

# INTERIM REPORT

JANUARY – MARCH 2017



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## Q1 IN BRIEF

### JANUARY – MARCH 2017

- Net Sales amounted to SEK 32.5 million (23.3), an increase of 40%
- Gross margin of 88.8% (84.2)
- Operating loss of SEK -27.4 million (-13.7)
- Earnings per share, before and after dilution, and after consolidation of the shares 5:1, was SEK -1.07 (-0.70)

+40%  
Net Sales

88.8%  
Gross  
Margin

-27.4m  
Operating  
loss

### BUSINESS HIGHLIGHTS JANUARY - MARCH

- Renewal of Zimmer Biomet distribution agreement for the US market
- Lennart Johansson was appointed new member of the Board
- New executive recruitment, Björn Westberg started as CFO

### SIGNIFICANT EVENTS AFTER PERIOD END

- At the AGM, it was resolved to amend the Articles of Association, change category into a public Company and consolidate the shares 5:1
- New executive recruitment, Michael Diefenbeck started as Chief Medical Officer

### KEY FIGURES

	Jan - Mar			Helår
	2017	2016	LTM	2016
Net Sales (SEKm)	32.5	23.3	113.8	104.6
Sales growth (%) <sup>1/</sup>	39.6	59.9	61.5	69.4
Gross profit (SEKm)	28.8	19.6	98.8	88.3
Gross margin (%) <sup>1/</sup>	88.8	84.2	86.8	84.4
Operating loss (SEKm)	-27.4	-13.7	-102.4	-88.7
Loss for the period (SEKm)	-31.1	-17.4	-123.9	-110.2
Equity at period end (SEKm)	9.1	6.4	9.1	34.3
Net debt <sup>1/</sup> (SEKm)	0.3	7.5	0.3	-31.8
Operating cash flow (SEKm)	-32.1	-11.4	-102.6	-81.9
Cash at period end (SEKm)	103.3	52.9	103.3	141.5
Earnings per share <sup>2/</sup> (SEK)	-1.07	-0.70	-4.63	-4.26

<sup>1/</sup> APM: Alternative Performance Measures, see financial definitions on page 16

<sup>2/</sup> Before and after dilution and after consolidation of shares 5:1

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## CEO STATEMENT

*Richard Davies, CEO of BONESUPPORT HOLDING AB (publ)*



### Strong sales growth continues

Sales in Q1 2017 grew 40% to SEK 32.5 million versus Q1 2016. The key driver of this revenue growth was the increasing uptake of CERAMENT G and CERAMENT V in Europe, particularly in the markets where BONESUPPORT sells direct to orthopedic surgeons and payors. In the US market, sales of CERAMENT BVF also showed good growth as our core technology gained further attraction as surgeons became more convinced about our claim for effective bone remodeling.

During Q1, the company continued to strengthen its commercial organization in the US and Europe. In the US, a new regional manager and two product specialists were appointed, while in Europe three new sales representatives were hired. The investment made over the last six months to expand the Company's commercial capabilities is expected to drive continued sales momentum in 2017.

In March, the Company extended its US distribution agreement with Zimmer Biomet. Under the agreement, Zimmer Biomet will continue to have exclusive US rights to BONESUPPORT's proprietary CERAMENT BVF product. This partnership has been very successful and has resulted in the current rapid growth of CERAMENT BVF in the world's largest bone graft substitute market. The technology uptake provides a strong platform from which to launch product extensions.

### Progress with CERAMENT G FORTIFY study

A key element of BONESUPPORT's strategy is to gain US approval for CERAMENT G by successfully completing the FORTIFY study. During Q1 2017 a very successful US investigators' meeting was held, six US clinical sites were initiated and ethical approval was received for the study in the UK. Given this progress the Company continues to anticipate receiving FDA approval for CERAMENT G in the US by the end of 2020. Recruitment of the first study patient is expected Q2 2017.

Company's second key clinical study, CERTiFy, which is evaluating CERAMENT BVF in comparison to autograft (the current standard of care) is on track and recruitment of the last patient into the study continues to be expected before the end of 2017. This study is designed to generate clinical and HEOR (health economics and outcomes research) data.

### Strengthened Organization

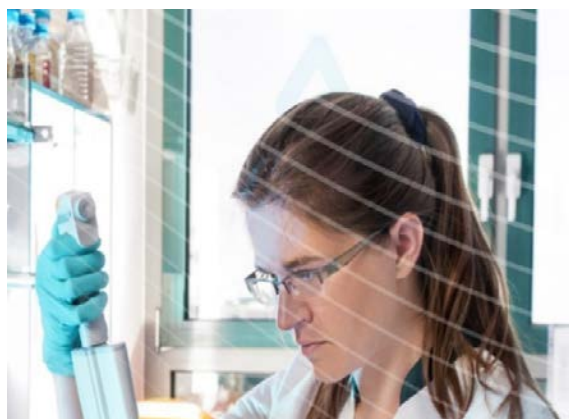
The Company has recently made some key recruitments. Dr. Michael Diefenbeck MD PhD was appointed Chief Medical Officer. Dr. Diefenbeck has previously worked on a range of clinical projects related to CERAMENT as an independent clinical advisor to BONESUPPORT. His appointment is part of an overall strengthening of the Executive Management team which has seen Björn Westberg join as CFO and Patrick O'Donnell join as General Manager and Executive Vice President, Commercial Operations North America. We have also strengthened the sales and marketing organization with more sales reps in the market and our organization to provide the compelling health economics data, which is increasingly required by payors around the globe.

