

Full year sales increased 24% vs LY

+24%
Net Sales
2017

87.0%
GM
2017

-99.3m
Operating
loss 2017

OCTOBER - DECEMBER 2017

- Net Sales amounted to SEK 27.0 million (29.6), a decrease of 9%
- Gross margin of 83.3% (87.8)
- Operating loss of SEK -33.4 million (-28.4)
- Earnings per share, before and after dilution was SEK -1.03 (-1.24)

JANUARY – DECEMBER 2017

- Net Sales amounted to SEK 129.3 million (104.6), an increase of 24%
- Gross margin of 87.0% (84.4)
- Operating loss of SEK -99.3 million (-88.7)
- Earnings per share, before and after dilution was SEK -3.24 (-4.26)

BUSINESS HIGHLIGHTS OCTOBER – DECEMBER

- Enrollment completed (136 patients) in the important level 1 trauma study (CERTiFy) comparing CERAMENT bone void filler with autograft.
- BONESUPPORT signed distribution agreement for Italy with Citieffe Srl.
- Ms Helena L Brandt was appointed Head of Human Resources.

SIGNIFICANT EVENTS AFTER PERIOD END

- BONESUPPORT announced 23 January the appointment of Emil Billbäck as CEO, replacing Richard Davies effective as of 1 March.
- BONESUPPORT repaid the outstanding debt of SEK 93.3 million (EUR 9.5 million) to Kreos

KEY FIGURES	Oct - Dec		Jan - Dec	
	2017	2016	2017	2016
Net Sales (SEKm)	27.0	29.6	129.3	104.6
Sales growth (%) ^{1/}	-8.8	28.8	23.6	69.4
Gross profit (SEKm)	22.5	26.0	112.4	88.3
Gross margin (%) ^{1/}	83.3	87.8	87.0	84.4
Operating loss (SEKm)	-33.4	-28.4	-99.3	-88.7
Loss for the period (SEKm)	-51.4	-34.6	-128.9	-110.2
Equity at period end (SEKm)	450.8	34.3	450.8	34.3
Net debt ^{1/} (SEKm)	-434.7	-31.8	-434.7	-31.8
Operating cash flow (SEKm)	-25.7	-30.5	-107.5	-81.9
Cash at period end (SEKm)	533.4	141.5	533.4	141.5
Earnings per share ^{2/} (SEK)	-1.03	-1.24	-3.24	-4.26

^{1/} APM: Alternative Performance Measures, see financial definitions on page 15

^{2/} Before dilution and after consolidation of shares 5:1





CEO STATEMENT

Richard Davies, CEO

STRONG GROWTH CONTINUES IN EUROPE AND ROW

STRONG SALES IN EUROPE BUT WEAK IN THE US

In Europe and Rest of World (ROW), we delivered our best ever quarterly sales performance in the region with sales increasing by 39% vs Q4 2016 to SEK 14.5 million. This was due to the continued success of our drug eluting products, CERAMENT G and CERAMENT V, in conjunction with a pick-up in demand for CERAMENT BVF. Growth was driven by the increasing level of clinical evidence supporting CERAMENT's ability to remodel to host bone and to deliver antibiotics to protect bone healing. This is driving the greater adoption of these highly differentiated products by orthopedic surgeons across the region.

In contrast, sales in North America (NA) declined in Q4 due to the continuing internal supply issues facing our US distributor Zimmer Biomet. CERAMENT BVF, the only BONESUPPORT product currently available in the US, is usually used in conjunction with our distributor's hardware and any issues it has in supplying hardware impacts our US sales. In Q4, our US sales were also impacted by some destocking by our distributor. We are in continuous dialogue with Zimmer Biomet to improve this situation.

KEY CLINICAL STUDIES PROGRESSING AS PLANNED

In December, BONESUPPORT achieved an important corporate milestone when patient recruitment into the CERTiFy study with CERAMENT BVF was completed. Top line data from this study is expected towards the end of 2018. The FORTIFY study has all 30 clinical sites initiated and enrollment is progressing as planned. Data from the FORTIFY study will support a Premarket Approval (PMA) submission for Cerament G to FDA targeted for year 2020. Recruitment into the Italian investigator led revision arthroplasty study that started in October is also going well.

STRENGTHENING EUROPEAN FOOTPRINT

In November, BONESUPPORT signed a second Italian distribution agreement with Citieffe to strengthen our access to trauma and orthopedic surgeons in this market. Citieffe is a trauma implant manufacturer based in Bologna. This follows the agreement with Novomedics in September to initiate access to the French market.

BROADER NEW PRODUCT AND PIPELINE STRATEGY

In September, we appointed Dr. Jerry Chang as Executive Vice President of Research & Development. Dr. Chang is in process of reviewing our new product and pipeline strategy to expand our product offering. We also continue to make good progress with our pipeline. In January 2018, we acquired the IP to a novel Gelatin/CERAMENT based carrier which has been shown to be able to deliver bone active agents to enhance bone formation.

WELL POSITIONED FOR SUCCESS

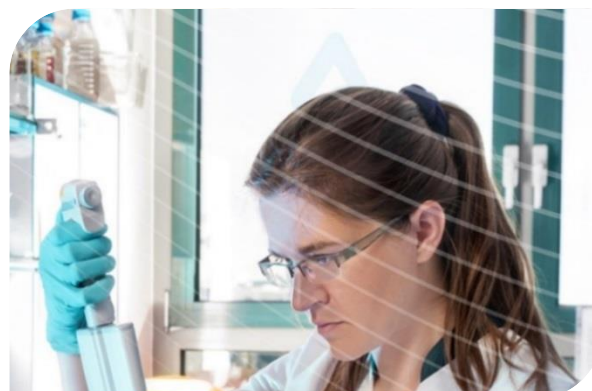
Over the last 2 years we have positioned BONESUPPORT to become a leading player in orthobiologics. We have invested in our sales and marketing capabilities, and in the clinical data needed to drive the sales of our highly differentiated drug eluting products. We have also built a strong management team and raised the funds needed to execute our value enhancing strategy through to 2020. Given this progress, it is the right time for me to hand over the reins to Emil Billbäck, who will become BONESUPPORT's new CEO on 1 March. I wish him every success and am confident that the Company will deliver significant shareholder value in the years to come based on its unique CERAMENT platform.

