ANNUAL REPORT 2019

BONESUPPORT™

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

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

BONESUPPORT has its registered office in Sweden and is listed on Nasdaq Stockholm. Sales in 2019 totalled 155 SEKm (97) and the Company had 89 (72) employees.

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2019 IN BRIEF

IMPORTANT EVENTS

- Distribution rights for the former US distributor ceased at the end of May. The second quarter was thereby affected by a non comparability item of 11.0 SEKm with negative impact on the operating result. The item relates to repurchase of inventory items from the former distributor.
- A GPO (Group Purchasing Organization) contract was signed in the US with Kaiser Permanente and Healthtrust, with 690 medical offices and 1,600 hospitals.
- The Company announced that the period of patient recruitment for the ongoing FORTIFY study will be extended by 6-9 months against the original date.
- In conjunction with the EBJIS conference (EUROPEAN BONE AND JOINT INFECTION SOCIETY), an analysis was presented which showed that single-stage procedures with CERAMENT G or CERAMENT V at Nuffield Orthopaedic Hospital in the United Kingdom reduced the patient's stay in hospital at the time of surgery by an average of five days.
- BONESUPPORT announced in November that Fergus MacLeod joined the Company as General Manager & Executive Vice President Commercial Operations EUROW.
- The CERTiFy study has been published in Journal of Bone & Joint Surgery. Results showed that CERAMENT is as good as autograft.
- BONESUPPORT announced in December that Kristina Ingvar joins the Company as Executive Vice President Quality Management & Regulatory Affairs in February 2020.
- On January 31, 2020, the Company signed an agreement with Scandinavian Enskilda Banken (SEB) for a credit facility of up to 60 SEKm. The credit line is an overdraft facility with collateral in floating charges and terms and conditions that are in line with previously communicated growth targets, so called covenants.
- BONESUPPORT announced in March that the Company will submit a De Novo application to the US Food and Drug Administration (FDA) to obtain a market approval for the Company's antibiotic–releasing product CERAMENT G. The application is specified for the indication osteomyelitis (bone infection) and can potentially result in an approval at the end of 2020.

FINANCIAL RESULTS

155 SEKm

Net sales amounted to 155 SEKm (97), an increase of 61%. The EUROW segment increased by 40% and sales in North America increased by 99%.

-158 SEKm

Operating profit/loss amounted to -158 SEKm (-174), where sales growth mainly contributed positively with improved gross profit.

87 %

Gross margin amounted to 87% (84). The sales growth in North America and the strong growth in drug eluting products were contributory factors to the strong improvement in gross margin.

-3,10 SEK

Earnings per share before and after dilution were –3.10 SEK (-3.46).

The COVID-19 PANDEMIC

BONESUPPORT is closely following the outbreak and spread of Covid-19. The Group has taken proactive measures to reduce risks for employees and to ensure business continuity. BONESUPPORT estimates that the Covid-19 outbreak will have a financial impact on the company during the first half of 2020. As the development is unpredictable, it is not possible to predict impact on sales in 2020.

VISION

Becoming a global orthobiologics leader for the treatment of bone disorders

BONESUPPORT has developed CERAMENT, a unique synthetic and injectable bio-ceramic bone graft substitute that helps the bone heal in a natural way. CERAMENT resorbes and remodels into host bone, and has the ability to release drugs to protect and promote healing.

MISSION

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

STRATEGY

Innovation – BONESUPPORT markets innovative solutions for the treatment of bone injuries. To be able to continually improve the technology behind bone void filling, BONESUPPORT invested SEK 69 million in Research and Development during 2019.

Leading clinical and health economic evidence – To establish CERAMENT as a new standard of treatment, solid evidence is required regarding its advantages. During 2019, BONESUPPORT reported positive health economic evidence. In addition to this, the ground breaking CERTiFy study was published in the highly esteemed Journal of Bone & Joint Surgery. The study confirmed equivalence with existing treatment gold standards.

Effective commercial platform – BONESUPPORT's commercial and medical organization delivers health care with information, service and training. A large transition has occurred during 2019 in order to establish a new distributions structure in the US, to be able to give range within the target group.

CERAMENT
A paradigm shift in the treatment of bone injuries

"Our mission within BONESUPPORT is to ensure that patients who encounter bone injuries can access treatment with CERAMENT and regain full function and maintain their quality of life.

2019 was an exceptionally successful year for BONESUPPORT. The strategy we established in the autumn of 2018 has resulted in strong growth and improved commercial discipline. During the year we have set up our new distribution structure in the United States. We have strengthened our European sales organization and published both clinical and health economics data that validates the unique benefits of CERAMENT.

One of the cornerstones of our strategy is an effective commercial platform, and over the course of the year we have put a lot of effort into the new distribution structure in the U.S. We have gained a better control over marketing activities and can now establish ourselves both more broadly and deeper in states and in hospitals where our former distributor did not have access. The strong demand for CERAMENT in 2019 meant that we approached the previous sales record in the United States after accelerating sales during the year, despite the reorganizational changes. One of the success factors was securing a Group Purchasing Organization (GPO) contract. This important and prestigious contract is with Healthtrust, America's largest group purchasing organization representing more than 1,600 hospitals, was signed in September.

In the markets in Europe where we sell directly, our presence was strengthened by an expanded sales force and by the publications of a large number of clinical studies with positive results. This has accelerated the usage of our antibiotic-releasing products, the sales of which grew by 45 percent during the year. The segment Europe and the Rest of the World (EUROW) showed total sales of SEK 87 million for the year, which represented a growth of 40 percent compared to 2018.

