STRATEGIC DECISIONS IN THE QUARTER TO DRIVE FUTURE GROWTH

1 APRIL – 30 JUNE 2018

- Net Sales amounted to SEK 28.2 million (37.1), a decrease of 24%, mainly due to our termination of the US distribution agreement with Zimmer Biomet in May
- Gross margin of 87.4% (87.2)
- Operating loss of SEK -37.8 million (-18.4)
- Earnings per share before and after dilution was SEK -0.75 SEK (-0.76)

1 JANUARY – 30 JUNE 2018

- Net Sales amounted to SEK 59.3 million (69.6), a decrease of 15%, in which the North America segment decreased by 32% and the segment Europe and Rest of World increased by 15%
- Gross margin of 84.6% (88.0)
- Operating loss of SEK -70.9 million (-45.8)
- Earnings per share before and after dilution was SEK -1.42 (-1.82)

SIGNIFICANT EVENTS 1 APRIL – 30 JUNE 2018

- BONESUPPORT is building its own commercial distribution structure in US, and terminated current distribution agreement
- Zimmer Biomet cancelled most orders for Jun-Aug due to the termination of contract
- Strategic agreement signed with Collagen Matrix Inc. to sell several of their products containing natural and synthetic bone material
- Decision to significantly expand the commercial organisation in Europe during 2018
- General Annual Meeting resolved share-based incentive programs
- General Annual Meeting appointed Simon Cartmell as new Board member

SIGNIFICANT EVENTS AFTER PERIOD END

- Håkan Johansson appointed to replace Björn Westberg as CFO during the autumn
- Michael Diefenbeck, Chief Medical Officer, took over the responsibility for R&D and Clinical Affairs from Jerry Chang on July 18

"In the quarter several significant strategic decisions were taken, including creating a new distribution structure in the US, accessing complementary products through in-licensing and almost doubling of our European sales force, which should create opportunities for increased market penetration in the years ahead."
Emil Billbäck, CEO

KEY FIGURES	Apr–Jun		Jan – Jun		12 months	
	2018	2017	2018	2017	LTM	2017
Net Sales (SEKm)	28.2	37.1	59,3	69.6	119.0	129.3
Sales Growth (%) [1]	-24.1	47.5	-14,8	43.7	-5.4	23.6
Gross Profit (SEKm)	24.6	32.4	50,2	61.2	101.4	112.4
Gross margin (%)[1]	87.4	87.2	84.6	88.0	85.2	87.0
Operating loss (SEKm)	-37.8	-18.4	-70.9	-45.8	-124.4	-99.3
Loss for the period (SEKm)	-38.2	-23.5	-72.0	-54.6	-146.2	-128.9
Equity at period end (SEKm)	381.2	464.8	381.2	464.8	381.2	450.8
Net debt (SEKm) [1]	-368.4	-459.5	-368.4	-459.5	-368.4	-434.7
Operating cash flow (SEKm)	-30.6	-13.9	-66.9	-46.0	-128.4	-107.5
Cash at period end (SEKm)	368.4	558.3	368.4	558.3	368.4	533.4
Earnings per share (SEK)[2]	-0.75	-0,76	-1.42	-1.82	-2.84	-3.24

[1] APM: Alternative Performance Meausures, see financial definitions on page 16
[2] Before dilution and consolidation of shares 5:1

CEO COMMENT

STRATEGIC DECISION FOR FUTURE US GROWTH

OUR DECIDED DISTRIBUTION STRUCTURE IN THE US PROVIDES PREREQUISITES FOR INCREASED SALES

In May 2018, we terminated our current US distribution agreement with Zimmer Biomet (ZB) in order to create the commercial platformwhich allows us to more aggressively penetrate this market from 2019 onwards. This change willl lead to better access to existing and potential customers as our own network of independent distributors will have better reach to the relevant hospitals and clinics. We are currently in a prepare and build phase to ensure that we execute this important strategic change in the best way. Our new network of distributors will start selling 20 October 2018. In parallel with this investment, we are strengthening our US sales and marketing organisationboth to support the new distributors and to increase our US market activities significantly.

Following our termination, ZB has cancelled a majority of their orders and started to deplete their current inventory. This is the main reason that the sales in the segment North America (NA) decreased by 40% in the second quarter.

INCREASING OUR SALES ORGANISATION IN EUROPE

We have seen strong sales growth in Europe in the last 36 months but there are still a significant number of large cities and other regions where our CERAMENT products generate limited or no sales. We announced in the quarter that we are doubling the European sales force to meet this opportunity, especially in various trauma indications. Recruitment of sales reps isrunning to plan with the initial objective to significantly strengthen our geographical coverage in Germany, among others, before the year end.

In Europe sales increased by 18% in the quarter, negatively affected by vacancies in the sales organization. The whole segment (Europe and Rest of World) saw only a 4% increase in sales mainly due to the impact of a large Indian order in the comparative quarter in 2017.

INCREASED FOCUS WITHIN RESEARCH AND DEVELOPMENT

Our two most important clinical studies are progressing as planned. Patient follow-up continues in the CERTiFy study and patient recruitment in the FORTIFY study follows plan.

In the short term we intend to broaden our offering with products that are complementary to CERAMENT. With focus on the US market we strengthen and widen our product offering by our cooperation agreement with Collagen Matrix Inc. In addition, we are evaluating new formulations of CERAMENT that could be the basis for future combination products to treat a range of orthopaedic indications.

MULTIPLE IMPORTANT STRATEGIC INITIATIVES EXECUTED OR UNDERWAY

BONESUPPORT's management is now finalizing a strategic review and will present the results at the planned Capital Market Days to be held in Stockholm and London in September.