### Outlook

Based on the progress made in Q1, I remain confident about our prospects for 2017. Our strong sales momentum is set to continue fuelled by our increased investment in our commercial organization. Further positive clinical data will continue to highlight the benefits of our products.

# COMPANY OVERVIEW

## NORTH AMERICA



(SEKm)	Jan - Mar		FY
	2017	2016	2016
Net Sales	20.5	15.4	68.8
Gross profit	18.7	13.4	59.5
Contribution	8.8	7.3	22.5

Currently, North America's focus is the US market, where, CERAMENT BVF is distributed via Zimmer Biomet through its national channel of 63 independent distributors.

- BONESUPPORT's commercial team supports sales directly to these independent US distributors alongside Zimmer Biomet.
- The Company has extended its US distribution agreement with Zimmer Biomet for CERAMENT BVF during the quarter

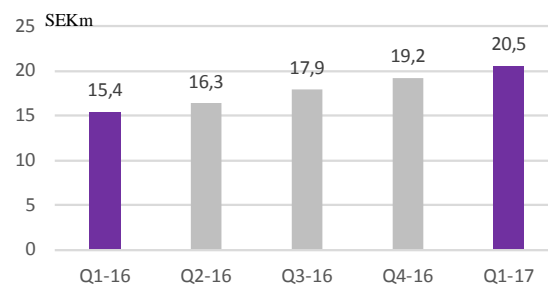
During Q1, the Company strengthened its market coverage and US commercial organization. One new region, covering the Great Lakes was created and a new regional manager was recruited. BONESUPPORT's US commercial operation is now based around eight regions. The Company also recruited two Product Technical Managers to increase the level of product education and service to the Zimmer Biomet distribution channel.

BONESUPPORT exhibited at the AAOS (American Association of Orthopedic Surgeons) conference in San Diego, CA, USA, in March. The Company's presence generated considerable interest from surgeons in its CERAMENT products and the impressive data that has been generated through their use in a range of clinical settings. This was an event for the Company providing the opportunity to further enhance awareness of CERAMENT BVF and the benefits it offers to physicians, patients and payors.

### JANUARY – MARCH 2017

#### Net Sales

Net Sales for North America increased by 33% versus Q1 2016 and amounted to SEK 20.5 million. This improvement is due to the increased number of sales people, supporting our distributor Zimmer Biomet and an increase in marketing activities, such as exhibitions and similar events. Net sales per quarter is presented to the right (SEKm).



#### Contribution

The contribution in North America increased to SEK 8.8 million (7.3) mainly due to the increase in Sales. The gross margin was 91.4% (88.0), due to an improvement in product mix (different product sizes). The sales and marketing costs increased to SEK 6.7 million (4.2) due to the increase in sales managers, product specialists and increased marketing activities in the US, including exhibitions and other events. The R&D expenses increased to SEK 2.8 million (1.7) due to the FORTIFY study.

## EUROPE & REST OF WORLD



(SEKm)	Jan - Mar		FY
	2017	2016	2016
Net Sales	12.0	7.8	35.7
Gross profit	10.1	6.2	28.8
Contribution	-2.0	-2.3	-12.2

In Europe (EUR), BONESUPPORT sells its products via a combination of its own direct sales team and distributors.

- The Company has more than 20 sales representatives in Europe. The Company sells directly in the UK, Germany, Switzerland, Sweden and Denmark and works with specialty distributors in a further seven markets
- In Rest Of World (ROW), the Company's products are sold via distributors. Key markets are India, Singapore and Oman.

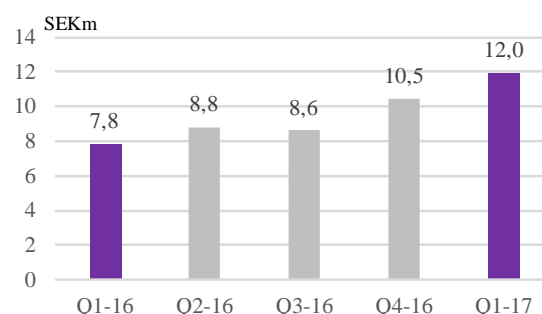
During Q1, BONESUPPORT has enjoyed great success in the markets where it sells its products directly. Sales in the UK, Switzerland and Germany increased due to the commercial team's focus on key accounts. The key account approach was helped by the highly supportive CERAMENT G clinical data prepared by Dr McNally and which was published in *The Bone and Joint Journal* in September 2016. The paper provided compelling 12-34 month follow up data from the first 100 patients in a prospective study evaluating CERAMENT™ G for dead space (void) management in patients with chronic osteomyelitis (bone infection) using a single stage surgical procedure.