UNIQUE TECHNOLOGY WITH OUTSTANDING CLINICAL EVIDENCE

CERAMENT is a unique technology that will cause the care of bone injuries to face a clear paradigm shift. In 2019, both new clinical and health economics evidence was presented, clearly validating the benefits of CERAMENT.

In spring 2019, Jahangir et al. published a study conducted with patients who had suffered very severe trauma with open tibia fracture as a consequence. These fractures have a very high risk of infection, up to 52%, and amputation risk, up to 16%. In the study, 51 patients were treated with CERAMENT G in a single-step procedure. The result was outstanding – no patient suffered an infection and only one patient needed an amputation.

In 2019, tissue samples and histological data were publicly presented for the first time, clearly showing that CERAMENT is converted into bone tissue and promotes natural healing.

In late 2019, the CERTiFy study was published in the highly regarded Journal of Bone & Joint Surgery America. The study showed that CERAMENT can replace autograft (autologous bone grafting) as standard of care for bone injuries. At a minimum, patients achieve equivalent or better treatment results, plus they avoid the negative effects associated with bone transplantation.

Data such as this enables us to communicate and visualize even more clearly to healthcare decision-makers how CERAMENT improves the lives of patients while simplifying the everyday surgical experience.

HEALTH ECONOMICS – A CRUCIAL FACTOR FOR HEALTHCARE POLICY-MAKERS

Today's health care system faces major challenges. Good clinical information is rarely enough when health care resources need to be prioritized – health economics and cost-effectiveness are therefore an integral part of BONESUPPORT's strategy. During the autumn, in conjunction with the European Bone and Joint Infection Society (EBJIS), it was shown among other things that single-step procedures with CERAMENT G or CERAMENT V, in the event of bone infection, reduced hospitalization by an average of 16 days per patient. In England, where the analysis was conducted, this could mean a saving in medical care costs of the equivalent of more than SEK 86,000 per patient treated, in relation to a hospital stay alone.

OUR CULTURE AND CLEAR VISION BUILD A STRONG TEAM

During the year, the work with our vision, our core values and our priorities has engaged all employees in the Company. We have also devoted efforts to ensure that we are all working towards the same goal, according to the same strategy. Our organization has been strengthened by this work and we have also successfully conducted a number of important strategic new hires.

THE COVID-19 PANDEMIC

The outbreak of Covid-19 is a global challenge that has had a significant impact on society since BONESUPPORT published its full-year report on February 26. The effects of the new coronavirus on society and human health are very worrying and our thoughts go to everyone affected. BONESUPPORT has implemented measures to protect its employees, take its social responsibility and at the same time minimize the negative impact on BONESUPPORT's operations.

Based on the current situation and current information, BONESUPPORT estimates that the outbreak of Covid-19 will have a financial impact on the company during the first half of 2020, mainly due to changed healthcare priorities, which means that planned operations are postponed and hence lower demand. As the development is unpredictable, it is not possible to predict impact on sales in 2020.

LOOKING AHEAD

During 2019, we have laid the foundation for the Company's continued development and growth. The updated strategy has already produced strong results, particularly in terms of our expanded reach in the U.S.

When the FORTIFY study is completed, by the end of 2021, we plan to submit an application for marketing approval for CERAMENT G in the United States. If everything goes as planned, which we anticipate it will, we expect a very large market potential to be opened up.

We are well on our way to establishing CERAMENT as standard of care in the event of bone injuries in a number of key markets. CERAMENT has the potential to replace autograft and other treatment options to a large extent, which can improve the lives of patients and reduce the future costs of treating bone injuries.

The change program and improvements promised in 2019 have been delivered.

I am very much looking forward to reporting to you further on our continuing journey.

Emil Billbäck
CEO

CERAMENT Effective and natural healing

CERAMENT is a synthetic bone graft substitute for the treatment of bone damage. The material has unique advantages in that it promotes bone regrowth, which means that CERAMENT is reabsorbed within six to twelve months and is replaced by the patient's own bone tissue. CERAMENT is injectable and visible on X-rays, which makes it ideal for minimally invasive surgery. CERAMENT is also available as a combination product with two different types of antibiotics: CERAMENT G (gentamicin) and CERAMENT V (vancomycin). The antibiotics are released locally for about 30 days and protect the healing bone from infection.

SKELETAL INJURIES THAT DO NOT INDEPENDENTLY HEAL BY THEMSELVES

There are a variety of situations where the natural healing of bone injuries is not successful. This can occur, for example, with complicated fractures (trauma), revision arthroplasty (replacement of joint prostheses), tumors or infection. This may be due to a lack of bone fragments or the surgeon's failure to remove dead or damaged bone tissue, resulting in the damage being too significant to heal naturally. Then this creates a cavity in the bone. A cavity that is not treated risks leading to severe complications. When healing does not work, a void occurs in the bone. Voids that are not treated can lead to severe complications. Traditionally, orthopedic surgeons have treated bone injuries that do not heal by themselves with the patient's own bone tissue, transplanted from another part of the bone structure, known as autograft, or via donated bone tissue, known as allograft.

TRADITIONAL TREATMENT STANDARD

Since autograft consists of the patient's own bone tissue, tolerance and healing are usually good. Autograft, however, requires an additional surgical procedure to be extracted (as a general rule, at the hip bone). The bone tissue available may also be limited in relation to the need. Each procedure uses up additional surgical resources from the health care system, increases the risk of infection which as a result risks leading to longer periods of medical care. Studies have shown that many patients experience restrictions in daily activities for up to six months after the procedure, as well as pain from the site of bone tissue for up to two years after the procedure. Allograft is affected by limited supply and quality, and as well poses a risk of transmission of viral diseases.