We see consequences from the review already. The quarter had many important strategic decisions being crucial to achieving our target of becoming a leading global company within orthobiologics. By taking control of our future in the US, we have significantly enhanced our growth potential. At the same time, we are strengthening the sales organisation in Europe and broadening our product offering – taken together I am confident that these initiatives will allow us to realize our long-term goals.

With the more ambitious aspirations for the US, triggering the decision to build an own network of independent distributors, 2018 will be a transitional year with a temporary dip in sales. Hereafter we expect a strong 2019 followed by annual growth rates around 40%. Bonesupport remains well funded to execute its strategy.

CEO Emil Billbäck

COMPANY OVERVIEW

STRATEGY

BONESUPPORT's strategy comprises the following key components:

Strong product development and innovative research portfolio

Strong clinical evidence and HEOR data

Effective commercial platform

STRONG PRODUCT DEVELOPMENT AND INNOVATIVE RESEARCH PORTFOLIO

Continue to develop our innovative product portfolio

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 of CERAMENT. The candidates are:

-CERAMENT plus bisphosphonates
-CERAMENT plus bone morphogenic protein (BMP)
-CERAMENT plus bisphosphonates and BMP
-CERAMENT plus BMP and stem cells

Broaden our short and mid-term product offering

In addition to the portfolio mentioned above, BONESUPPORT is looking at near-term opportunities including complementary products to CERAMENT and from further product development of the CERAMENT platform. These include CERAMENT in other formulations and in combination with other products. BONESUPPORT signed an agreement in May with Collagen Matrix Inc. to gain access to a number of products based on natural and synthetic bone material. These products will strengthen our offering in the US from 2019 and onwards.

STRONG CLINICAL EVIDENCE AND HEOR DATA

Industry-leading clinical data

BONESUPPORT has created the industry's leading clinical database, with more than 130 publications related to BONESUPPORT's three products. The clinical team is currently building a searchable database that would allow easy access to this valuable information in order to enhance BONESUPPORT's dialogue with potential and existing customers as well as payors.

The larger clinical studies being conducted are:

STUDY	Feasibility	Initiated study	FPI	LPI	Regulatory filing
FORTIFY (US, DE, UK, PL)	■	■	■		
STUDY	**Feasibility**	**Initiated study**	**FPI**	**LPI**	**Publication**
FORTIFY (US, DE, UK, PL)	■	■	■		
CERTiFy (DE) – BVF	■	■	■	■	
DF (Diabetic Foot, IT – G)	■	■	■	■	
CO (Chronic Osteomyelitis, FR – G)	■				

FPI: First Patient In, LPI: Last Patient In

The *FORTIFY study* is an IDE study to support a PMA filing for CERAMENT G in the US. The study is targeting the enrollment of up to 230 patients at up to 30 centers globally, of which 15 are in the US. Positive results from the study and subsequent FDA approval could provide CERAMENT G with access to a significant commercial opportunity in the US market. Patient enrollment is proceeding according to plan for a PMA submission 2020.

The CERTiFy study compares CERAMENT BVF with autograft for tibial plateau fractures. Positive results from this study could lead to CERAMENT BVF taking market shares from the autograft segment. The last patient in the CERTiFy study was

enrolled (total 136) in December 2017 and patient follow up and evaluation is now ongoing. Initial results from the study are expected at the end of 2018.

The *Chronic Osteomyelitis (CO) study in France* is a Company sponsored study in preparation phase with the purpose to evaluate the effect of CERAMENT G in patients suffering from chronic bone infections. Positive results from this study could mean that CERAMENT G would be used more often to treat this type of infection. The study is also designed to provide support for CERAMENT G to be included in the reimbursement system in France. The study plans to enroll 200 patients. BONESUPPORT is working closely with the French CRIOAC (*Centre de Référence des Infections Ostéo-articulaires complexes*) network and its scientific board, which is specialised in CO and periprosthetic joint infections.

LAST PATIENT IN THE DF STUDY

The *Diabetic Foot (DF) study in Italy is* evaluating the effect of CERAMENT G & V for patients with diabetic foot. All 35 patients have now been enrolled and treated, and a manuscript of the results will be submitted to a scientific journal in the coming weeks. Positive results from this study, could mean that CERAMENT G or CERAMENT V will be used more often to reduce infections and amputations.

The *Italian Revision Arthroplasty Study* has been discontinued, due to the study's Prinicipal Investigator leaving the hospital at which it was being conducted. BONESUPPORT plans to initiate a new Revision Athroplasty study in Germany, which will focus on a one stage revision procedure, so will provide further insights into HEOR benefits, as well as the effect of CERAMENT G & V for patients receiving revision arthroplasty in the hip or knee. This study plans to enrol 40 patients, with the first patient expected to be enrolled before the end of 2018.

Convincing HEOR data

BONESUPPORT is working actively to develop data showing the positive health economic effects of using BONESUPPORT's products. It is also becoming more important to show these economic benefits in relation to the registration, pricing and adoption of our products.

EFFECTIVE COMMERCIAL PLATFORM

Focus on key customers

BONESUPPORT's commercial efforts in Europe are focused on larger clinics, such as university clinics. This focus facilitates effective market promotion which is designed to drive product adoption and to increase market penetration. In time, this approach is expected to generate higher sales from smaller clinics as they adopt the clinical approaches used by the larger clinics. BONESUPPORT has recently recruited product specialists/sales reps focusing on trauma, particularly in the UK, Germany and Sweden and plans to double the number of sales reps by the end of 2018 compared to the beginning of the year.

Focused geographical expansion

BONESUPPORT sees opportunities to expand in larger markets outside the US and Europe, such as China, Japan, India, South Korea and Australia. The registration work for both CERAMENT BVF and CERAMENT G in Australia is currently ongoing.