The Company's commercial team in Europe was further strengthened in Q1 with two new sales people in Germany, one in the UK and one in Switzerland. As part of its surgeon education program, BONESUPPORT held a meeting in Stockholm which was attended by 70 orthopedic surgeons. Further such meetings are planned in the months ahead.

### JANUARY – MARCH 2017

#### Net Sales

Net Sales for EUR&ROW increased by 54 % versus Q1 2016 and amounted to SEK 12.0 million (7.8). The increase is mainly driven by increased sales in the countries in Europe where the Company sells direct. The sales increased in these countries by SEK 2.3 million to SEK 8.3 million. Other larger increases, where the Company's products are sold via distributors, were seen in Norway and India. Net sales per quarter is presented to the right (SEKm).



#### Contribution













The contribution in EUR&ROW improved to SEK -2.0 million (-2.3) mainly due to the increase in Sales. The gross margin was 84.5 % (80.6), an increase mainly due to product mix as more volumes sold of CERAMENT G and CERAMENT V which have higher prices and gross margin than CERAMENT BVF. The sales and marketing costs increased to SEK 12.7 million (8.6) due to the increase in sales managers and product representatives in Europe and increased marketing activities, mainly in Europe. The R&D expenses increased to SEK 7.1 million (3.8) due to higher clinical development costs, mainly for the CERTiFy study.

## Research and Development

BONESUPPORT currently performs three different types of pre-clinical or clinical studies:

- 1 Studies for existing products and market, but currently the products are not registered in that market
- 2 New products (“Product pipeline”)
- 3 Studies (like CERTiFy) for existing products and markets, to improve the usage of the products

The ongoing studies of type 1 and 2 are presented in the picture below.

	PRODUCT	PRE-CLINICAL	CLINICAL	REGULATORY REVIEW	APPROVED FOR MARKET
	CERAMENT™ G (US) (FORTIFY)	PMA 			
	CERAMENT™ V (US) <sup>1)</sup>				
<b>PRODUCT PIPELINE</b>					
	CERAMENT™ + bisphosphonate				
	CERAMENT™ + bisphosphonate + bone morphogenic protein				
	CERAMENT™ + bone morphogenic protein				
	CERAMENT™ + bone marrow aspirate / stem cells				

The currently two largest studies are described below.

### FORTIFY IDE Study

The FORTIFY IDE (investigational device exemption) study is a randomized multicenter controlled trial to evaluate the safety and efficacy of CERAMENT G as part of surgical repair of open diaphyseal tibial fractures. The study is designed to generate the clinical data needed to gain market approval for CERAMENT G in the US.

The FORTIFY trial is targeting enrolment of up to 230 patients at up to 30 centers globally, with the aim of having at least 50% of the study data coming from US subjects. Progress was made during Q1 2017: at present the Company has selected a total of 21 clinical sites to take part in the study. A further nine sites in the EU are currently being evaluated.

In the US, six sites have already been initiated following local regulatory approval. These sites are now screening patients. A further six sites in the US will be initiated in Q2 2017. In the UK, the study has received regulatory approval, paving the way for the selected sites to start patient screening. BONESUPPORT expects the first patient to be recruited in the FORTIFY study in Q2 2017.

### CERTiFy Study

The CERTiFy study is a controlled, prospective, randomized clinical trial comparing the use of CERAMENT BVF in a single stage surgical procedure with the current gold standard for bone graft procedures in the management of tibia plateau fractures. CERTiFy anticipates enrolling 136 patients from more than a dozen top orthopedic trauma centers in Germany and Switzerland and is progressing well to completion. Recruitment into the CERTiFy study is progressing as planned with over 100 patients now enrolled. BONESUPPORT anticipates that patient recruitment will complete before the end of 2017.

Positive results from the CERTiFy study would assist CERAMENT BVF in gaining market share from autografts, which are the most widely used treatment option globally for patients with bone voids. It also anticipated that the results will be helpful in gaining reimbursement in Germany and certain other geographies.

### Additional proof of the positive properties of CERAMENT

In addition to conducting these clinical studies, BONESUPPORT continues to support clinicians in publishing new data demonstrating the clinical benefits that its CERAMENT products can deliver. A key paper, published last September (McNally et al, The Bone and Joint Journal (2016) Vol. 98-B, No. 9, 1289-1296), outlined the compelling results that CERAMENT G can deliver in the management of chronic osteomyelitis.

In parallel the Company is continuing to analyze the patient registry data that has been collected in order to generate further supportive insights for its CERAMENT portfolio of products.

#### **Pre-clinical Pipeline Progress**

BONESUPPORT continues to progress its pipeline by exploring development candidates that will add osteoinductive characteristics to the osteoconductive properties of CERAMENT products. At present the Company has four product candidates in pre-clinical development.