COMPANY OVERVIEW

COMPANY STRATEGY AND OBJECTIVES

Driving sales of currently approved products

- Generating further supportive clinical data to drive the adoption of our CERAMENT products for a broader range of indications
- Increasing marketing and promotional activities particularly in the US
- Increasing our sales footprint



Successfully completing the FORTIFY IDE study

The clinical data from this study is designed to support a PMA submission for Cerament G to the FDA targeted for 2020.

Progress pipeline of CERAMENT product candidates

Novel product candidates are designed to enhance bone growth capitalizing on CERAMENT's unique drug eluting capabilities.

Financial objectives 2020

- > SEK 500m in Net Sales
- > 85% in Gross margin
- Positive operating result

RESEARCH & DEVELOPMENT

BONESUPPORT research and development activities are focused on:















- Generating further clinical data to broaden the use of the company's currently marketed products.
- Key targeted indications are trauma, revision arthroplasty, diabetic foot and osteomyelitis.
- Successfully completing the FORTIFY study to provide the clinical data for PMA filing to the FDA.


CERTiFy ENROLLMENT COMPLETED

Top line data by end 2018

- Broadening the product offering.
- Progressing the company's pipeline, which is focused on capitalizing on the drug eluting properties of the CERAMENT platform to generate products capable of enhancing bone growth.

Main clinical studies

REGULATORY STUDY	Feasibility ^{1/}	Initiated study	FPI ^{1/}	LPI ^{1/}	Filing
FORTIFY (US, DE, PL, UK) - G					
POST-MARKETING STUDIES	Feasibility ^{1/}	Initiated study	FPI ^{1/}	LPI ^{1/}	Publication
CERTiFy (DE) - BVF					
Revision Arthroplasty (IT) - G&V					
Diabetic Foot (IT) - G					
Osteomyelitis (FR) - G					

1/ Feasibility: Feasibility assessment; FPI: First Patient In; LPI: Last Patient In;  : Activity completed

POST-MARKETING STUDIES TO DRIVE INCREASED ADOPTION AND BROADEN INDICATIONS

CERTiFy – PATIENT RECRUITMENT COMPLETE

BONESUPPORT's most advanced investigator-initiated study is CERTiFy, a controlled, prospective, randomized clinical trial comparing the use of CERAMENT BVF versus autograft in the management of tibia plateau fractures. The study completed patient recruitment in December 2017. The study has recruited 136 patients in Germany where each of the patients undergo a 6-month follow up. Top line results from this study and a planned publication are expected around the year-end of 2018. Positive results from the study could allow CERAMENT BVF to take market share from the autograft segment, which is the most widely used treatment globally.

NEW INVESTIGATOR-INITIATED TRIAL IN REVISION ARTHROPLASTY PROGRESSING WELL

In early October, the first patient was recruited in an investigator-initiated study which is evaluating both CERAMENT G and V in patients undergoing hip and knee arthroplasty revisions. Professor Carlo Romanò, at Istituto Ortopedico Galeazzi IRCCS, Milan, is the Principal Investigator of the study, which is being conducted at 6 clinical centers in Italy. It is expected to recruit approximately 135 patients, which will be compared to matched historic controls, and recruitment is going well.

A new German study assessing CERAMENT BVF is recruiting patients with fractures of the proximal humerus. Progress is also being made in studies evaluating CERAMENT G for the management of diabetic foot and chronic osteomyelitis.

GAINING US APPROVAL FOR CERAMENT G

FORTIFY – PATIENT RECRUITMENT ON TRACK

Patient recruitment in the company's IDE study (Investigational Device Exemption) FORTIFY is progressing to target. FORTIFY is a randomized multi-center controlled trial which is assessing the safety and efficacy of CERAMENT G as part of open surgical repair of diaphyseal tibial fractures. The study is targeting to enroll 230 patients at up to 30 centers globally, having at least 50% of the study data coming from US patients. The number of patients enrolled at year-end is in line with our target for a planned submission to the FDA in 2020. In December 2017, the FDA approved a protocol amendment to the study which will allow patients with smaller fractures to be enrolled in the

study. Based on patient screening to-date this amendment should increase the rate of patient enrollment.

BROADER NEW PRODUCT AND PIPELINE STRATEGY

ASSESSMENT OF OPPORTUNITIES

In September, BONESUPPORT appointed Dr. Jerry Chang as Executive Vice President of Research & Development. Dr. Chang is reviewing our new product and pipeline strategy to expand our product offering. The Company is currently assessing various product opportunities.

PUBLICATION ON A NOVEL CERAMENT BASED CARRIER

BONESUPPORT has acquired the IP to a novel CERAMENT based carrier. A publication shows that this novel macro-porous CERAMENT based carrier (Gelatin/CERAMENT) is an efficient carrier for the long-term, sustained delivery of recombinant bone morphogenic protein (rhBMP-2) and the bisphosphonate, zoledronic acid (ZA), leading to increased bone formation in a pre-clinical animal model when compared to a commercially available carrier for rhBMP-2.

PIPELINE FOCUSED ON ENHANCED BONE GROWTH

BONESUPPORT is developing a pipeline of novel CERAMENT products candidates that have been designed to enhance bone growth. These pipeline candidates capitalise on CERAMENT's unique drug eluting properties that enable local delivery into the bone of drugs/cells known to enhance bone growth or to reduce bone loss. At present four pipeline products are under pre-clinical evaluation:

- CERAMENT plus bisphosphonates, which prevent the loss of bone density and are used to treat osteoporosis
- CERAMENT plus BMP, which can induce bone formation and is used to treat a number of bone related diseases
- CERAMENT plus bisphosphonates and BMP, which together are designed to reduce bone loss and to induce new bone growth
- CERAMENT plus BMP and stem cells where the addition of stem cells is designed to further enhance bone growth

NORTH AMERICA

	Oct – Dec		Jan – Dec	
(SEKm)	2017	2016	2017	2016
Net Sales	12.6	19.2	78.1	68.9
Gross profit	10.7	17.1	69.9	59.5
Contribution	-3.5	7.2	18.8	22.5

North America's focus is the US market, where CERAMENT BVF is distributed via Zimmer Biomet (ZB) through its national channel of 54 exclusive distributors. BONESUPPORT's commercial team supports sales directly to these exclusive US distributors alongside ZB.