NORTH AMERICA (NA)

The focus in North America is the US market, in which CERAMENT BVF to date is distributed via Zimmer Biomet (ZB) through its national network channel of 54 distributors (ZB's exclusivity period ends 20 October 2018 and the contract ends in May 2019). BONESUPPORT's commercial team of 14 people supports sales and customer relations. BONESUPPORT terminated the agreement with ZB in May and announced its plan to build a new network of independent distributors.

This new distribution platform will allow BONESUPPORT to increase its market penetration in the coming years. The new distributors will sell CERAMENT BVF from 20th October when Zimmer Biomets' exclusivity period ends. BONESUPPORTS' sales in June and the second half of 2018 will most certainly be impacted by the termination of the agreement with ZB, since it will probably look to sell down its current inventory. ZB can continue to sell CERAMENT BVF after 20 October until 20 May 2019, on a non-exclusive basis. BONESUPPORT is well prepared to implement its new commercial and distribution platform in the US.

	Apr – Jun		Jan - Jun		FY
(SEKm)	2018	2017	2018	2017	2017
Net Sales	14.0	23.5	29.9	44.0	78.1
Gross profit	12.4	21.2	25.9	39.9	69.9
Contribution	-5.9	7.0	-7.9	15.8	18.8

APRIL – JUNE

Sales

Net Sales for the segment decreased by 40% compared to Q2 2017 and amounted to SEK 14.0 million. The sales decline was mainly due to two reasons, first ZB decision to cancel already placed orders in June, and secondly the continuing hardware supply issues faced by ZB. Data covering the in-market use of CERAMENT BVF indicates that end-user sales for the quarter decreased by 5%, probably as a result of alternative priorities by ZB after the termination of the agreement. Net sales per quarter are presented below.

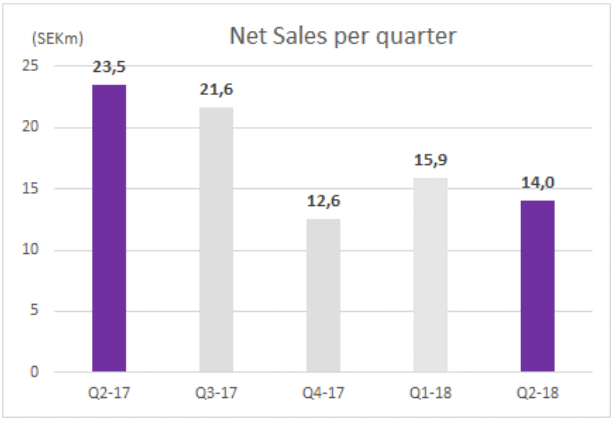
Contribution

The contribution from the segment was SEK -5.9 million (7.0). The loss was due to both lower sales volumes and an unfavoarable product mix (more small sizes) meaning that the gross margin decreased to 88.6% (90.2).

Sales and marketing costs increased to SEK 10.1 million (6.7) in Q2 due to investment in our US commercial organization and a higher level of marketing activities. R&D expenses decreased to SEK 6.3 million (8.2), due to lower costs related to the FORTIFY study.

JANUARY – JUNE

Net sales amounted to SEK 29.9 million, a decrease of 32% compared to 2017. Decrease in sales was caused by ZBs internal hardware supply problems as well as the termination of our contract with ZB. The contribution amounted to SEK -7.9 million (15.8).



EUROPE & REST OF WORLD (EUROW)

In Europe, CERAMENT is sold via a combination of its own direct sales force and distributors. BONESUPPORT currently employs 21 people in its commercial organization in the UK, Germany, Switzerland, Sweden and Denmark and works with specialty distributors in a further eight markets. In Rest of World (ROW), the Company's products are solely sold via distributors.

During Q2, BONESUPPORT attended many Society Meetings and conferences in Europe in which both Key Opinion Leaders (KOL) and other orthopaedic surgeons participated, among those were the "World Arthroplasty Congress" in Rome, a major event, which BONESUPPORT attended for the first time, with very good impact.

(SEKm)	Apr – Jun 2018	2017	Jan - Jun 2018	2017	FY 2017
Net Sales	14.2	13.7	29.3	25.6	51.2
Gross profit	12.2	11.2	24.2	21.3	42.5
Contribution	-1.0	-2.8	-1.9	-4.8	-7.6

APRIL – JUNE

Sales

Net Sales for the segment increased by 4% compared to Q2 2017 and amounted to SEK 14.2 million. The growth in Europe was 18% and was negatively impacted by vacancies in our sales organization. The sales in our five direct sales countries in Europe accounted for 84% of total sales in the segment. Sales in ROW were much lower in the period when compared to Q2 2017 which included an order from India amounting to SEK 1.4 million. CERAMENT G and CERAMENT V sales increased 15% in the quarter. Net sales per quarter are presented below (SEKm).

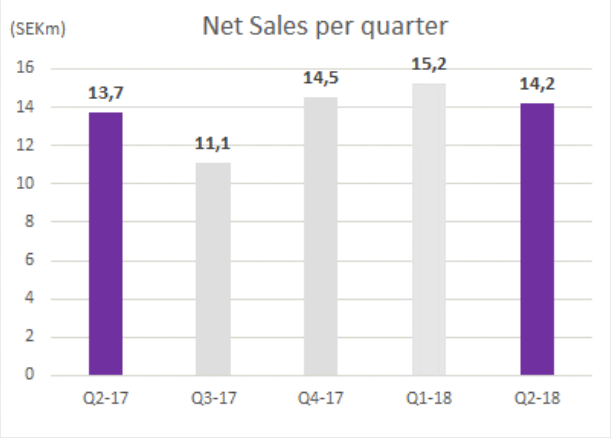
Contribution

The contribution from the segment was SEK -1.0 million (-2.8). The improved contribution is mainly due to higher sales in the period, SEK 14.2 million (13.7). Sales and marketing costs were in line with the second quarter last year and amounted to SEK 13.0 million (12.7). The improved contribution was also impacted by a higher gross margin 85.9% (81.8) due to a favorable product mix based on the growth of CERAMENT G and CERAMENT V in the direct markets.