The Company's work to develop new osteoinductive products has gained greater recognition following the publication of a paper in Nature Scientific Reports in 2016. The publication showed that CERAMENT was successful at delivering a combination of bone-promoting drugs in an established pre-clinical model (Raina et al (2016) Nat. Sci. Reports 6: 26033).

In Q1, the Company generated positive animal model data using the combination of CERAMENT and a bisphosphonate (zoledronic acid, ZA). Interim results from the micro-CT and hematology/clinical chemistry assessments have also been received. No signs of toxicity have been seen, even with highest dose of ZA. The results from Micro-CT look compelling and demonstrate that the local delivery of ZA has a positive osteoinductive effect on the bone-healing process.

We are awaiting the final histology results before the final conclusions from this study can be determined and these results are expected in 2017.

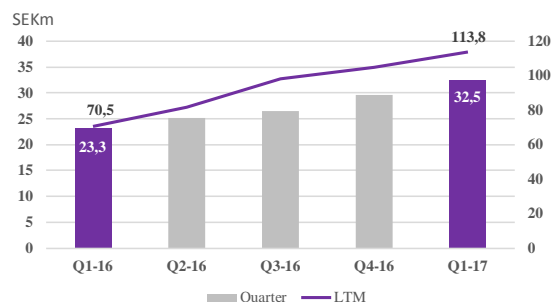
# FINANCIAL OVERVIEW

## PROFIT AND LOSS

JANUARY – MARCH 2017

### Net Sales

Net Sales in the first quarter amounted to SEK 32.5 million (23.3), an increase of 40%. Both segments increased significantly, where North America increased by 33% to SEK 20.5 million (15.4) and Europe & ROW (Rest Of World) increased by 53% to SEK 12.0 million (7.8). Further details are presented earlier in the report, in the segment sections. The growth was driven by increased volumes as there were no significant price changes and the currency translation effect was only SEK 1.2 million, mainly due to the strong USD. Sales per quarter, and LTM, is presented to the right (SEKm).



### Cost of Sales

Cost of Sales in the first quarter amounted to SEK -3.6 million (-3,7), leading to a higher gross margin of 88.8 % (84.2). Further details are presented earlier in the report, in the segment sections.

### Selling expenses

Selling expenses in the first quarter amounted to SEK 24.8 million (17.7), an increase of 40%, of which SEK 13.0 million (10.0) were costs for employees. Both segments increased significantly, where North America increased by 60% to SEK 6.7 million (4.2) and Europe & Rest of World increased by 48 % to SEK 12.7 million (8.6). The other selling expenses, not allocated to the segments, amounted to SEK 5.4 million (4.8) and consisted of general sales and marketing activities managed from functions within the parent company.

### Research and development (R&D) expenses

R&D expenses amounted to SEK 9.4 million (5.5) in the first quarter, an increase of 71%, of which SEK 4.6 million (4.1) were costs for employees. North America increased by 65% to SEK 2.8 million (1.7) and other (non-segment allocated) expenses amounted to SEK 6.6 million (3.8), consisted of more R&D administration and control, not related to a specific segment.

### Administrative expenses

Administrative expenses in the first quarter amounted to SEK 21.7 million (9.1). Costs for employees amounted to SEK 9.9 million (6.4), of which SEK 4.6 million (3.6) were costs related to the Group's employee stock option plans. The increase in the remaining costs consisted of SEK 5.3 million related to preparations for a potential IPO and costs for external services like hired staff, recruitments and IT.



### Other operating income and expenses

Other operating income and expenses mainly consists of exchange rate gains and losses on working capital. Other operating income amounted to SEK 0.8 million (0.7) and other operating expenses amounted to -1.3 million (-1.6) for the quarter.

### Operating result

The operating result for the first quarter period amounted to SEK -27.4 million (-13.7) with the significant increase in selling expenses, R&D expenses and administrative expenses (as disclosed above) of 23.6 to SEK 55.9 million (32.3) more than offsetting the material increase of gross profit of 47% to SEK 28.8 million (19.6). The overall increase in costs is mainly due to two things, building capacity in both segments for growing sales for existing products and secondly, investing in organization, personnel and future pipeline to manage the Company's transition to a larger Company with an even wider product offering. The total translation currency effect was not significant.

### Net financial items

Net financial items for the first quarter amounted to SEK -3.7 million (-3.6) whereof SEK -4.0 million (-2.6) was related to interest on the Group's loan. Net exchange gains and losses amounted to SEK 0.3 million (-0.7).

### Loss for the period

For the reasons disclosed above the loss for the first quarter amounted to SEK -31.1 million (-17.4), which corresponded to earnings per share of SEK -1.07 (-0.70).

