AB. | 50 000 shares (own holding). |
| Simon Cartmell<br>Member of the board of directors since 2018. | 1960 | BSc Medical Microbiology, University of Manchester; MSc Management and Economics (Sloan Fellowship Programme), University of London. | Simon Cartmell has a long and extensive background as CEO, manager and entrepreneur in the pharmaceutical, biotech and medtech industries. He was previously the CEO of ApaTech Ltd., a UK based orthobiologics company developing and marketing ACTIFUSE, a synthetic bone graft substitute. In 2010, based on its differentiated technology and US sales success, ApaTech was acquired by Baxter in a USD 330 million transaction. Cartmell has been and is active as a board member in several public and private companies in the biotech and medical technology space and is an Operating Partner at IP Group plc. His current board memberships include OssDsign AB (chairman of the board), IESO Digital Health Ltd (chairman of the board), Veryan Medical Ltd (chairman of the board), Abingdon Health Ltd., Inivata Ltd and ReNeuron Ltd. | 31,091 shares (own holding). |

# MANAGEMENT TEAM

**EMIL BILLBÄCK**
CHIEF EXECUTIVE OFFICER

**HÅKAN JOHANSSON**
CHIEF FINANCIAL OFFICER

**HELENA L BRANDT**
HEAD OF HUMAN RESOURCES

**CARIN NILSSON-THORELL**
VP QUALITY MANAGEMENT & REGULATORY AFFAIRS

**MICHAEL DIEFENBECK**
EVP R&D, MEDICAL & CLINICAL AFFAIRS CHIEF MEDICAL OFFICER

**JOHAN OLSSON**
CHIEF OPERATING OFFICER

**ANNELIE AAVA VIKNER**
EVP MARKETING & COMMUNICATIONS

**VIKRAM JOHRI**
GM & EVP COMMERCIAL OPERATIONS EUROW

**PATRICK O'DONNELL**
GM & EVP COMMERCIAL OPERATIONS NORTH AMERICA

# MANAGEMENT TEAM

| Name | Born year | Employed since | Education | Experience | Holding (own and related parties) per 31 December 2018 |
|---|---|---|---|---|---|
| Emil Billbäck | 1970 | 2018 | B.Sc. in Business Administration from Karlstad University | Emil Billbäck has more than 20 years' experience in commercial operations within the life science industry and 11 years in senior leadership positions. Most recently he was Senior Advisor to the recently merged BSN medical/ SCA entity. Emil has worked four years in the US and ten years in Germany. | 96,000 shares and 170,000 warrants (own holding). |
| Håkan Johansson | 1963 | 2018 | B.Sc. in Business Administration & Economics from the Mid-Sweden University | Håkan Johansson joined BONESUPPORT as Chief Financial Officer in November 2018. He has more than 20 years' of experience gained from CFO and Senior Management roles in various industries in public and private companies. Prior to joining BONESUPPORT he was CFO Northern Europe within Tunstall Healthcare Group (2012-18), a global provider of connected health and connected care solutions. Before this he held CFO and Senior Management roles at toy manufacturer BRIO AB (publ) and Arctic Paper Group. | 15,000 shares (own holding). |
| Helena L Brandt | 1965 | 2017 | M.Sc. in industrial economy from Lunds University | Helena L Brandt has more than 20 years' experience within HR and from managerial positions from a broad range of industries. She has held global roles within HR at Astra Zeneca, Sony och Tetra Pak. | 15,000 shares (own holding). |
| Carin Nilsson-Thorell | 1955 | 2002 | M.Sc. from Lunds tekniska högskola | Carin Nilsson-Thorell has more than 35 years' experience within the medical both from major organizations and startup companies. She has previously held different international positions at Glycorex Transplantation and Gambro. | 3,459 shares and 208,000 employee stock options (own holding). |
| Michael Diefenbeck | 1974 | 2017 | M.D. from Ludwig-Maximilians University München, Germany. Ph.D. from Friedrich-Schiller University, Jena, Germany. | Michael Diefenbeck is a certified orthopaedic and trauma surgeon with 15 years' of clinical experience. He founded Scientific Consulting in Orthopaedic Surgery during 2014, and worked for BONESUPPORT on different projects as an independent clinical adviser. He has 14 years' clinical experience from different hospitals in Germany and is author of 25 published research articles within the area. | 20,000 shares, 75,000 warrants and 360,000 employee share options (own holding). |
| Johan Olsson | 1965 | 2007 | M.Sc. in Engineering from Lunds tekniska högskola | Johan Olsson has long experience from the medical industry in senior positions within production, logistic, supply and development. Previously he worked at Gambro as Head of Intensive Care Product Line. | 3,459 shares and 148,000 employee stock options (own holding). |
| Annelie Aava Vikner | 1971 | 2018 | Bachelor's degree in chemistry from the Linköping institute of technology, LIU (Linköping University) and a post graduate certificate in Leadership Expectations from Glasgow Caledonian University. | Annelie Aava Vikner joined BONESUPPORT as Executive Vice President Marketing & Communications in March 2019. Mrs Aava Vikner has more than 20 years' in the field of medical technology & pharma. Before joining BONESUPPORT she held various leading regional marketing management positions within Medtronic, one of the worlds' leading medical technology company (2002-2019). Her latest assignment before joining BONESUPPORT was as Senior Strategy & Marketing Manager for the restorative therapy group, ABGI&NORDICS (Austria, Switzerland, Benelux, Greece, Israel & Nordic). | 15,000 shares (own holding). |
| Vikram Johri | 1965 | 2010 | MBA in Marketing from Syracuse University | Vikram Johri has 17 years' experience of medical devices from both international and US market. Vikram has previously had varoius leading positions at Wright Medical and Boston Scientific. | 81,877 shares, 75,000 warrants and 596,423 employee share options (own holding). |
| Patrick O'Donnell | 1965 | 2016 | BA from University of Wisconsin, Graduate School of Business Studies from Dominican University, U.S.A. | Patrick O'Donnell has 24 years' experience of medical device, biologics, and biomaterials global markets - with technologies in the orthopedic, spine, neurosurgery, sports medicine, interventional radiology, vascular and, metabolic disorders markets. He most recently served as Founder and CEO of ProteoThera Inc. Prior to this he was CEO at EndoSphere Inc, Histogenics Corporation and Prochon BioTech and Director of Global Marketing at Confluent Surgical following a fourteen-year career in sales and marketing at Johnson & Johnson DePuy. | 41,096 warrants and 720,000 employee share options (own holding). |