JANUARY – JUNE

Net Sales in the segment increased 14% compared to the same period last year and amounted to SEK 29.3 million. The sales growth was driven by greater use of our antibiotic-eluting products at big hospitals mainly in countries with direct sales, except for Switzerland.

The contribution improved SEK 2.9 million due to increased sales.



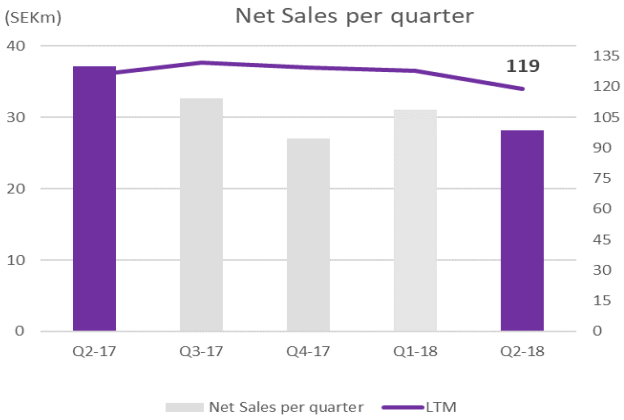
FINANCIAL OVERVIEW

PROFIT AND LOSS

APRIL - JUNE 2018

Net Sales

Net sales amounted to SEK 28.2 million (37.1), a decrease of 24%. Europe and Rest of World (EUROW) increased 4% to SEK 14.2 million (13.7), while the North America-segment decreased 40% to SEK 14.0 million (23.5). North America was still impacted by ZB's continuing logistic problems as well as the effects of the termination of our agreement. The main sales driver in Europe is the greater use of our drug eluting products. Further details are presented in the segment sections. The currency translation effect was positive by SEK 0.5 million. Sales per quarter and LTM are presented on the right (SEKm).



Cost of Sales

Cost of sales amounted to SEK 3.5 million (4.7) leading to a gross margin of 87.4% (87.2). Compared to second quarter 2017 the gross margin was a little bit lower in North America but it was offset by higher margin in EUROW.

Selling expenses

Selling expenses amounted to SEK 31.8 million (22.2) an increase of 43% wherof SEK 16.7 million (12.9) was employee costs. Expenses increased in both segments, with NA increasing by 76% to SEK 11.8 million (6.7), driven by the growth in our sales organization and more marketing activities. EUROW increased by 18% to SEK 14.8 million (12.5). Other selling expenses, not allocated to a specific segment, increased to SEK 5.8 million (3.0) related to general marketing.

Research and development (R&D) expenses

R&D expenses amounted to SEK 17.2 million (18.7), a decrease of 8%, of which SEK 7.6 million (5.3) were employee costs and increased due to strengthening the development function. North America decreased by 23% to SEK 6.3 million (8.2) and are mainly related to costs connected to the FORTIFY study. Other R&D costs amounted to SEK 10.9 MSEK (10.5) and consisted of general R&D activities and ongoing clinical studies and further progress of the pipeline, not related to a specific segment.

Administrative expenses

Administrative expenses amounted to SEK 14.9 million (9.2) of which employee costs amounted to SEK 4.8 million (7.3) and other costs amounted to SEK 10.1 million (1.9). The decrease of employee costs is due to the costs related to employee options, these were SEK 2.5 million higher in same period last year. Employee costs in Q2 2018 are also positively impacted by SEK 0.7 million due to adjustment of previous accrued costs regarding the former CEO. The increase in other costs is due to an adjustment of SEK -3.8 million in the second quarter last year, a recategorization of IPO costs, combined with higher costs this year due to administrative projects and the expansion of the organization in the US.

Other operating income and expenses

Other income and expenses mainly consist of exchange rate gains and losses on working capital. Other operating income amounted to SEK 2.5 million (1.3) and other operating expenses amounted to SEK 1.0 million (2.0) in the quarter.

Operating result

The operating result amounted to SEK -37.8 million (-18.4). The increased loss was mainly due to the lower gross contribution which decreased by 24% and amounted to SEK 24.6 million (32.4) combined with higher operating expenses amounting to SEK 64.0 (50.1) mainly due to increased number of employees in US and higher administration expenses. The transaction currency effect was not significant.

Net financial items
Net financial items amounted to SEK -0.0 million (-5.2). There were no loan related interest expenses since the Kreos Capital loan was repaid in the first quarter 2018.

Loss for the period
For the reasons disclosed above, the loss for the quarter amounted to SEK -38.2 million (-23.5), which corresponded to earnings per share of SEK -0.75 (-0.76).

JANUARY - JUNE 2018

Net Sales
Net sales amounted to SEK 59.3 million (69.6), a decrease by 15% mainly caused by lower sales in US due to the reasons described above.

Operating result
Operating result was SEK -70.9 million (-45.8) impacted by lower sales, recruitments in US, increased project costs in marketing and clinical studies and the one-time costs related to the former CEO (Q1) which amounted to SEK 5.5 million.

Loss for the period
For the reasons disclosed above, the loss for the quarter amounted to SEK -72.0 million (-54.6). It was positively impacted by lower interest costs due to repayment of loan to Kreos Capital in February. The result per share amounted to SEK -1.42 (-1.82).