CERAMENT – A SYNTHETIC ALTERNATIVE WITH ESSENTIAL BENEFITS FOR THE PATIENT AND THE HEALTHCARE SYSTEM

CERAMENT is a synthetic bone graft substitute, therefor the need for an additional surgical procedure to harvest bone tissue is eliminated and there is no shortage of material. CERAMENT has been shown in a large clinical study to be a fully viable alternative to autograft. CERAMENT is reconstituted into endogenous bone, which means that the original void is replaced by the patient's own bone within six to twelve months. The significant advantages and benefits of CERAMENT include:

- More predictable results
- Easy to use
- The material has unlimited availability
- No need for donated bone tissue

CERAMENT WITH ANTIBIOTICS – WHEN THE RISK OF INFECTION ASSOCIATED WITH SKELETAL INJURIES IS HIGH

Chronic bone infection, open fractures associated with trauma, and revision arthroplasty are a few of the conditions that are strongly associated with the risk of (re) infection. Postoperative infection is not only associated with significant suffering for the individual, but also involves an extenisve use of resources and cost burden for society-at-large,[1] for example, the cost of infection associated with trauma is estimated to be between USD 61,000-151,000 per infection case. The combination products CERAMENT G and CERAMENT V means that it is possible to treat bone injuries with a high dose of local antibiotics at levels that inhibit bacterial growth and biofilm. Measurements of local concentration of antibiotics, for CERAMENT G and CERAMENT V, in the event of bone injuries and damage to related tissue, show that sufficiently high antibacterial levels are achieved for about one month without any systemic impact. Treatment with CERAMENT G and CERAMENT V has shown that reinfections associated with chronic bone infections have been drastically reduced, and that the presence of deep infections associated with open tibial fractures has been eliminated (refer to the Clinical Efficacy section). The possibility of having one single product that can both regenerate bones and at the same time simultaneously secrete high doses of local antibiotics over approx. 30 days has also opened up the possibility of using one-step surgery in the treatment of bone infections and open bone fractures.

THE CLEAR BENEFITS OF CERAMENT G AND CERAMENT V

- Predictable local antibiotic excretion
- Possibility to treat with a surgical one-step surgery
- Increased possibility of becoming infection-free
- Increased possibility of rapid bone healing

CERAMENT FREES UP MEDICAL CARE RESOURCES

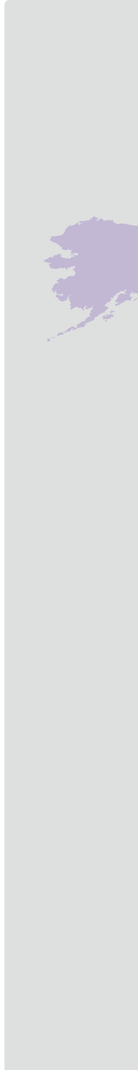
With an ageing and caring population, there are many challenges in health care. CERAMENT enables an effective treatment that has been shown to result in excellent clinical results plus also an overall reduction in healthcare costs. An analysis in England of more than 25,000 patients treated for bone injuries associated with bone infection found that patients treated with CERAMENT G or CERAMENT V had a total 16 days less of care in the hospital than patients treated with the standard of care. CERAMENT enables "one-step treatment" where bone injuries and infection are treated in one procedure, resulting in effective healing. This contributes to fewer days of care in hospitals and thus a benefit in terms of improved efficiency, effectiveness and value for the health care system. Since CERAMENT has been proven to be as effective as autograft in healing bone injuries, the need for an additional operation is eliminated, resulting in better utilization of resources concerning both surgical teams and operating rooms.

1 E M Schwartz et al. 2018 International Consensus Meeting on Musculoskeletal Infection: Research Priorities from the General Assembly Questions, Volume 37, Issue 5 Pages: 991-1201 May 201

At the time of surgery, CERAMENT can be administered in injectable form so that the contours of the bone fracture are effectively filled out in an effective manner or are applied in a slightly firmer form that makes it possible for the orthopedic surgeon to modulate the CERAMENT into the desired shape.

STRENGTHENED COMMERCIAL PLATFORM

During the year, we have strengthened our European sales organization, while establishing and fine-tuning our new distribution structure in the important American market.



EXPANDED SALES FORCE IN EUROPE

In our direct markets in Europe, our market presence was strengthened by expanding our sales force and by the publications of a large number of clinical studies where our products showed positive results. This has accelerated the use of our antibiotic-releasing products, which grew by 45 percent during the year. The segment Europe and the Rest of the World (EUROW) showed total sales of SEK 87 million (62) for the year, which represented a growth of 40 percent compared to 2018.