# 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. |
| BMP | Bone Morphogenic Protein. |
| BONE GRAFT SUBSITUTE | Synthetic material used as bone grafts instead of biological bone tissue. |
| CERAMENT BVF | CERAMENT BONE VOID FILLER |
| CERAMENT G | CERAMENT G, CERAMENT with gentamicin |
| CERAMENT V | CERAMENT V, CERAMENT with vancomycin |
| CF | Cash Flow. |
| CLINICAL STUDY | Study on humans of e.g. a medical device or a pharmaceutical product. |
| DBM | Demineralized bone matrix. A bone substitute biomaterial. |
| DR | Doctor. |
| FDA | US Food and Drug Administration. |
| 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. |
| HISTOLOGY | The study of the microscopic anatomy (microanatomy) of cells and tissues of plants and animals. |
| IDE | Investigational Device Emption. Exemption from regulatory approval to conduct clinical studies on a medical device. |
| ILIAC CREST | The upper wing of the hip bone (ilium). |
| LTM | Latest twelv 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. |
| Q4 | Fourth quarter. |
| 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 and 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 and financial institutions, short and long term. Shows the debt level of the group and forms the base for interest expenses.

**Net debt**
Interest bearing debt (borrowing) 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.

| | 2018 | 2017 |
|---|---|---|
| Net sales, SEK million | 96.6 | 129.3 |
| **Sales growth, %** | **-25.3** | **23.6** |
| Cost of sales, SEK million | -15.2 | -16.9 |
| **Gross profit, SEK million** | **81.5** | **112.4** |
| **Gross margin, %** | **84.3** | **87.0** |
| Directly attributable selling expenses, SEK million | -112.6 | -78.8 |
| Selling expenses, not directly attributable, SEK million | -20.7 | -14.0 |
| **Selling expenses, SEK million** | **-133.3** | **-92.9** |
| Directly attributable research & development expenses, SEK million | -23.6 | -22.4 |
| Research & development expenses, not directly attributable, SEK million | -42.5 | -38.3 |
| **Research & development expenses, SEK million** | **-66.1** | **-60.6** |
| **Contribution, SEK million** | **-54.7** | **11.2** |

| | | |
|---|---|---|
| Non-current borrowings, SEK million | 0.0 | 0.0 |
| Current borrowings, SEK million | 0.0 | 98.6 |
| **Interest bearing debt, SEK million** | **0.0** | **98.6** |
| Cash and cash equivalents, SEK million | 261.5 | 533.4 |
| **Net debt, SEK million** | **-261.5** | **-434.7** |

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