FINANCIAL POSITION AND CASH FLOW

Financial position (SEKm)	30 Jun 2018	30 Jun 2017	31 Dec 2017
Cash and cash equivalents	368.4	558.3	533.4
Interest-bearing debt	0.0	98.8	98.6
Net debt	-368.4	-459.5	-434.8
Equity	381.2	464.8	450.8

Cash at period end was SEK 368.4 million (558.3), a decrease since year end 2017 of SEK 165.0 million. The change is mainly related to the operating cash flow of SEK -66.9 million and SEK -99.4 million from financing activities. The last part is the result of the repayment of the loan from Kreos Capital of SEK 93.3, the termination fee and accrued interest of SEK 8.7 million and prepaid loan on SEK 3.4 million. Since Year end the equity has decreased by 69.6 MSEK, mainly due to the result of SEK -72.0 million.

Cash flow (SEKm)	Apr – Jun 2018	Apr – Jun 2017	Jan – Jun 2018	Jan – Jun 2017	FY 2017
Operations	-30.6	-13.9	-66.9	-46.0	-107.5
Investing activities	-0.2	-0.3	-0.4	-0.9	-4.7
Financing activities	0.7	469.5	-99.4	464.4	504.8

The operating cash flow in the period was SEK -30.6 million (-13.9), mainly attributable to the operating loss of SEK -37.8 million (-18.4) and changes in working capital of SEK 7.1 million (3.9).

OTHER DISCLOSURES

PARENT COMPANY
The parent company BONESUPPORT HOLDING AB (publ) is a holding company. The parent company generated SEK 13.9 (0.0) million in sales related to internal services to subsidiaries. The loss in the quarter was SEK -5.5 million (-1.3). There were no investments during the period.

EMPLOYEES

The BONESUPPORT Group had 68 (48) FTE (Full-Time Equivalents) during the quarter, of whom 19 (16) were in R&D.

SIGNIFICANT EVENTS DURING Q2

BONESUPPORT is creating its own US commercial platform after terminating its current distribution agreement with Zimmer Biomet. ZB has cancelled most of its orders for the period June – August as a result of our termination This strategic initiative is designed to increase market penetration and gross margin in 2019 and the years ahead.

BONESUPPORT signed an agreement with Collagen Matrix Inc. and will start selling and marketing several of their products under its own brand name. These products are complementary to CERAMENT BVF in US, and could also drive sales of CERAMENT BVF in indications where CERAMENT is used in combination with these products.

The annual shareholders' meeting resolved to implement Warrants Program, one Warrants Program to management, one program to new employees and one to three members of the board. The theoretical maximum number of shares that could be issued as a result of these programs amounts to 981 096 shares, corresponding to 1.9 % dilution based on number of shares on 30 June 2018. The annual shareholders meeting appointed Simon Cartmell as new Board member.

SIGNIFICANT EVENTS AFTER PERIOD END

Håkan Johansson has been appointed as BONESUPPORT'S new CFO. He will replace Björn Westberg during the autumn.

On 18 July Michael Diefenbeck, Chief Medical Officer, took over the responsibility for R&D and Clinical Affairs from Jerry Chang, previous Executive Vice President R&D, SRA and Clinical Affairs, who will leave the Company.

SHARES AND RELATED PROGRAMS

There is one type of share in the Company. The quota value per share is SEK 0.625. Larger shareholders in the Company are set out below. At 30 June 2018, the total number of shares in the Company amounted to 50,812,116 and the number of shareholders was 1 076.

Shareholders 30 June 2018	
HealthCap V LP	13.0%
Stiftelsen Industrifonden	9.4%
Lundbeckfond Invest A/S	9.4%
Robur AB	8.8%
Tredje AP-fonden	8.0%
Tellacq AB	5.8%
Carl Westin Ltd	5.3%
Other shareholders	40.3%

The increase from 1 January to 30 June in the number of shares was 534,226. All of this increase was due to the conversion of shares as part of the ESOPs (Employment Share Option Programs). BONESUPPORT now has three ESOPs. A condition for vesting is that the option holder on each vesting day is employed by or holds an assignment within the Group. The number of outstanding options as of 30 June 2018 amounted to 14,653,881 where 5 options can be converted to 1 share. A summary of the ESOPs appears in the Annual Report 2017, note 12 and in note 8 in this report.

There were three other warrant programs as of 30 June 2018 and the latest program was resolved at the Annual shareholders' meeting on 22nd of May 2018 and amounts to 361,096 warrants (each warrant gives the right to convert into 1 share). Further information on this program can be found on the company's website. The number of warrants in the other two programs amounted to 4,245,568 as of 30 June 2018 where five warrants gives the right to convert into 1 share. Further details of these warrant programs are described in note 8 and in the Annual report 2017, and on the company's website.

The Annual shareholders meeting on 22 May 2018 resolved to implement two new long-term incentive programs of which one was meant mainly for employees and one for three members of the board. Both programs offer the possibility to participate in a performance based share saving program that will entitle the participant allotment of ordinary shares in the company free of charge for each invested ordinary share based on the company's performance 2018-2021. Both

programs could result in potential dilution based on the full issuance of the 620,000 performance shares during first quarter 2022.

FINANCIAL CALENDAR

19 September	Capital Market Day Stockholm
20 September	Capital Market Day London
7 November 2018	Q3 Interim report
February 2019	Year end 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 CEO and the Board confirms that this interim 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 that form part of the Group.