There are 14 employees in the US commercial organization providing a solid base to further increase sales in the US.

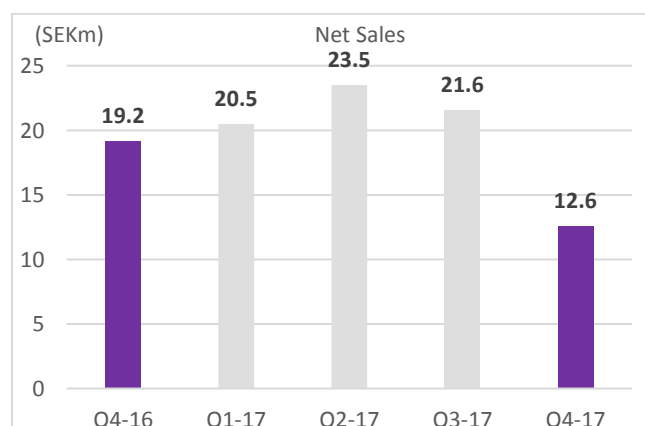


Our US distributor, Zimmer Biomet (ZB), is facing challenges associated with supplying its hardware products. As CERAMENT BVF is normally sold together with ZB hardware, we have seen a negative impact on our sales growth for CERAMENT BVF in the US.

OCTOBER - DECEMBER 2017

Net Sales

Net Sales for North America decreased by 35% versus Q4 2016 and amounted to SEK 12.6 million. The sales decline in the period is due to our distributor Zimmer Biomet experiencing supply shortages of its own hardware products. This situation continued to impact our US sales negatively. We continue to discuss improvement measures together with Zimmer Biomet management. The sales this quarter were also impacted by destocking due to an inventory build-up at ZB at beginning of 2017. Net sales per quarter is presented below (SEKm).



Contribution

The Q4 contribution in North America was SEK -3.5 million (7.2). Due to lower volumes and unfavorable product mix (sizes), the gross margin decreased to 85.4% (89.0). The decrease of sales combined with the gross margin decrease were the main reasons for the decreased contribution. Sales and marketing costs increased to SEK 6.2 million (4.2) due to the increase in the sales management, implementation of sales analytic tools and further investment in marketing activities as well as the establishment of surgeon advisory boards. The R&D expenses increased to SEK 7.2 million (4.7), mainly due to costs related to clinical studies.

JANUARY - DECEMBER 2017

Net Sales

Net Sales for the full year amounted to SEK 78.1 million (68.9), mainly driven by increased adoption of CERAMENT BVF for trauma indications.

Contribution

The contribution amounted to SEK 18.8 million (22.5). The contribution is positively affected by increased sales and a higher gross margin of 89.5% (86.4), offset by increase in the costs for the FORTIFY study of SEK 13.6 million (4.6).

EUROPE AND REST OF WORLD

	Oct – Dec		Jan – Dec	
(SEKm)	2017	2016	2017	2016
Net Sales	14.5	10.5	51.2	35.7
Gross profit	11.8	9.0	42.5	28.8
Contribution	0.8	-2.9	-7.6	-12.2

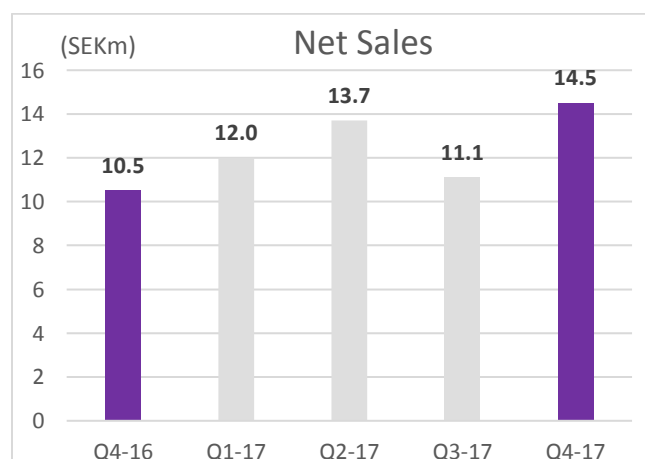
In Europe (EUR), BONESUPPORT sells its products via a combination of its own direct sales force and distributors. The Company has 20 people in its commercial organization in Europe, and sells direct in the UK, Germany, Switzerland, Sweden and Denmark and works with specialty distributors in a further eight markets. BONESUPPORT signed a contract during the quarter with Citieffe Srl. to strengthen our presence in the Italian market. We have also recruited two medical liaisons to further support our clinical activities in Europe.

In Rest of World (ROW), the Company's products are sold via distributors. Key markets are India, Singapore and Oman.

OCTOBER - DECEMBER 2017

Net Sales Q4

Net Sales for EUR&ROW increased by 39% versus Q4 2016 and amounted to SEK 14.5 million, which is the highest quarterly sales ever in this segment. This improvement is mainly driven by increasing surgeon preference for our products in both direct sales markets and some distributor markets. It is also a result of more focus in indications such as Trauma. Net sales per quarter is presented below (SEKm).



BONESUPPORT's drug-eluting products, CERAMENT G and CERAMENT V, increased by 36% in the quarter, driven by increased market adoption.

During Q4, the Company sponsored and attended a number of Society meetings in Europe where both Key Opinion Leaders and other surgeons participated.

We made our first sale in France, in partnership with our partner Novomedics.

Contribution Q4

The contribution in EUR&ROW was SEK 0.8 million (-2.9). The gross margin was 81.5% (85.6). The lower margin is an effect of increased operating product costs in the quarter compared to same period last year. Sales and marketing costs amounted to SEK 11.0 million (6.6) and increased mainly due to increased level of marketing activities.