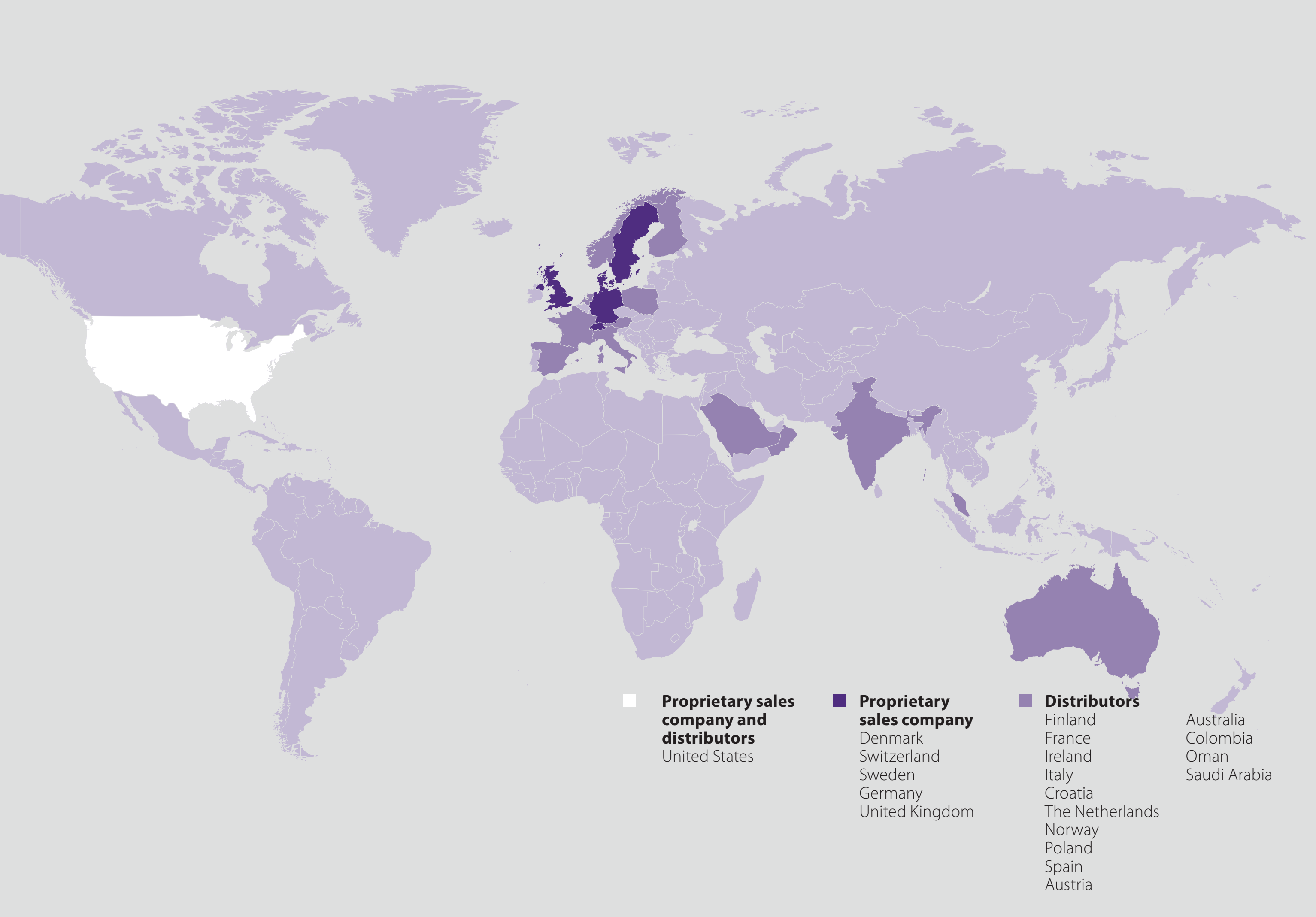
We have strengthened our market presence in selected markets and published both clinical and health economics data that validates the unique benefits of CERAMENT.

In Europe, CERAMENT is sold by the Company's own sales organization as well as by distributors. Germany, United Kingdom, Switzerland, Sweden and Denmark are key markets where BONESUPPORT has its own salespersons. In 2019, the Company's sales organization gradually expanded, now reaching 25 (22) employees at the end of the year. The focus is on using the results of the CERTiFy study to increase the usage of CERAMENT. In the other eight European markets and in other parts of the world (ROW), the Company works together with specialist distributors.

40% growth in EUROW

99% growth in North America

Total growth of 61 percent driven by the reorganization in the United States and strong growth for the products with antibiotic properties in Europe.



A SUCCESSFUL TRANSITION TO A NEW DISTRIBUTION STRUCTURE IN THE UNITED STATES

During the year, we have put a lot of effort into establishing and fine-tuning the new distribution structure in the United States. Via our new distribution structure, we have gained better control over market processing and can now establish ourselves both more broadly and with greater depth in states and in hospitals where our previous distributor did not have access. One of the success factors was the focused efforts to secure a Group Purchasing Organization contract. The important and prestigious contract with Healthtrust, the largest purchasing organization in the U.S. representing more than 1,600 hospitals, was signed in September.

At the end of the year, our commercial organization in the United States had 24 employees and 40 contracted distributors.

CERAMENT BVF is the product currently being marketed in the United States. The FORTIFY study, conducted on open tibia fractures, is expected to pave the way for the Company's planned application in 2021 for registration for CERAMENT G.

THE GLOBAL MARKET FOR BONE GRAFT AMOUNTS TO USD 3 BILLION

Orthopedic diseases and injuries are the second most common cause of physical impairments or disability. The demographic structure is a significant factor in increasing needs for the treatment of musculoskeletal disorders:

- an increasingly aging population leads to an increase in the incidence of osteoporosis and osteoarthritis, as well as
- an increased desire to remain active for a longer period along with increased sports activity.