Lund, Sweden, 26 July 2018

Håkan Björklund, Chairman of the board	Björn Odlander	Lars Lidgren	Simon Cartmell
Nina Rawal	Tone Kvåle	Lennart Johansson	Emil Billbäck, CEO

BONESUPPORT HOLDING AB (publ)

This information constitutes 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 26 July 2018. This Interim Report and other financial information about BONESUPPORT HOLDING AB (publ) are available at www.bonesupport.com.

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

		Apr - Jun		Jan – Jun		FY
(SEK t)	**Note**	**2018**	**2017**	**2018**	**2017**	**2017**
Net Sales	7	28,184	37,131	59,269	69,585	129,301
Cost of Sales		-3,548	-4,748	-9,110	-8,369	-16,871
Gross profit		**24,636**	**32,383**	**50,159**	**61,216**	**112,430**
Selling expenses		-31,820	-22,231	-59,465	-47,002	-92,858
Research and development expenses		-17,193	-18,686	-32,031	-28,054	-60,636
Administrative expenses	3,8	-14,940	-9,160	-31,471	-30,850	-57,478
Other operating income		2,530	1,338	5,461	2,163	5,282
Other operating expenses		-1,033	-2,004	-3,603	-3,265	-6,025
Operating loss	7	**-37,820**	**-18,360**	**-70,950**	**-45,792**	**-99,285**
Net financial items		-5	-5181	-502	-8,835	-28,577
Loss before income tax	7	**-37,825**	**-23,541**	**-71,452**	**-54,627**	**-127,862**
Income tax		-379	-3	-530	-5	-1,007
Loss for the period		**-38,204**	**-23,544**	**-71,982**	**-54,632**	**-128,869**

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

EARNINGS PER SHARE

		Apr – Jun		Jan – jun		Helår
(SEK)	**Note**	**2018**	**2017**	**2018**	**2017**	**2017**
Equityholders of the parent						
Earnings per share before dilution (SEK)		-0.75	-0.76	-1.42	-1.82	-3.24
Earnings per share after dilution (SEK)[3]		-0.75	-0.76	-1.42	-1.82	-3.24
Loss for the period (SEK 1,000)		-38,204	-23,544	-71,982	-54,632	-128,869
Average number of shares (1,000)[4]		50,812	31,104	50,688	30,063	39,826

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		Apr – Jun		Jan - jun		FY
(SEK t)	**Note**	**2018**	**2017**	**2018**	**2017**	**2017**
Loss for the period		**-38,204**	**-23,544**	**-71,982**	**-54,632**	**-128,869**
Other comprehensive income						
Exchange differences		198	-6	312	6	2
Total comprehensive income for the period		**-38,006**	**-23,550**	**-71,670**	**-54,626**	**-128,867**

[3] / Dilution effects for negative earnings per share should not be adjusted for.
[4] / Average number of shares is recalculated after the share consolidation 5:1.

CONDENSED CONSOLIDATED BALANCE SHEET

(SEK t)	Note	30 Jun 2018	2017	31 Dec 2017
ASSETS				
Intangible assets		5,040	4,609	5,244
Tangible assets		2,854	634	3,099
Other non-current assets	6	338	208	248
Total non-current assets		**8,232**	**5,451**	**8,591**
Inventories		23,776	16,195	22,079
Trade receivables	6	13,578	25,509	20,678
Other operating receivables	6	9,667	8,327	11,969
Cash and cash equivalents	6	368,357	558,288	533,367
Total current assets		**415,378**	**608,319**	**588,093**
TOTAL ASSETS		**423,610**	**613,770**	**596,684**
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent	4	381,209	464,805	450,786
Non-current borrowings	6	0	69,458	0
Provisions		173	164	173
Total non-current liabilities		**173**	**69,622**	**173**
Current borrowings	6	0	29,334	98,620
Trade payables	6	10,343	13,166	11,553
Other operating liabilities	6	31,885	36,843	35,552
Total current liabilities		**42,228**	**79,343**	**145,725**
TOTAL EQUITY AND LIABILITIES		**423,610**	**613,770**	**596,684**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(SEK t)	Issued capital	Other paid-in capital	Reserves	Accumulated losses	Total equity
Equity at 1 January 2017	**18,132**	**669,552**	**-306**	**-653,074**	**34,304**
Loss January–June 2017			6	-54,632	-54,626
Transactions with equity holders:					
New share issue	11,012	499,005			510,017
Transaction costs, new share issue		-33,631			-33,631
Allotted warrants		1,562			1,562
Share-based payment transactions				7,179	7,179
Equity 30 June 2017	**29,144**	**1,136,488**	**-300**	**-700,527**	**464,805**
Loss July – December 2017			-4	-74,237	-74,241
Transactions with equity holders:					
New share issue	2,280	57,997			60,277
Transaction costst, new share issue		-5,470			-5,470
Share-based payment transactions				5,415	5,415
Equity 1 January 2018	**31,424**	**1,189,015**	**-304**	**-769,349**	**450,786**
Loss Januari – June 2018			312	-71,982	-71,670
Transactions with equity holders:					
New share issue	334				334
Transaction costst, new share issue		-1,860			-1,860
Allotted warrants		740			740
Share-based payment transactions				2,879	2,879
Equity 30 June 2018	**31,758**	**1,187,895**	**8**	**-838,452**	**381,209**