JANUARY - DECEMBER 2017

Net Sales

Net Sales for the full year amounted to SEK 51.2 million (35.7), mainly driven by increased adoption of the drug-eluting products, which increased by 51%. The sales in our direct markets amounted to SEK 40.1 million (28.3), an increase of 42 %.

Contribution

The contribution amounted to SEK -7.6 million (-12.2). The improvement is mainly driven by increased sales and better gross margin of 83.0% (80.6).

FINANCIAL OVERVIEW

PROFIT AND LOSS

OCTOBER - DECEMBER 2017

Net Sales

Net Sales amounted to SEK 27.0 million (29.6), a decrease of 9%. Europe & ROW (Rest of World) increased by 39% to SEK 14.5 million (10.5), while North America decreased by 35% to SEK 12.6 million (19.2). North America was negatively impacted by the hardware supply issues faced by our US distributor. The main sales driver in Europe was the increased usage of our products. Further details are presented earlier in the report, in the segment sections. The currency translation effect was negative by SEK 0.5 million. Sales per quarter, and LTM, is presented to the right (SEKm).

Cost of Sales

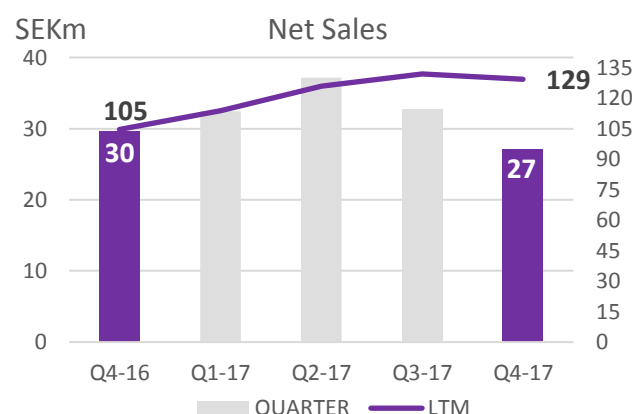
Cost of Sales amounted to SEK -4.5 million (-3.6), leading to a lower gross margin of 83.3% (87.8). The margin decrease is mainly due to a negative impact from the product mix (of sizes) and increased one-off material and price variances compared to Q4 2016.

Selling expenses

Selling expenses amounted to SEK 21.5 million (14.7), an increase of 46%, of which SEK 10.9 million (11.5) were employee costs. Both segments increased, where North America increased by 48% to SEK 6.2 million (4.2) and Europe & Rest of World increased by 64 % to SEK 11.0 million (6.6), both driven by increased levels of marketing activities. The other selling expenses, not allocated to the segments, amounted to SEK 4.3 million (3.9).

Research and development (R&D) expenses

R&D expenses amounted to SEK 19.7 million (15.3), an increase of 29%, of which SEK 5.7 million (3.9) were costs for employees. North America R&D expenses increased by 53% to SEK 7.2 million (4.7), mainly due to FORTIFY. Other R&D expenses amounted to SEK 7.7 million (5.3), and consisted of general R&D activities and further progress of the CERTiFy project and the pipeline, not related to a specific segment.



Administrative expenses

Administrative expenses amounted to SEK 15.5 million (25.0). The total employee cost amounted to SEK 6.0 million (20.6), of which SEK 2.7 million (15.7) were costs related to the Group's employee stock option plan.

Other operating income and expenses

Other operating income and expenses mainly consist of exchange rate gains and losses on working capital. Other operating income amounted to SEK 2.1 million (3.0) and other operating expenses amounted to -1.3 million (-2.4) in the quarter.

Operating result

The operating result amounted to SEK -33.4 million (-28.4). The increased operating loss was primarily due to the decrease in gross profit by 13% to SEK 22.5 million (26.0). The translation currency effect was not significant.

Net financial items

Net financial items amounted to SEK -17.4 million (-5.7) of which SEK -5.7 million (-4.2) was related to interest on the Group's loan. Net exchange gains and losses amounted to SEK -2.7 million (0.7). On 1 February 2018 BONESUPPORT repaid the debt to Kreos of SEK 93.3 million (EUR 9.5 million), and the termination fees amounted to SEK 8.9 million were accrued in Q4 2017.

Loss for the period

For the reasons disclosed above the loss for the quarter amounted to SEK -51.4 million (-34.6), which corresponded to earnings per share of SEK -1.03 (-1.24).

PROFIT AND LOSS

JANUARY - DECEMBER 2017

Net Sales

Net Sales amounted to SEK 129.3 million (104.6), an increase of 24%. Both segments delivered good growth, driven by increased use of the product in the US and key markets in Europe. The increase in the US was 13% and 43% in Europe and ROW. The currency translation effect was negative by SEK 0.7 million.

Cost of Sales

Cost of Sales amounted to SEK -16.9 million (-16.3), generating a gross margin of 87.0% (84.4). The improved gross margin is mainly due to favorable product mix in key markets in Europe and positive volume effect on the manufacturing costs. The sales of our drug-eluting products increased more than CERAMENT BVF in Europe, which improved the gross margin for the segment as the drug-eluting products have higher gross margin than CERAMENT BVF.

Operating result

The operating result amounted to SEK -99.3 million (-88.7), positively affected by the increased sales and gross profit and negatively affected by the increase in operating costs. The Selling, R&D and Administrative expenses amounted to SEK -211.0 million (-178.7). The increase is mainly due to strengthened sales and R&D organization, increased marketing activities, the FORTIFY study and costs related to the IPO. The IPO related costs amounted to SEK 5.1 million.

Net financial items

Net financial items amounted to SEK -28.6 million (-20.8) whereof SEK -17.0 million (-11.6) was related to interest on the Groups loan. Net exchange gains and losses amounted to SEK -2.7 million (-3.7). Loan related exit fees amounted to SEK -8.9 million (-5.5).

Loss for the period

For the reasons disclosed above the loss for the period amounted to SEK -128.9 million (-110.2).