## FINANCIAL POSITION AND CASH FLOW (CF)

Financial position (SEKm)	31 Mar		31 Dec	Cash flow (SEKm)	Jan - Mar		FY
	2017	2016	2016		2017	2016	2016
Cash and cash equivalents	103.3	52.9	141.5	Operating CF	-32.1	-11.4	-81.9
Interest-Bearing debt	103.6	60.3	109.7	CF from investing activities	-0.6	-0.3	-1.4
Net debt	0.3	7.5	-31.8	CF from financing activities	-5.0	-3.9	155.1
Equity	9.1	6.4	34.3	Period CF	-37.7	-15.7	71.8

Cash decreased, compared to last year end, due to the operating cash flow of SEK -32.1 million and amortizations of SEK 6.6 million. Net debt increased mainly due to operating cash flow. Equity decreased since the 2016 year end, mainly due to the net loss of SEK -31.1 million in the quarter.

Operating cash flow (CF) decreased during the quarter mainly due to the increased operating loss of SEK -27.4 million. Cash flow from financing activities decreased mainly due to amortizations of SEK 6.6 million.

## 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 during the period was SEK 3.3 million (0.5). There were no investments during the period.

### EMPLOYEES

BONESUPPORT group had 52 (42) FTE (Full Time Equivalents) in the first quarter 2017, of whom 14 (13) were engaged in R&D.

### SIGNIFICANT EVENTS DURING THE QUARTER

The Zimmer Biomet distribution agreement for the US market was renewed. The agreement is renewed every year.

Lennart Johansson was appointed new member of the Board. Lennart brings many years of financial and industry experience in various leading positions.

New executive recruitment, Björn Westberg started as CFO. Björn brings many years of financial and industry experience. Björn has worked more than 20 years in the Pharmaceutical industry, most recently at Recipharm AB (publ), where he served for 10 years as Group CFO.

### SIGNIFICANT EVENTS AFTER PERIOD END

At the AGM held on 12 April 2017, it was resolved to amend the articles of association of the company and to change the company category into a public company. The AGM also resolved on a consolidation of the shares 5:1, whereby five existing shares are consolidated into one share.

New executive recruitment, Dr Michael Diefenbeck started as Chief Medical Officer. Michael brings 14 years clinical experience at different hospitals in Germany as orthopaedic surgeon. He is specialized in trauma care and bone infections. He is author of 24 published articles in these areas.

### SHARES AND SHARE RELATED PROGRAMS

There is one type of shares in the Company. The quota value per share is SEK 0.125. At March 31, 2017, the total number of shares in the Company amounted to 145,056,103 <sup>1/</sup> and number of shareholders were 26. Largest shareholders per 31 March is presented: (capital and votes ratios are the same)

<sup>1/</sup> No of shares per 31 mars 2017 (before the share consolidation 5:1).

<sup>2/</sup> Tellacq AB has warrants corresponding to 4,900,000 shares.

Health Cap V LP	21.0%
Stiftelsen Industrifonden	14.7%
Lundbeckfond Invest A/S	14.7%
Carl Westin Ltd	9.3%
Tredje AP-fonden	9.2%
Tellacq AB <sup>2/</sup>	7.8%
Other shareholders	23.3%

BONESUPPORT has several employee stock option programs. A condition for vesting is that the option holder on each vesting day is employed by or holds an assignment within the Group. The employee options may be utilized at the

earliest in connection with an initial public offering on a regulated market or in connection with a sale of the Company. Total number of outstanding options as of March 31, 2017 amounted to 25,344,522. A summary of the option programs is described in the Annual Report 2016, note 12.

There are three different warrant programs, one to Kreos Capital V (Expert Fund), one to Tellacq AB and one to the Group CFO. The latter was approved at a General meeting 7 February 2017 and the number of warrants in the program amounted to 1,250,000. Total number of outstanding warrants for all these programs as of March 31, 2017 amounted to 9,145,568. Further details of the warrant programs to Kreos Capital V and Tellacq AB are described in the Annual report 2016, notes 23, 25 and 30.

Note that after the consolidation of shares, at the AGM 12<sup>th</sup> of April, one option or warrant gives the right to convert into 0.2 share. More information on the option and warrant programs is described in note 8.

The undersigned Board members and CEO assure 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 being part of the Group.

Lund, 21 April 2017

Håkan Björklund  
Chairman

Björn Odlander  
Director

Lars Lidgren  
Director

Tone Kvåle  
Director

Nina Rawal  
Director

Lennart Johansson  
Director

Richard Davies  
CEO

CEO and Board of Directors, BONESUPPORT HOLDING AB (publ)

**Contact information:**

Richard Davies, CEO, tel +46 46 286 53 70 Björn Westberg, CFO, +46 46 286 53 70 info@bonesupport.com