Bone has the capability to heal completely, without leaving any traces of injury. However, bone damage that leads to voids and bone defects may occur when the damage to the bone is too significant to heal spontaneously or when the natural healing process is inhibited, for instance in the event of infection. The most common underlying causes of voids in bone and bone defects are complicated fractures (trauma), revision arthroplasty (replacement of joint prostheses), bone infection or benign bone tumors. The global market for the treatment of bone cavities as a result of bone injuries is estimated at USD 3 billion. The part of the market that BONESUPPORT focuses on today, and where there is so far strong clinical evidence of CERAMENT's benefits, amounts to USD 580 million (in the U.S. and the five largest European markets), equivalent to approximately 650,000 surgical procedures per year. The obvious benefits of synthetic bone grafts mean that the use of these will grow steadily, at the expense of autograft and allograft. BONESUPPORT's CERAMENT products are synthetic bone grafts and are unique in via their ability to be transformed into bone within 6-12 months and, in the case of CERAMENT G and CERAMENT V, to release antibiotics as part of treating and preventing bone infections to promote the bone healing process.

THE TOTAL GLOBAL VALUE OF THE MARKET FOR BONE GRAFT PROCEDURES AMOUNTS TO USD 3.0 BILLION[2]

The annual growth amounts to 5%[3]

The five largest European markets plus the US: approx. 650,000 surgical procedures per year[1] (excl. autograft), which corresponds to USD 580 million.

USD 580 million

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

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

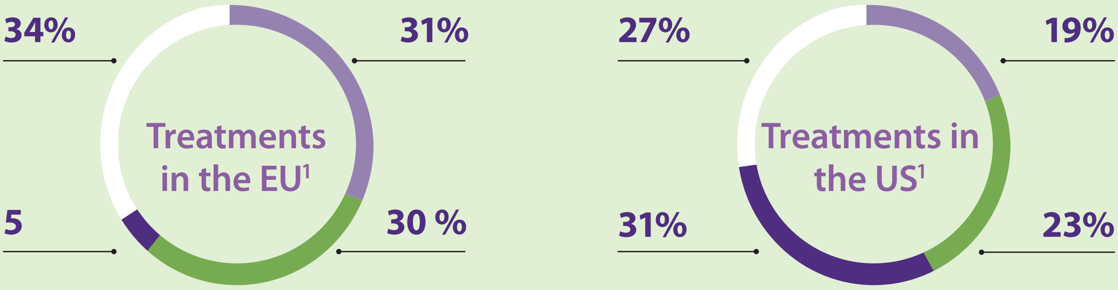
[1] APEX HC US/EU Quantitative Market Research
[2] BONESUPPORT market sizing calculation
[3] Market Value Source: AMR & SMR Market Outlook Reports based on 2015 sales estimates Reference

A MARKET IN A CONSTANT STATE OF CHANGE

In the five largest European markets plus the United States, some 650,000 surgical procedures are performed each year (excl. autograft)

Organic bone graft (excl. DBM) represents 42-61%, compared with synthetic bone graft substitutes which represent 27-34% of the procedures performed

- **Autograft**
- **Allograft**
- **Demineralized bone matrix (DBM)**
- **Synthetic BVF graft substitute**

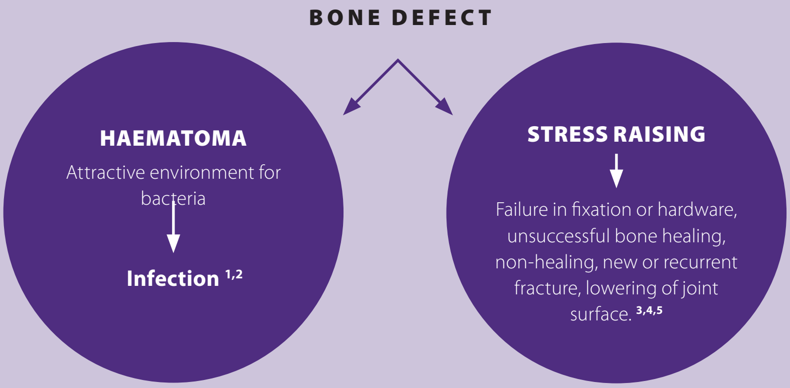


Synthetic bone graft substitutes are the fastest growing segment, due to its advantages over autograft and allograft.

1 Overall assessment based on market data

A VOID IN THE BONE AS A CONSEQUENCE OF BONE INJURIES MUST BE TREATED

to optimize the results, support the bone's healing, and reduce the risk of infection.



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

CLINICAL EVIDENCE

One of the three cornerstones of BONESUPPORT's strategy is to deliver compelling scientific and clinical evidence that validates the many benefits of CERAMENT. Already today there is an extensive database of more than 160 research publications and abstracts of preclinical and clinical studies with CERAMENT. During the year, a number of very convincing studies have been published that will play a very significant role in establishing CERAMENT as a standard for the treatment of bone injuries. Regarding future clinical data, we have very high expectations of the FORTIFY and SOLARIO studies.

Convincing data from the CERTiFy study published during the year

The results of the CERTiFy study are expected to change the standard of care. In December, the results of the groundbreaking CERTiFy study were published in the highly respected Journal of Bone & Joint Surgery, American volume. CERTiFy is a randomized controlled trial conducted at 20 trauma centers in Germany involving a total of 135 patients.

The clinical trial, conducted on tibial plateau fractures, shows that CERAMENT BVF can be a viable treatment alternative to autograft. The study confirmed that CERAMENT has the capability to be transformed into bone. In addition, treatment with CERAMENT BVF led to significantly lower patient-perceived postoperative pain and significantly reduced blood loss. We expect that the results of the study will motivate a change in the standard of care, and that more and more clinicians will choose, in consultation with the patient, CERAMENT over autograft.