FINANCIAL POSITION & CASH FLOW (CF)

Cash at period end was SEK 533.4 million (141.5), an increase from year-end 2016 of SEK 391.9 million, mainly related to the new share issue of SEK 559.0 million gross in conjunction with the IPO. The cost for this share issue was SEK -39.1 million, generating net proceeds of SEK 519.9 million. The increase in cash due to the IPO was partly offset by the negative operating CF of SEK -107.5 (-81.9).

The operating cash flow in the period was SEK -107.5 million (-81.9) mainly due to the operating result of SEK -99.3 million (-88.7) and changes in working capital of SEK -12.5 million (10.8).

Interest-bearing debt decreased by SEK 11.1 million mainly due to amortizations of the loan from Kreos Capital. Net debt and equity improved significantly due to the new share issue.

Financial position	31 Dec	
(SEKm)	2017	2016
Cash and cash equivalents	533.4	141.5
Interest-bearing debt	98.6	109.7
Net debt ^{1/}	-434.7	-31.8
Equity	450.8	34.3

Cash flow	Jan – Dec	
(SEKm)	2017	2016
Operating CF	-107.5	-81.9
CF from investing activities	-4.7	-1.4
CF from financing activities	504.8	155.1

1/ See financial definitions page 15

OTHER DISCLOSURES

PARENT COMPANY

The parent company BONESUPPORT HOLDING AB (publ) is a holding company with no operational activities. The parent company generated no sales and the loss in the quarter was SEK -9.1 million (-2.4) and the full year loss was SEK -15.8 million (-3.9). There were no investments during the period. During Q4 2017 Management Fees were invoiced within the Group, for this reason the Parent Company reports substantial other operating income as well as administrative expenses.

EMPLOYEES

BONESUPPORT group had 60 (46) FTE (Full Time Equivalents) during the year, of whom 17 (13) in R&D.

SIGNIFICANT EVENTS DURING Q4

BONESUPPORT announced 13 October the appointment of Helena L Brandt as Head of Human Resources. Ms Brandt has more than 20 years of HR and leadership experience working with organizations operating within the field of Research & Development.

BONESUPPORT announced 20 November it has signed a second distribution agreement for Italy with Citieffe Srl to strengthen its access to trauma and orthopedic surgeons in the Italian market.

BONESUPPORT announced 13 December that the enrollment of 136 patients were completed in the important level 1 trauma study CERTiFy comparing CERAMENT BVF with autograft, which is seen as the leading treatment standard today by many doctors.

SIGNIFICANT EVENTS AFTER PERIOD END

BONESUPPORT announced 23 January the appointment of Emil Billbäck as new CEO. Richard Davies continues as CEO until 28 February, Emil Billbäck starts 1 March.

BONESUPPORT announced 1 February 2018 that the outstanding debt of SEK 93.3 million (EUR 9.5 million) was repaid to Kreos.

Largest shareholders 31 December, 2017

HealthCap V LP	13.1%
Stiftelsen Industrifonden	9.5%
Lundbeckfond Invest A/S	9.5%
Robur AB	8.9%
Tredje AP-fonden	8.0%
Tellacq AB	5.9%
Carl Westin Ltd	5.4%
Other shareholders	39.3%

SHARES AND RELATED PROGRAMS

There is one type of share in the Company (capital and votes ratios are the same). The quota value per share is SEK 0.625. At 31 December, 2017, the total number of shares in the Company amounted to 50,277,890 and number of shareholders were 885.

The increase from 1 October to 31 December in the number of shares was 627,239 shares related to conversion of shares part of the ESOPs (Employment Share Option Programs). In January 2018, the number of shares increased by 90,876, due to conversion of shares as part of the ESOPs.

BONESUPPORT now has three ESOPs as two older programs ended on 31 December 2017. A condition for vesting is that the option holder on each vesting day is employed by or holds an assignment within the Group. Total number of outstanding options as of December 31, 2017, amounted to 17,428,768. A summary of the ESOPs is described in the Annual Report 2016, note 12 and in note 8 in this report.

There were two different warrant programs as of 31 December 2017, one to Kreos Capital V (Expert Fund) and one to the Group CFO. Each warrant gives the right to convert into 0.2 share. The number of warrants in these programs as of 31 December 2017 amounted to 4,245,568. Further details of these warrant programs are described in note 8 and the Annual report 2016, notes 23, 25 and 30.

FINANCIAL CALENDAR

April 2018	Annual Report
4 May 2018	Q1 Interim report
22 May 2018	Annual General Meeting
May/June 2018	Capital Market Day
26 July 2018	Q2 Interim report
7 Nov 2018	Q3 Interim report

This report has been prepared in both a Swedish and an English version. In the event of any discrepancy between the two, the Swedish version shall apply. This report has not been audited.

The undersigned Board members and CEO assure that this Full year report provides a true and fair view of the development of the Group's and parent company's operations, position and performance as well as describing material risks and uncertainties faced by the companies being part of the Group.

Lund, 20 February 2018

Håkan Björklund
Chairman

Björn Odlander
Director

Lars Lidgren
Director

Tone Kvåle
Director

Nina Rawal
Director

Lennart Johansson
Director

Richard Davies
CEO

BONESUPPORT HOLDING AB (publ)

This information is information that BONESUPPORT HOLDING AB is obliged to make public pursuant to the EU Market Abuse Regulation. The information was submitted for publication at 08:00 CET on 20 February 2018. This Full year report and other financial information about BONESUPPORT HOLDING AB (publ) are available at www.bonesupport.com.

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

(SEK 1000)	Note	Oct – Dec		Jan - Dec	
		2017	2016	2017	2016
Net Sales	7	27,039	29,633	129,301	104,599
Cost of Sales		-4,513	-3,618	-16,871	-16,312
Gross profit		22,526	26,015	112,430	88,287
Selling expenses		-21,488	-14,689	-92,858	-79,766
Research and development expenses		-19,748	-15,264	-60,636	-38,233
Administrative expenses	3,8	-15,479	-25,002	-57,478	-60,671
Other operating income		2,112	2,956	5,282	7,349
Other operating expenses		-1,303	-2,414	-6,025	-5,711
Operating loss	7	-33,380	-28,398	-99,285	-88,745
Net financial items		-17,369	-5,674	-28,577	-20,820
Loss before income tax	7	-50,749	-34,072	-127,862	-109,565
Income tax		-601	-576	-1,007	-625
Loss for the period		-51,350	-34,648	-128,869	-110,190

The loss for the period is fully attributed to the shareholders of the parent company.