*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.*

# FINANCIAL STATEMENTS

## CONDENSED CONSOLIDATED INCOME STATEMENT

(SEK 1000)	Note	Jan - Mar		FY
		2017	2016	2016
Net Sales	6	32,454	23,250	104,599
Cost of Sales		-3,621	-3,669	-16,312
<b>Gross profit</b>		<b>28,833</b>	<b>19,581</b>	<b>88,287</b>
Selling expenses		-24,771	-17,686	-79,766
Research and development expenses		-9,368	-5,496	-38,233
Administrative expenses	3.8	-21,690	-9,141	-60,671
Other operating income		825	698	7,349
Other operating expenses		-1,261	-1,616	-5,711
<b>Operating loss</b>	6	<b>-27,432</b>	<b>-13,660</b>	<b>-88,745</b>
Net financial items		-3,654	-3,612	-20,820
<b>Loss before income tax</b>	6	<b>-31,086</b>	<b>-17,272</b>	<b>-109,565</b>
Income tax		-2	-178	-625
<b>Loss for the period</b>		<b>-31,088</b>	<b>-17,450</b>	<b>-110,190</b>

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

## EARNINGS PER SHARE

Earnings per share (SEK)	Note	Jan - Mar		FY
		2017	2016	2016
<i>Parent company's shareholders</i>				
Earnings per share before dilution (SEK)		-1.07	-0.70	-4.26
Earnings per share after dilution (SEK) <sup>1/</sup>		-1.07	-0.70	-4.26
Loss for the period (SEK 1000)		-31,088	-17,450	-110,190
Average number of shares (1 000)		29,011	25,097	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	Jan - Mar		FY
		2017	2016	2016
<b>Loss for the period</b>		<b>-31,088</b>	<b>-17,450</b>	<b>-110,190</b>
<i>Other comprehensive income</i>				
Translation differences		12	49	-74
<b>Total comprehensive income for the period</b>		<b>-31,076</b>	<b>-17,401</b>	<b>-110,264</b>

## CONDENSED CONSOLIDATED BALANCE SHEET

(SEK 1000)	Note	31 Mar		31 Dec
		2017	2016	2016
<b>ASSETS</b>				
Intangible assets		4,558	4,826	4,469
Tangible assets		642	557	442
Other receivables	7	204	504	180
<b>Total non-current assets</b>		<b>5,404</b>	<b>5,887</b>	<b>5,091</b>
Inventories		15,047	14,582	14,489
Trade receivables	7	26,607	16,036	20,242
Other operating receivables	7	6,835	4,426	7,486
Cash and cash equivalents	7	103,292	52,859	141,501
<b>Total current assets</b>		<b>151,781</b>	<b>87,903</b>	<b>183,718</b>
<b>TOTAL ASSETS</b>		<b>157,185</b>	<b>93,790</b>	<b>188,809</b>
<b>EQUITY AND LIABILITIES</b>				
Equity attributable to parent company shareholders	4	9,100	6,427	34,304
Non-current borrowings	7	77,761	-	84,599
Provisions		164	-	164
<b>Total non-current liabilities</b>		<b>77,925</b>	<b>0</b>	<b>84,763</b>
Current borrowings	7	25,832	60,320	25,103
Trade payables	7	7,814	2,923	11,811
Other operating liabilities	7	36,514	24,120	32,828
<b>Total current liabilities</b>		<b>70,160</b>	<b>87,363</b>	<b>69,742</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>157,185</b>	<b>93,790</b>	<b>188,809</b>

## CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

(SEK 1000)	Share capital	Other paid-in capital	Reserves	Retained earnings <sup>1/</sup>	Total equity
<b>Equity at 1 January 2016</b>	<b>15,686</b>	<b>564,372</b>	<b>-232</b>	<b>-559,498</b>	<b>20,328</b>
Loss January – March 2016				-17,450	-17,450
Other comprehensive income			49		49
<i>Transactions with owners:</i>					
Share-based payment transactions				3,500	3,500
<b>Equity at 31 March 2016</b>	<b>15,686</b>	<b>564,372</b>	<b>-183</b>	<b>-573,448</b>	<b>6,427</b>
Loss April - December 2016				-92,740	-92,740
Other comprehensive income			-123		-123
<i>Transactions with owners:</i>					
New share issue	2,446	96,744			99,190
Issued warrants		8,436			8,436
Share-based payment transactions				13,114	13,114
<b>Equity at 1 January 2017</b>	<b>18,132</b>	<b>669,552</b>	<b>-306</b>	<b>-653,074</b>	<b>34,304</b>
Loss January – March 2017				-31,088	-31,088
Other comprehensive income			12		12
<i>Transactions with owners:</i>					
Issued warrants		1,562			1,562
Share-based payment transactions				4,310	4,310
<b>Equity at 31 March 2017</b>	<b>18,132</b>	<b>671,114</b>	<b>-294</b>	<b>-679,852</b>	<b>9,100</b>