Additional positive data concerning CERAMENT's bone reproducing capability were published by Hettwer et al[1]. The bone healing process over time was documented in detail in the study. Using a large-animal model and a combination of different imaging methods such as smooth X-ray, µCT, magnetic resonance imaging and histology, the study examined the capability of CERAMENT to influence bone healing and to interact with the host bone. The histological evaluation confirmed the resorption of CERAMENT and the regeneration of the trabecular (cancellous) bone in the periphery of the void after only three months.

For the first time ever, detailed histological clinical data was also published showing active bone regeneration. J. Ferguson et al, of The Nuffield Orthopaedic Centre – Oxford University was able histologically and via long-term radiological follow-up, to detect active bone formation in patients treated with CERAMENT.

CERAMENT with antibiotics reduces the risk of (re)infection and amputation

In Ferguson et al, earlier data from McNally et al relating to the positive impact of CERAMENT G and CERAMENT V was further confirmed in enabling one-step procedures in the treatment of patients with bone infection. The favorable antibiotic release from CERAMENT G and CERAMENT V, together with effective bone regeneration, has been shown to be of great importance in patient groups where intractable problems in the form of recurrent infections and fractures can otherwise be expected, (see the additional significance with one-step procedures in the Health Economics section).

A prospective study by N. Jahangir et al[2]. Published in the Journal of Orthopeadics shows that CERAMENT G is also very useful in the treatment of severe open bone fractures. Of the 51 patients treated in single-step treatment with CERAMENT G in the study, none developed an infection (i.e. 0% infection rate against the literature reference rate of as high as 52%). The amputation rate was only 1.9 percent compared to the 16 percent literature reference. These are striking results that show the benefits and the significant potential that CERAMENT has in the trauma treatment segment.

Future efficacy – ongoing clinical studies

The **FORTIFY study** evaluates the capability of CERAMENT G to reduce the risk of bone infections and thus improve the treatment outcome of patients with open fractures due to a trauma. That the fracture is "open" means that the skin has been penetrated in conjunction with the trauma. These fractures run a high risk of infection, with inadequate bone healing as a result. The primary effects to be measured in the study include the absence of deep infection at the fracture site, eliminated need for additional surgical procedures to promote healing and patient-reported improvement. The clinical trial will include up to 230 patients at clinics in the United States and Europe. Data from the FORTIFY study will be used to support a planned pre-market approval (PMA) application at the FDA, which is expected to take place by the end of 2021.

BONESUPPORT is investing in the **SOLARIO-study** (Short or Long Antibiotic Regimes in Orthopaedic), a randomized open-label European multicenter study, aimed at investigating whether synthetic bone graft substitutes with antibiotics may lead to shorter treatment times compared with today's treatment standards, which include long treatment periods with the administration of oral and/or intravenous antibiotics. A successful outcome would be able to reduce the risks associated with antibiotic resistance, result in fewer side effects, plus lower the costs. The study is led by Oxford University Hospitals NHS Foundation Trust in collaboration with the European Bone and Joint Infection Society. The first patient was recruited in February 2019 and the study is expected to be concluded in the first half of 2022; a total of approximately 500 patients will be recruited to the study. If the study shows a positive outcome, this will contribute to a paradigm shift in the treatment of bone infections.

The French CRIOAc healthcare network[3] has initiated the **CONVICTION** study, a randomized controlled trial to evaluate the effectiveness of CERAMENT G in the treatment of chronic osteomyelitis (chronic bone infection). The French Ministry of Social Affairs and Health has made the decision to finance the study via awarding a research grant, and with BONESUPPORT contributing by partially financing the cost of the products used in the study.

The study is a national multicenter study and will be conducted by clinicians included in the CRIOAc Network.

A positive outcome from the study would open significant commercial possibilities in the French market and provide the opportunity to acquire an improved reimbursement status.

1 Hettwer et al. APMIS Journal of Pathology, Microbiology and Immunology https://onlinelibrary.wiley.com/doi/10.1111/apm.12918). 3. J. Fergusson et al. "Radiographic and Histological Analysis of a Synthetic Bone Graft Substitute Eluting Gentamicin in the Treatment of Chronic Osteomyelitis," published in the Journal of Bone and Joint Infection (JBJI 2019; 4(2): 76-84). (http://www.jbji.net/v04p0076.pdf)

2 N. Jahangir et al, Journal of Orthopaedics 16 (2019) 278–282 The use of adjuvant local antibiotic hydroxyapatite bio-composite in the management of open Gustilo Anderson type IIIB fractures.. A prospective review

3 CRIOAc (Regional Referral Center for Bone and Joint Infection,) is a healthcare network in France implemented via a nationwide health ministry program to improve outcomes in the management of bone and joint infection

RESEARCH AND DEVELOPMENT

BONESUPPORT's clinical development program focuses on further developing CERAMENT's characteristics, broadening clinical application areas, plus utilizing CERAMENT's unique drug-releasing properties via the development of combination products which promote bone healing. Already a number of combinations with CERAMENT have been studied to supply osteoinductive properties, i.e. the capability to actively stimulate bone healing. Among other research activities, the Company has conducted research in the form of preclinical candidates which combined CERAMENT with bisphosphonate, bone morphogenic proteins (BMP), and demineralized bone matrix (DBM). A very careful evaluation of market potential, clinical benefits, therapeutic innovation and preclinical results has produced the following categorization:

Priority product candidates for in-house development:

- CERAMENT with bisphosphonate
- CERAMENT with DBM

Product candidates for potential development in conjunction with a partner:

- CERAMENT with BMP

Bisphosphonate is a well-established substance in the treatment of osteoporosis (bone fragility). Bisphosphonate is used to limit the activity of osteoclasts (cells that break down bone tissue), resulting in improved bone healing and bone density via potentiation of osteoblasts (which play an important role in bone formation). CERAMENT with bisphosphonate has the potential to provide a very significant additional therapeutic dimension in the treatment of intractable bone injuries or fractures induced by low bone density. Demineralized bone matrix (DBM), a bone substitute biomaterial, is based on allograft which is reduced in minerals. The material has been shown to have wide usage in conditions and situations where there is weak natural bone regrowth. The total market for DBM amounts to USD 250 million, of which the market in the United States constitutes USD 80 million. Combining CERAMENT with DBM would very likely create a product with both osteoconductive and osteoinductive properties, which entails a therapeutic innovation with unique benefits in the treatment of intractable bone injuries, particularly in the trauma segment.

HEALTH ECONOMICS

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

HEALTH ECONOMICS ANALYSIS AT NUFFIELD ORTHOPAEDIC CENTRE

One example is a health economics analysis conducted by BONESUPPORT in collaboration with the Nuffield Orthopaedic Centre affiliated with the University of Oxford to investigate how the previously published positive clinical results can be transformed into benefits for patients and improved efficiency, effectiveness and value for the health care system. When CERAMENT G was introduced in England in 2013, the Nuffield Orthopaedic Centre was one of the first clinics to implement CERAMENT G in its treatment algorithm. The Nuffield Orthopaedic Centre is one of the leading clinics in Europe in the field of orthopedics and the treatment of bone infections. In 2016, Professor Martin McNally presented the clinical results of his first 100 osteomyelitis patients treated with one-step surgery and CERAMENT G.

IMPRESSIVE REDUCTION OF REINFECTIONS

The results showed a 56% reduction in reinfection rates compared with published results from previous therapies. The positive experience with CERAMENT led to a joint project between BONESUPPORT and the Nuffield Orthopaedic Centre to study the benefits in terms of improved efficiency, effectiveness and value for the health care system from the positive clinical results. The study is based on data from the official statistics database for healthcare in England, NHS Hospital Episode Statistics (HES). The database shows the complete medical care history and treatment costs for each patient. An analysis was made of all patients who underwent surgical treatment for bone infection in 2013-2017 (over 25,000 patients). Patients were followed prior to and two years after surgical treatment. The analysis compared the patients treated at Nuffield after the introduction of CERAMENT G or CERAMENT V in one-step procedures with all patients receiving medical care at other hospitals in England.

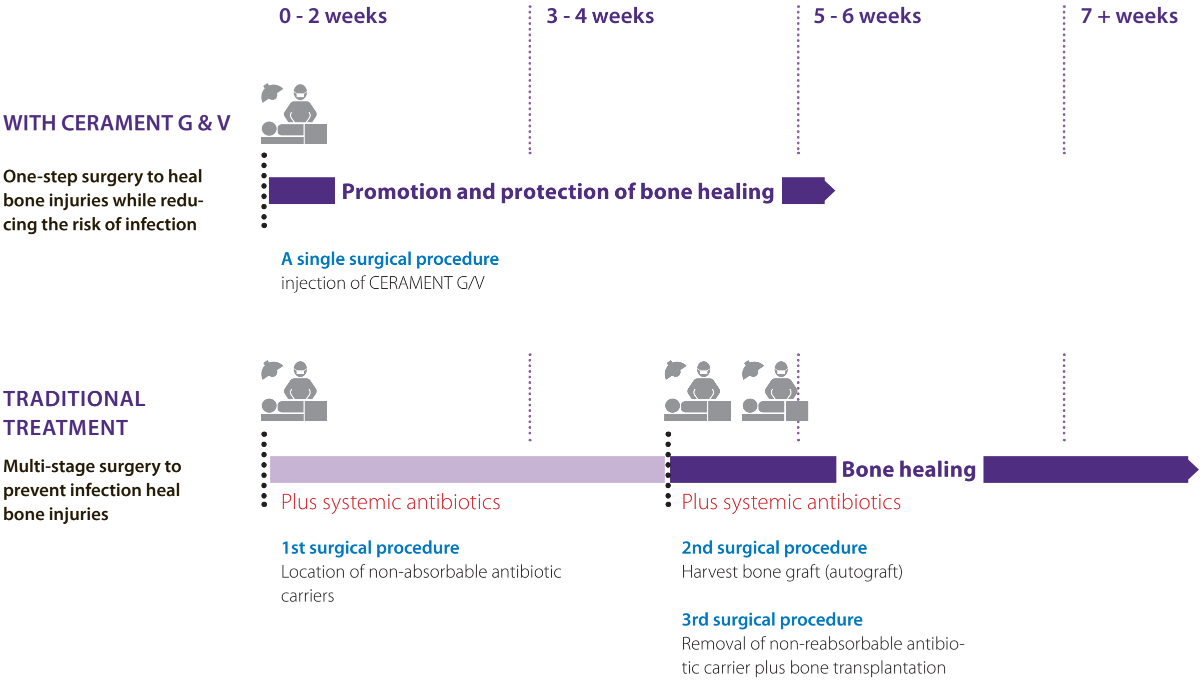
VERY PROMISING PRELIMINARY RESULTS

In September, the first preliminary results of the study were presented at the European Bone and Joint Infection Society. The data showed that hospitalization associated with osteomyelitis surgery was reduced by one-third – an average of five days per patient – which for the patient meant earlier discharge and return home, a cost savings, and for the health and medical care system the freeing-up of hospital beds. The data presented at EBJIS also showed that patients treated at the Nuffield Orthopaedic Centre had, on average, 11 days shorter hospitalization in the following two years after surgery.