EARNINGS PER SHARE

Earnings per share (SEK)	Note	Oct - Dec		Jan - Dec	
		2017	2016	2017	2016
<i>Parent company's shareholders</i>					
Earnings per share before dilution (SEK)		-1.03	-1.24	-3.24	-4.26
Earnings per share after dilution (SEK) ^{1/}		-1.03	-1.24	-3.24	-4.26
Loss for the period (SEK 1000)		-51,350	-34,648	-128,869	-110,190
Average number of shares ^{2/} (1 000)		50,006	28,033	39,826	25,837

^{1/} Earnings per share after dilution is the same as before dilution, as dilution effects for negative earnings per share should not be adjusted for.

^{2/} Average number of shares is recalculated after the share consolidation 5:1

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(SEK 1000)	Note	Oct – Dec		Jan - Dec	
		2017	2016	2017	2016
Loss for the period		-51,350	-34,648	-128,869	-110,190
<i>Other comprehensive income</i>					
Translation differences		44	-68	2	-74
Total comprehensive income for the period		-51,306	-34,716	-128,867	-110,264

CONDENSED CONSOLIDATED BALANCE SHEET

(SEK 1000)		31 Dec	
	Note	2017	2016
ASSETS			
Intangible assets		5,244	4,469
Tangible assets		3,099	442
Other receivables	6	248	180
Total non-current assets		8,591	5,091
Inventories		22,079	14,489
Trade receivables	6	20,678	20,242
Other operating receivables	6	11,969	7,486
Cash and cash equivalents	6	533,367	141,501
Total current assets		588,093	183,718
TOTAL ASSETS		596,684	188,809
EQUITY AND LIABILITIES			
Equity attributable to parent company shareholders 4		450,786	34,304
Non-current borrowings	6	0	84,599
Provisions		173	164
Total non-current liabilities		173	84,763
Current borrowings	6	98,620	25,103
Trade payables	6	11,553	11,811
Other operating liabilities	6	35,552	32,828
Total current liabilities		145,725	69,742
TOTAL EQUITY AND LIABILITIES		596,684	188,809

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(SEK 1000)	Share capital	Other paid-in capital	Reserves	Retained earnings ^{1/}	Total equity
Equity at 1 January 2016	15,686	564,372	-232	-559,498	20,328
Loss January - December 2016				-110,190	-110,190
Other comprehensive income			-74		-74
<i>Transactions with owners:</i>					
New share issue	2,446	96,744			99,190
Issued warrants		8,436			8,436
Share-based payment transactions				16,614	16,614
Equity at 1 January 2017	18,132	669,552	-306	-653,074	34,304
Loss January – December 2017				-128,869	-128,869
Other comprehensive income			2		2
<i>Transactions with owners:</i>					
New share issue	13,292	557,002			570,294
Transaction costs, new share issue		-39,101			-39,101
Issued warrants		1,562			1,562
Share-based payment transactions				12,594	12,594
Equity at 31 December 2017	31,424	1,189,015	-304	-769,349	450,786

^{1/} Retained earnings including net loss

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Cash Flow (CF) (SEK 1000)	Oct - Dec		Jan – Dec	
	2017	2016	2017	2016
Operating loss	-33,380	-28,398	-99,285	-88,745
<i>Non-cash adjustments</i>				
-Personnel options	2,423	4,583	12,594	16,614
-Others	2,101	8,823	4,113	979
Interests received	3	3	3	4
Interests paid	-2,705	-4,216	-11,740	-11,644
Other finance costs paid	-	-9,868	-	-9,868
Income tax paid	-211	-59	-737	-109
Net Operating CF before working capital changes	-31,769	-29,132	-95,052	-92,769
Changes in working capital	6,080	-1,385	-12,482	10,836
Net Operating CF	-25,689	-30,517	-107,534	-81,933
Net CF from investing activities	-1,362	-775	-4,688	-1,374
Net CF from financing activities	-7,457	99,387	504,833	155,125
Total CF for the period	-34,508	68,095	392,611	71,818
Cash and cash equivalents at period start	567,637	72,813	141,501	68,881
Translation difference on cash and cash equivalents	238	593	-745	802
Cash at period end	533,367	141,501	533,367	141,501

CONDENSED INCOME STATEMENT – PARENT COMPANY

(SEK 1000)	Oct - Dec		Jan – Dec	
	2017	2016	2017	2016
Other operating income	37,873	5	37,896	11
Administrative expenses	-46,637	-1,919	-50,516	-2,385
Other operating expenses	0	-7	-33	-16
Operating loss	-8,764	-1,921	-12,653	-2,390
Net financial items	-297	-520	-3,162	-1,519
Loss before income tax	-9,061	-2,441	-15,815	-3,909
Income tax	0	0	0	0
Loss for the period	-9,061	-2,441	-15,815	-3,909

Total Parent company loss for the period equals the comprehensive income for the period.

CONDENSED BALANCE SHEET – PARENT COMPANY

(SEK 1000)		31 Dec	
	Note	2017	2016
ASSETS			
Non-current financial assets		503,912	403,912
Prepaid expenses		715	307
Cash		513,945	103,776
TOTAL ASSETS		1,018,572	507,995
EQUITY AND LIABILITIES			
<i>Equity</i>			
Restricted equity	4	31,424	18,132
Unrestricted equity		889,317	385,669
Total equity		920,741	403,801
Current liabilities		97,831	104,194
TOTAL EQUITY AND LIABILITIES		1,018,572	507,995