1/ Retained earnings including net loss

## CONDENSED CONSOLIDATED CASH FLOW STATEMENT

Cash Flow (CF) (SEK 1000)	Jan - Mar		Full year
	2017	2016	2016
Operating loss	-27,432	-13,660	-88,745
<i>Non-cash adjustments</i>			
-Personnel options	4,310	3,500	16,614
-Others	268	604	979
Interests received			4
Interests paid	-3,171	-2,631	-11,644
Other finance costs paid			-9,868
Income tax paid	-45	-213	-109
<b>Net Operating CF before working capital changes</b>	<b>-26,070</b>	<b>-12,400</b>	<b>-92,769</b>
Changes in working capital	-6,040	950	10,836
<b>Net Operating CF</b>	<b>-32,110</b>	<b>-11,450</b>	<b>-81,933</b>
Net CF from investing activities	-596	-331	-1,374
Net CF from financing activities	-5,029	-3,946	155,125
<b>Total CF for the period</b>	<b>-37,735</b>	<b>-15,727</b>	<b>71,818</b>
Cash and cash equivalents at period start	141,501	68,881	68,881
Translation difference on cash and cash equivalents	-474	-295	802
<b>Cash at period end</b>	<b>103,292</b>	<b>52,859</b>	<b>141,501</b>

## CONDENSED INCOME STATEMENT – PARENT COMPANY

(SEK 1000)	Jan - Mar		Full year 2016
	2017	2016	
Other operating income	-	-	11
Administrative expenses	-2,407	-147	-2,385
Other operating expenses	-	-	-16
<b>Operating loss</b>	<b>-2,407</b>	<b>-147</b>	<b>-2,390</b>
Net financial items	-917	-367	-1,519
<b>Loss before income tax</b>	<b>-3,324</b>	<b>-514</b>	<b>-3,909</b>
Income tax	0	0	0
<b>Loss for the period</b>	<b>-3,324</b>	<b>-514</b>	<b>-3,909</b>

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

## CONDENSED BALANCE SHEET – PARENT COMPANY

(SEK 1000)	Note	31 Mar		Full year 2016
		2017	2016	
<b>ASSETS</b>				
Non-current financial assets		403,912	300,000	403,912
Pre-paid expenses		372	47	307
Cash		91,338	36,643	103,776
<b>TOTAL ASSETS</b>		<b>495,622</b>	<b>336,690</b>	<b>507,995</b>
<b>EQUITY AND LIABILITIES</b>				
<i>Equity</i>				
Restricted equity	4	18,132	15,686	18,132
Unrestricted equity		383,907	283,884	385,669
<b>Total equity</b>		<b>402,039</b>	<b>299,570</b>	<b>403,801</b>
<b>Current liabilities</b>		<b>93,583</b>	<b>37,120</b>	<b>104,194</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>495,622</b>	<b>336,690</b>	<b>507,995</b>

## DEFINITIONS

### Glossary

AUTOGRAFT	A bone graft harvested from the patient's own skeleton, usually from the iliac crest.
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
FDA	US Food and Drug Administration
FY	Full Year
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 original 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
Q1	First quarter
TOXICITY	The degree to which a substance (a toxin or poison) can harm humans or animals

### Financial definitions

#### *Definitions of key financials*

Earnings per share (EPS) Net result divided by average number of shares before dilution

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
Gross profit	Net Sales minus Cost of Sales
Gross margin	(Revenues – Cost of Sales)/Net Sales
Interest-bearing debt	Borrowings from banks and other financial institutions, short and long term
Net debt	Interest bearing debts minus cash and cash equivalents
Operating result (EBIT)	Operating result shows the operative result before depreciation
Sales growth	The difference in Net Sales between two periods in relation to the Net Sales for the earlier period of the two periods.

*Contribution* shows the operational performance for each segment.

*EBIT* shows the operational performance, including depreciations and amortizations.

*Gross profit* shows the profit to cover others costs and profit margin

*Gross margin* shows the profit in relation to Net sales, an indication of the margin to cover other costs and profit.

*Interest-bearing debt* shows the debt level of the Company and forms also the basis for interest costs

*Net debt* shows the leverage level of the Company

*Sales growth* shows how the Company performs in its sales operations



Reconciliations of APM – Net debt (MSEK)	31 Mar		31 Dec
	2017	2016	2016
Non-current borrowing	77.8	-	84.6
Current borrowing	25.8	60.3	25.1
Cash and cash equivalents	-103.3	-52.9	-141.5
Net debt	0.3	7.4	-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' 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 interpretation of standards effective as of 1 January 2017 have not had any significant impact on BONESUPPORT's financial statements. The Company has performed an analysis of the potential effects of implementation of IFRS 15 Revenue from contracts with customers, which comes into force 1 January 2018, and concluded that the implementation will not have any material effect on the Financial Reports other than additional disclosures.

### 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 refinancing and increase of the loan, as well as the new share issue executed in the fourth quarter are designed to ensure that the Company has sufficient financial resources to execute its growth strategy. A 12 month cash flow analysis has been performed, where that analysis shows that available cash would be sufficient.

According to assessment of the Board of Directors, during 2018 after the coming twelve months, there is a need for further external funding to be able to fulfil the Group's planned research, development and commercialization. At current situation there are no agreements in place for further funding why an uncertainty exist. Further, it is the assessment of the Board of Directors that funding will be arranged for. If the Group will not succeed with such funding, the assessment of the Board of Directors is that funding will be received from the owners to ensure going concern after the 12 months period.