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

	Apr - Jun		Jan - Jun		FY
(SEK t)	**2018**	**2017**	**2018**	**2017**	**2017**
Operating loss	**-37,820**	**-18,360**	**-70,950**	**-45,792**	**-99,285**
Non-cash adjustments					
-Share-based transactions	1,716	2,869	2,879	7,179	12,594
-Other	-593	1,183	-679	1,451	4,113
Interest received	0	0	0	0	3
Interest paid	-5	-3,055	-859	-6,226	-11,740
Realized exchange gains on loans	0	0	558	0	0
Income tax paid	-996	-494	-1,011	-539	-737
Net cash flows from operating activities before changes in working capital	**-37,698**	**-17,857**	**-70,062**	**-43,927**	**-95,052**
Changes in working capital	7,056	3,939	3,142	-2,101	-12,482
Net cash flows from perating activities	**-30,642**	**-13,918**	**-66,920**	**-46,028**	**-107,534**
Net cash flows from investing activities	-246	-315	-390	-911	-4,688
Net cash flows from financing activities	740	469,459	-99,406	464,430	504,833
Total CF for the period	**-30,148**	**455,226**	**-166,716**	**417,491**	**392,611**
Cash and cash equivalents at beginning of period	397,179	103,292	533,367	141,501	141,501
Net foreign exchange difference on cash and equivalents	1,326	-230	1,706	-704	-745
Cash and cash equivalents at period end	**368,357**	**558,288**	**368,357**	**558,288**	**533,367**

CONDENSED PARENT COMPANY INCOME STATEMENT

(SEK t)	Apr - Jun 2018	Apr - Jun 2017	Jan - Jun 2018	Jan - Jun 2017	FY 2017
Net Sales	13,880	0	22,530	0	37,873
Administrative expenses	-20,148	-171	-32,692	-2,578	-50,516
Other income	63	23	630	23	23
Other expenses	-49	-33	-484	-33	-33
Operating loss	**-6,254**	**-181**	**-10,583**	**-2,588**	**-12,653**
Net financial items	779	-1,131	1,229	-2,048	-3,162
Loss before income tax	-5,475	-1,312	**-9,354**	**-4,636**	**-15,815**
Income tax	0	0	0	0	0
Loss for the period	**-5,475**	**-1,312**	**-9,354**	**-4,636**	**-15,815**

Parent company loss for the period equals comprehensive income

CONDENSED PARENT COMPANY BALANCE SHEET

(SEK t)	30 Jun 2018	30 Jun 2017	31 Dec 2017
ASSETS			
Non-current financial assets	503,912	453,912	503,912
Other receivables	84,450	227	0
Prepaid expenses	1,248	912	715
Cash	332,554	542,071	513,945
TOTAL ASSETS	**922,164**	**977,122**	**1,018,572**
EQUITY AND LIABILITIES			
Equity			
Restricted equity	31,757	29,144	31,424
Unrestricted equity	878,103	847,969	889,317
Total equity	**909,860**	**877,113**	**920,741**
Current liabilities	**12,304**	**120,009**	**97,831**
TOTAL EQUITY AND LIABILITIES	**922,164**	**997,122**	**1,018,572**

DEFINITIONS

AUTOGRAFT	A bone graft harvested from the patient's own skeleton, usually from the iliac crest
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™ BVF with gentamicin
CERAMENT V	CERAMENT™V, CERAMENT™ BVF with vancomycin
CF	Cash Flow
CLINICAL STUDY	Study on humans of a medical device or a pharmaceutical product, for example
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 exemption)	Exemption from regulatory approval to conduct clinical studies on a medical device
ILIAC CREST	The upper wing of the hip bone (Ilium)
LTM	Last Twelve Months
MICRO-CT	Microtomography: 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 of reviewing Class III medical devices
Q2	Second 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, including internal performance assessment. APM's have not been defined in IFRS financial statements. The following (definitions below) are used:

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

Reconciliation of APM – Net debt (SEKm)	30 June 2018	30 June 2017	31 Dec 2017
Non-current borrowing	0.0	69.5	0.0
Current borrowing	0.0	29.3	98.6
Cash and cash equivalents	-368.4	-558.3	-533.4
Net debt	**-368.4**	**-458.5**	**-434.7**

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 has been 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 2017.

New or amended standards or interpretations of standards effective as of 1 January 2018 have not had any significant impact on BONESUPPORT's financial statements. 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 impact the Financial Reports but the impact will not be significant.

NOTE 2 SIGNIFICANT RISKS AND UNCERTAINTIES

The Group is exposed to various financial risks. The business is impacted by many factors that could impact the company's result and financial position. BONESUPPORT's strategy is to continuously identify and manage risks. Further details can be found in the Annual report 2017, note 2.

NOTE 3 TRANSACTIONS WITH RELATED PARTIES

The income statements include costs related to the following transactions between BONESUPPORT AB and related parties.

		Jan - Jun	
Related	Service (SEK 1,000)	2018	2017
Seagles AB (fully owned by Lars Lidgren)	Consultancy, development projects	-	44

NOTE 4 NUMBER OF SHARES AND POTENTIAL SHARES

Number of shares		Potential shares	
31 December 2017	50,277,890	31 december 2017	4,334,867
Converted employee options	534,226	Converted employee options	-534,226
		Returned employee options	-20,750
		Issued warrants	361,096
30 June 2018	50,812,116	30 June 2018	4,140,987

In addition to above the Annual General Meeting resolved further share based incentive programs. The theoretical maximum dilution effect of these programs amounts to 620 000 shares. Further information on page 9.

NOTE 5 PLEDGED SECURITIES AND CONTINGENT LIABILITIES

When the loan agreement with Kreos Capital was signed in September 2016, the company issued many securities to Kreos Capital. 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.

NOTE 6 FINANCIAL ASSETS AND LIABILITIES

Fair values of current financial assets and liabilities are assessed and agree with values accounted for. The fair value of the loan was SEK 96.2 million at 30 June 2017. The book value was SEK 98.8 million. The loan was fully repaid on 1 February 2018.