DEFINITIONS

AUTOGRAFT	A bone graft harvested from the patient's own skeleton, usually from the iliac crest
BMP	Bone Morphogenic Protein
BONE GRAFT SUBSTITUTE	Synthetic material used as bone grafts instead of biological bone tissue
CERAMENT BVF	CERAMENT™ BONE VOID FILLER
CERAMENT G	CERAMENT™G, CERAMENT™ BVF with gentamicin
CERAMENT V	CERAMENT™V, CERAMENT™ BVF with vancomycin
CF	Cash Flow
CLINICAL STUDY	Study on humans of e.g. a medical device or a pharmaceutical product
DR	Doctor
ESOP	Employee Stock Option Program
FDA	US Food and Drug Administration
FY	Full Year
GM	Gross margin
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 exemption)	Exemption from regulatory approval to conduct clinical studies on a medical device)
ILIAC CREST	The upper wing of the hip bone (Ilium)
LTM	Latest Twelve Months
MICRO-CT	Micro Tomography, uses X-ray scanning to recreate a 3D-model without destroying the object
OSTEOINDUCTION	A bone graft material or a growth factor can stimulate the differentiation of osteoblasts, forming new bone tissue
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 a substance (a toxin or poison) can harm humans or animals

FINANCIAL DEFINITIONS

BONESUPPORT uses Alternative Performance Measures (APM) to make the financial report more understandable for both external analysis and comparison also for internal performance assessment. APM are measures not defined in the IFRS financial statements. The following (definitions below) are used:

Contribution	Revenues minus directly allocated Cost of sales, Selling and R&D expenses <i>-shows the operational performance for each segment.</i>
Earnings per share (EPS)	Net result divided by average number of shares before dilution <i>-shows the operational performance, including depreciations and amortizations.</i>
Gross profit	Net Sales minus Cost of Sales <i>-shows the profit to cover others costs and profit margin.</i>
Gross margin	$(\text{Revenues} - \text{Cost of Sales}) / \text{Net Sales}$ <i>-shows the gross profit in relation to Net sales, indicating the margin to cover costs and profit.</i>
Interest-bearing debt	Borrowings from banks and other financial institutions, short and long term <i>-shows the debt level of the Company and forms also the basis for interest costs.</i>
Net debt	Interest bearing debts minus cash and cash equivalents <i>-shows the leverage level of the Company</i>
Operating result (EBIT)	Operating result shows the operative result before depreciation <i>-shows the operational performance including depreciation</i>
Sales growth	The difference in Net Sales between two periods in relation to the Net Sales for the earlier period <i>-shows how the Company performs in its sales operations</i>

Reconciliation of APM – Net debt (MSEK)	31 Dec 2017	31 Dec 2016	
Non-current borrowing	0.0	84.6	
Current borrowing	98.6	25.1	
Cash and cash equivalents	-533.4	-141.5	
Net debt	-434.7	-31.8	

NOTES

Note 1 Accounting principles

This interim report was prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The parent company's reporting is prepared in accordance with RFR 2, Reporting for Legal Entities, and the Swedish Annual Accounts Act.

Accounting principles have been applied as reported for the Annual Report per 31 December 2016.

New or amended standards or interpretations of standards effective as of 1 January 2017 have not had any significant impact on BONESUPPORT's financial statements. IFRS 15 Revenue from contracts with customers and IFRS 9 Financial instruments comes into force 1 January 2018. The Company has performed an analysis of the potential effects of implementation of these and concluded that it will not have any material effect on the Financial Reports other than additional disclosures. IFRS 16 Leases was adopted by the EU on 31 October 2017 and is applicable from 1 January 2019. The implementation of IFRS 16 will have impact on the Financial Reports but no detailed analysis has yet been performed.

Note 2 Significant risks and uncertainties

The Group has good access in its key markets and is working consistently on generating leads and converting these to revenue. BONESUPPORT's main operational risk, leading also to its main financial risk, is to continue increasing the speed of adoption of its products and to generate revenues. The defined key regions have shown a very good increase in revenues during 2017. The new share issue, in conjunction with the IPO, was designed to ensure that the Company has sufficient financial resources to execute its growth strategy.

Further risks are disclosed in the annual report 2016, note 2.

Note 3 Transactions with related parties

Related parties

Seagles AB	Fully owned by Professor Lars Lidgren
Orsco	Fully owned by Oern Stuge (Chairman until 15 December 2016)
Lifescience AG	

The income statement includes costs related to the following transactions between Bonesupport AB and related parties.

Related party	Service (SEK 1000)	2017	2016
Seagles AB	Consultancy (advised on development projects)	44	175
Seagles AB	Sale of patent	500	660
Orsco	Consultancy (strategic and industry advisory)	-	890

Note 4 Number of shares and potential shares

Number of shares

31 December 2016	145,056,103
Share consolidation 1:5	-116,044,882
New share issues	19,285,345
Conversion of warrants	378,000
Exercise of ESOP's	1,603,324
31 December 2017	50,277,890

Potential shares

4,243,991 shares, excluding 90.876 converted in January 2018, are related to Bonesupport's warrants and ESOPs (Employee Share Option Programs)

Note 5 Pledged securities and contingent liabilities

When the loan agreement with Kreos Capital was signed, the company issued a number of securities to Kreos Capital. Further details and information can be found in the annual report 2016, note 28. However, the agreement was voluntarily terminated by BONESUPPORT and the loan fully paid as of 1 February 2018. The securities were released the same day.

Note 7 Segment information

The segments are North America ("NA") and Europe & ROW ("EUROW"). Others include Eliminations and others, where the main part relates to Head office functions. Contribution per segment is calculated as Total revenues minus costs that are directly attributable to the segment. Such costs are directly related Cost of sales, Selling expenses and R&D expenses. There is no allocation to segments for Groups assets or liabilities as the control of these is only done at the

Note 6 Financial assets and liabilities

As of December 31, 2017, the loan was reported as current, paid in full by 1 February, 2018. Book value SEK 98.6 million. Fair values of current financial assets and liabilities are assessed and agree with values accounted for. As of 31 December, 2016, fair value of the loan was SEK 108.0 million. Book value was SEK 109.7 million.

total Group level by management and the Board. Sales in Sweden were SEK 0.8 million (0.5). The US market (part of NA) is the only market with sales of more than 10% of the Group's total sales. Q4 Net sales in the US market amounted to SEK 12.6 million (19.2) where the customer is an American distributor. No other customer accounts for more than 10% of Group Net Sales. The sales per product group is presented below.