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 Lifescience AG	Fully owned by Oern Stuge (Chairman until 15 December 2016)

The financial statements include costs related to the following transactions between Bonesupport AB and related parties.

Related party	Service	Jan - Mar		Comments
		2017	2016	
Seagles AB	Consultancy	44	-	Advised on development projects and priorities.
Orsco	Consultancy	-	298	Advised on strategic & industry relationship building activities

### Note 4 Number of shares and potential shares

Number of shares		Potential shares
31 December 2016	145,056,103	34,490,090, are related to Bonesupports warrants and employee option-based incentive programs
-	-	
31 March 2017	145,056,103	

### 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. At the 31<sup>st</sup> March 2016 the Group had a number of pledged securities in relation to the former loan provider IPF Partners. Further details and information can be found in the annual report 2016, note 28.

### Note 6 Segment information

Profit and loss items (SEK 1000)	January – March 2017				January – March 2016			
	NA	EURW	Others	Total	NA	EURW	Others	Total
Net sales	20,502	11,952		<b>32,454</b>	15,426	7,824		<b>23,250</b>
Operating costs	-11,704	-13,937		<b>-25,641</b>	-8,112	-10,125		<b>-18,237</b>
Contribution	8,798	-1,985		<b>6,813</b>	7,314	-2,301		<b>5,013</b>
Other operating items			-34,245	<b>-34,245</b>			-18,673	<b>-18,673</b>
Operating result			-34,245	<b>-27,432</b>	7,314	-2,301	-18,673	<b>-13,660</b>
Net financial items			-3,654	<b>-3,654</b>			-3,612	<b>-3,612</b>
Result before taxes	9,798	-1,985	-37899	<b>-31,086</b>	7,314	-2,301	-22,285	<b>-17,272</b>

The segments are North America (“NA”) and Europe & RoW (“EURW”). 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 total Group level by management and the Board.

Sales in Sweden were SEK 0.7 million (0.6). The US market (part of NA) is the only market with sales more than 10% of the Group’s total sales. The Sales in the US market amounted to SEK 20.5 million (15.4) 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.

Product group (SEK 1000)	January – March 2017			January – March 2016		
	NA	EURW	Total	NA	EURW	Total

CERAMENT BVF	20,502	3,390	23,892	15,426	2,724	18,150
CERAMENT drug eluting <sup>1</sup>	-	8,562	8,562		5,100	5,100
<b>Total</b>	<b>20,502</b>	<b>11,952</b>	<b>32,454</b>	<b>15,426</b>	<b>7,824</b>	<b>23,250</b>

<sup>1/</sup> CERAMENT with drug eluting properties includes CERAMENT G and CERAMENT V.

## Note 7 Financial assets and liabilities

Fair value of the loan was SEK 101.4 million as per 31 March 2017. Book value was SEK 103.6 million (60.3). No fair value calculation was performed as per 31 March 2016.

Other financial assets and liabilities are current and fair values are assessed agree with values accounted for. All financial instruments are classified in hierarchy level 2.

## Note 8 Employee option programs

There are five different employee stock option programs and three different warrant programs. Each share option or warrant gives the holder the right to acquire one ordinary share of the company when exercising the option or warrant.

	No of options <sup>1/</sup>	WAEP <sup>2/</sup>	No of warrants	WAEP <sup>2/</sup>
Balance 1 Jan 2017	24,984,522	0.71	7,895,568	4.92
Granted in the period	360,000	5.30	1,250,000	5.30
Balance 31 Mar 2017	25,344,522	0.77	9,145,568	4.97

<sup>1/</sup> Not allocated options amounted to 376,280

<sup>2/</sup> Weighted Average Exercise Price (SEK)

The employee stock options are vested according to a schedule in each program. Of the allocated 24.6 million options at 1 January 2017, 14.8 million options were vested before 1 January 2017 and 0.7 million options were vested during the quarter. 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 on behalf of the shares issues are credited to equity.

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

## ABOUT BONESUPPORT

BONESUPPORT Holding AB (publ), reg id 556802-2171, is the parent company in the BONESUPPORT Group, where the operations is 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.<sup>1</sup> 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<sup>2</sup>, 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’s strategy going forward is focused on these key elements:**

- Driving the sales of current products CERAMENT BVF, CERAMENT G and CERAMENT V in existing and new markets. Generating further clinical data to highlight the compelling clinical and economic benefits that these products deliver, to complete the CERTiFy study and to conduct the FORTIFY study to support a planned PMA filing in the US for CERAMENT G.
- Building the Company’s product pipeline by capitalizing on the unique drug eluting properties of the CERAMENT platform to generate novel products that meet a clear unmet medical need by being both osteoconductive and osteoinductive.

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. [www.bonesupport.com](http://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.

*BONESUPPORT™ and CERAMENT™ are registered trademarks.*

<sup>1</sup> Based on the Company’s own figures.

<sup>2</sup> UK, Germany, Switzerland, Sweden, Norway and Denmark.