NOTE 7 SEGMENT INFORMATION

The segments are North America ("NA") and Europe & RoW ("EURW"). Others include Eliminations and others in which 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 to Cost of sales, selling expenses and R&D. There is no allocation to segments for Group assets or liabilities as the control of these is only conducted at the total Group level by management and the Board.

Sales in Sweden amounted to SEK 1.4 million (0.7). The US market (part of NA) is the only market with sales of more than 10% of the Group's total sales. Sales in the US market amounted to SEK 14.0 million (23.5), 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	Apr - Jun 2018				Apr- Jun 2017			
(SEK 1,000)	NA	EUROW	Other	**Total**	NA	EUROW	Other	**Total**
Net Sales	13,993	14,91		**28,184**	23,473	13,658		**37,131**
Cost of Sales	-1,544	-2,004		**-3,548**	-2,263	-2,485		**-4,748**
Gross profit	12,449	12,187		**24,636**	21,210	11,173		**32,383**
Operative costs	-18,386	-13,212		**-31,598**	-14,238	-13,992		**-28,230**
Contribution	-5,937	-1,025		**-6,962**	6,972	-2,819		**4,153**
Other operating items			-30,858	**-30,858**			-22,513	**-22,513**
Operating result	-5,937	-1,025	-30,858	**-37,820**	6,972	-2,819	-22,513	**-18,360**
Net financial items			-5	**-5**			-5,181	**-5,181**
Result before taxes	-5,937	-1,025	-30,863	**-37,825**	6,972	-2,819	-27694	**-23,541**

Product group	Apr – Jun 2018			Apr – Jun 2017		
(SEK 1,000)	NA	EUROW	**Total**	NA	EUROW	Total
CERAMENT BVF	13,993	2,695	**16,688**	23,473	3,619	27,092
CERAMENT drug eluting[5]	-	11,496	**11,496**	-	10,039	10,039
TOTAL	13,993	14,191	**28,184**	23,473	13,658	37,131

[5] CERAMENT with drug-eluting properties includes CERAMENT G and CERAMENT V

Profit and loss items	Jan - Jun 2018				Jan - Jun 2017			
(SEK 1,000)	NA	EUROW	Other	**Total**	NA	EUROW	Other	**Total**
Net Sales	29,925	29,344		**59,269**	43,975	25,610		**69,585**
Cost of Sales	-4,007	-5,103		**-9,110**	-4,034	-4,335		**-8,369**
Gross profit	25,918	24,241		**50,159**	39,941	21,275		**61,216**
Operative costs	-33,819	-26,092		**-59,911**	-24,171	-26,079		**-50,249**
Contribution	-7,901	-1,851		**-9,752**	15,770	-4,804		**10,966**
Other operating items			-61,198	**-61,198**			-56,758	**-56,758**
Operating result	-7,901	-1,851	-61,198	**-70,950**	15,770	-4,804	-56,758	**-45,792**
Net financial items			-502	**-502**			-8,835	**-8,835**
Result before taxes	-7,901	-1,851	-61,700	**-71,452**	15,770	-4,804	-65,593	**-54,627**

Product group	Jan – jun 2018			Jan – jun 2017		
(SEK 1,000)	NA	EUROW	**Total**	NA	EUROW	Total
CERAMENT BVF	29,925	6,065	**35,990**	43,975	7,009	50,984
CERAMENT drug eluting[5]	-	23,279	**23,279**	-	18,601	18,601
TOTAL	29,925	29,344	**59,269**	43,975	25,610	69,585

NOTE 8 WARRANTS AND EMPLOYEE OPTION PROGRAMS

There are three different employee stock option programs and two different warrant programs. Of the three employee stock option programs, two of them run over 10 years and expire in 2022 and 2025. The third program runs over 8 years and expires in 2024. Each stock option or warrant gives the holder the right to acquire 0.2 ordinary shares of the company when exercising the option or warrant.

The employee stock options are vested according to a schedule in each program. Of the 25.7 million options that were already allocated, 18.0 million options were vested before 1 January 2018 and 1.8 million options were vested in the period in 2018.

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 are three warrant programs where the latest program was executed in 2018. Warrants in the first two programs gives the holder the right to acquire 0,2 ordinary shares and the third program 1 ordinary share.

Further information on these programs is presented note 12, 23 and 25 in the annual report 2017.

	No of options[6]	Equal to no of shares	WAEP[57]
Balance 1 jan 2018	17.428.768	3.485.754	5.88
Converted	-2.671.137	-534.227	0.63
Due/cancelled	-103.750	-20.750	6.86
Balance 30 jun 2018	14.653.881	2.930.776	6.83

	No of options	Equal to no of shares	WAEP[7]
Balance 1 jan 2018	4.245.568	849.114	22.97
Issued	361.096	361.096	15.94
Balance 30 jun 2018	4.606.664	1.210.210	20.87

[6] Unallocated poptions amounts to 269,655

[7] Weighted Average Exercise Price (SEK) per share on outstanding options

ABOUT BONESUPPORT

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

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

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

BONESUPPORT has a twelve-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 in 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 APRIL-JUNE 2018 INTERIM REPORT

The company invites investors, analysts and media to a web conference (in English) on 26 July at 14.00 CET, where CEO Emil Billbäck and CFO Björn Westberg will present and comment on the report and also answer questions. The report will be available on BONESUPPORT's website from 08.00 CET on the same day and the presentation from the webcast will be uploaded during the day on 26 July. For further details regarding participation, see the investor pages at **www.bonesupport.com**

Contact information:

Emil Billbäck, CEO

T: +46 46 286 53 70

Björn Westberg, CFO

T: +46 46 286 53 60

E: ir@bonesupport.com

www.bonesupport.com

FORWARD-LOOKING STATEMENTS

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