Profit and loss items (SEK 1000)	October – December 2017				October – December 2016			
	NA	EUROW	Others	Total	NA	EUROW	Others	Total
Net sales	12,552	14,487		27,039	19,177	10,456		29,633
Cost of sales	-1,839	-2,674		-4,513	-2,117	-1,501		-3,618
Other operating costs	-14,231	-11,041		-25,272	-9,863	-11,893		-21,756
Contribution	-3,518	772		-2,746	7,197	-2,938		4,259
Other operating items			-30,634	-30,634			-32,657	-32,657
Operating result	-3,518	772	-30,634	-33,380	7,197	-2,938	-32,657	-28,398
Net financial items			-17,369	-17,369			-5,674	-5,674
Result before taxes	-3,518	772	-48,003	-50,749	7,197	-2,938	-38,331	-34,072

Product group (SEK 1000)	October – December 2017			Total	October – December 2016			Total
	NA	EUROW			NA	EUROW		
CERAMENT BVF	12,552	3,467		16,019	19,177	2,326		21,503
CERAMENT drug eluting ^{1/}	-	11,020		11,020	-	8,130		8,130
Total	12,552	14,487		27,039	19,177	10,456		29,633

Profit and loss items (SEK 1000)	January – December 2017				January -December 2016			
	NA	EUROW	Others	Total	NA	EUROW	Others	Total
Net Sales	78,127	51,174		129,301	68,868	35,731		104,599
Cost of sales	-8,187	-8,684		-16,871	-9,395	-6,917		-16,312
Other operating costs	-51,132	-50,091		-101,223	-36,953	-41,012	-40,034	-117,999
Contribution	18,808	-7,601		11,207	22,520	-12,198	-40,034	-29,112
Other operating items			-110,492	-110,492			-59,033	-59,033
Operating result	18,808	-7,601	-110,492	-99,285	22,520	-12,198	-99,067	-88,745
Net financial items			-28,577	-28,577			-20,820	-20,820
Result before taxes	18,808	-7,601	-139,069	-127,862	22,520	-12,198	-119,887	-109,565

Product-group (SEK 1000)	January – December 2017				January – December 2016			
	NA	EUROW	Others	Total	NA	EUROW	Others	Total
CERAMENT BVF	78,127	12,682		90,809	68,868	10,237		79,105
CERAMENT drug eluting		38,492		38,492		25,494		25,494
Total	78,127	51,174		129,301	68,868	35,731		104,599

^{1/} CERAMENT with drug eluting properties includes CERAMENT G and CERAMENT V.

Note 8 Warrants and employee option programs

There are five different employee stock option programs (ESOP), of which two programs expired by 31 December 2017, and two different warrant programs. Of the three remaining employee stock option programs, two run over 10 years and expires in 2022 and 2025 and the last program runs over 8 years and expires in 2024. Each stock option or warrant gives the holder the right to acquire 0.2 ordinary share of the company when exercising the option or warrant.

The employee stock options are vested according to a schedule in each program. Of the allocated 25.0 million options at 1 January 2017, 14.8 million options were vested before 1 January 2017 and 3.2 million options were vested

during 2017. Employee stock options are valued at fair value at the date of allocation.

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

In addition to the ESOPs, there is one warrant program to Kreos Capital and one to the Group CFO.

More information on the warrant and ESOP programs are presented in note 12, 23 and 25 in the Annual report 2016.

	No of options ^{1/}	WAEP ^{2/}	No of warrants	WAEP ^{2/}
Balance 1 Jan 2017	24,984,522	0.71	7,895,568	4.92
Granted in the period	864,000	5.30	1,250,000	5.30
Converted	-8,016,649	0.13	-1,890,000	5.30
Overdue or returned	-403,105	1.79	-3,010,000	5.30
Balance 31 Dec 2017	17,428,768	1.18	4,245,568	4.59

^{1/} Not allocated options amounted to 165,905

^{2/} Weighted Average Exercise Price (SEK)

The total number of outstanding options and warrants were 21,674,336 31 December 2017, equal to 4,334,867 shares upon full conversion.

ABOUT BONESUPPORT

BONESUPPORT HOLDING AB (publ), reg id 556802-2171, is the parent company in the BONESUPPORT Group, where the operations are executed in BONESUPPORT AB and its subsidiaries in the US, the UK, Germany, Switzerland and the Netherlands.

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

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

BONESUPPORT has a nine-year track record of safety and efficacy of its products in treating patients with an estimated number of around 30,000 procedures performed with its products worldwide based on sales data. There is a large addressable market opportunity across trauma, chronic osteomyelitis, revision arthroplasty and infected diabetic foot, and the Company’s research focuses on continuing to further develop and refine the present technology to extend into additional indications by the elution of other drugs and growth factors.

CERAMENT BVF is currently commercially available on several markets in Europe, the US, India, Malaysia, Oman and Singapore. CERAMENT G is available in the same European markets as well as in India, Malaysia and Oman whereas CERAMENT V is available in the same markets as CERAMENT G except for India.

BONESUPPORT was founded in 1999 by Prof. Lars Lidgren, an internationally respected scientist who has been the President of various musculoskeletal societies. BONESUPPORT’s mission is to bring people with bone and joint diseases back to an active life. The Company is based in Lund, Sweden.

PRESENTATION OF THE JANUARY-DECEMBER 2017 FULL YEAR REPORT

The company invites investors, analysts and media to a web conference (in English) on 20 February at 10:00 am CET, where CEO Richard Davies and CFO Björn Westberg will present and comment on the report as well as answer questions. The report will be available on BONESUPPORT’s website from 08:00 am CET the same day and the presentation from the webcast will be uploaded during the day on the 20 February. Further details regarding participation, see investor pages at www.bonesupport.com

FORWARD-LOOKING STATEMENTS

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

Contact information:

Richard Davies, CEO
T: +46 46 286 53 70

Björn Westberg, CFO
T: +46 46 286 53 60

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

BONESUPPORT™ and CERAMENT™ are registered trademarks.