SIGNIFICANT BENEFITS IN TERMS OF HEALTH ECONOMICS

The average daily cost of care per patient at a hospital in England is GBP 437. These preliminary data show significant benefits in terms of health economics with one-step surgery with CERAMENT G or CERAMENT V in the treatment of osteomyelitis. The total saving in the number of days of care associated with surgery and subsequent medical care alone could amount to approximately GBP 44 million annually, calculated on the basis of 6,250 patients treated per year. Publication of the study awaits final and conclusive results.

CERAMENT G and CERAMENT V - PROVIDES MORE COST-EFFECTIVE MEDICAL CARE WITH FEWER SURGICAL PROCEDURES AND SHORTER PERIOD OF HOSPITALIZATION



INTERVIEW

Associate Fellowship Director, Andrew J. Wassef, M.D.

Los Angeles Orthopaedic Institute is dedicated to preserving the patients' own knees, shoulders, and hips by using minimally invasive and cartilage sparing procedures whenever possible. The goal is to avoid full knee, shoulder, and hip replacement surgery, and to return each patient to a healthy, active lifestyle with less pain and scarring, and faster rehabilitation and recovery. The institutes Associate Fellowship Director, Andrew J. Wassef, M.D., has been using CERAMENT in his practice for a number of years.

It's a gray and rainy afternoon in Sweden and a sunny morning in California, when we call Doctor Wassef to talk about the role CERAMENT plays in revision surgery at the Los Angeles Orthopaedic Institute.

When/how did you first come in contact with CERAMENT?
"I first started using CERAMENT during my Fellowship Training here at Los Angeles Orthopaedic Institute in 2012. We saw excellent results in hip revisions, and I was especially impressed by CERAMENT's ability to fill and stabilize large voids."

What convinced you to add CERAMENT to your treatment algorithm?
"CERAMENT has two main advantages that combined makes it a very useful product. Firstly, the bone regeneration is excellent as the substance over time transforms to natural bone. Secondly, the product is both versatile and easy to use. You can use it in an almost liquid state to make sure it fully penetrates the void, but you can also let it harden somewhat to become moldable when that is required to get the best possible outcome."

Dr Wassef continues. "Actually, CERAMENT offers a third benefit due to its radiographic qualities. To be able to see the result of our procedures on X-ray and follow how CEREMENT facilitates the progressive reformation of natural bone over time is a huge benefit."

In what situations/indications is CERAMENT a natural choice and why?
"We primarily use CERAMENT in hip revision surgery where you typically have to manage large voids, and where the moldable qualities of CERAMENT are especially useful. You pack it into the femur with the knowledge that it will stay exactly where you want it."

What benefits does CERAMENT offer from a patient perspective?
"The obvious benefit is of course the outcome of the procedure. CERAMENT provides the initial stability you need, and over time it transforms into natural bone. CERAMENT really helps the body to perform at its best without using any foreign or dangerous substances. Through X-rays, my patients and I are able to follow the formation of bone. This is very satisfying for both of us."

Are there any other areas where you would consider using CERAMENT in the future?
"I know that BONESUPPORT has developed a CERAMENT application with antibiotics, CERAMENT G. I think this will be very useful for us when treating patients with bone infections once it is approved by the FDA. It will probably also play a role in orthopaedic trauma surgery where the risk of infections is imminent. CERAMENT G could also play a positive role in Antibiotics Stewardship as it has the potential of reducing the use of systemic antibiotics treatment."

Do you see any specific challenges working with CERAMENT?
"The only real challenge I see is training for the surgeon. To be able to take full advantage of CERAMENT you need to understand when you want to apply a more liquid form of the product and when you want it to be moldable. This requires some experience, but once you've learned how to do it, you don't experience any problems."

CERAMENT G AND MULTI-DISCIPLINARY TEAMS CRUCIAL TO SUCCESSFUL TREATMENTS

INTERVIEW

Orthopedist Hans Gottlieb, Herlev Hospital in Copenhagen

Many patients with bone infections are treated at Herlev Hospital in Copenhagen. "The antibiotic release product CERAMENT G and close collaboration between a number of professions have led to fewer amputations," observes orthopedic surgeon Hans Gottlieb.

It's lunchtime at Herlev Hospital, about 5 miles northwest of central Copenhagen. Dr Gottlieb has just finished a group meeting discussing the patients at the clinic for Joint and Bone Surgery, where he is the Chief Physician.

The group meeting, which is held once a week, is part of the new approach with multi-disciplinary teams, where cooperative efforts between orthopedic surgeons, infectious disease doctors and plastic surgeons is crucial.

"Actually, we have been holding these meetings for a long time; the difference now is that more doctors with a wider range of specialists are involved. We also have set aside more time for each patient," notes Dr Gottlieb.

The process of change began about four years ago when Dr Gottlieb was newly appointed as division manager. At that time, a standard method for treating bone infections had not been established. There was a shifting between surgical techniques and treatment methods, depending upon the treating physician.

"Unfortunately, it looks much the same throughout Denmark. I think an important explanation is that infection surgery is not a specialty of its own here."

In the search for an effective "golden standard," the focus was on the Nuffield Orthopaedic Centre in Oxford, where very good results have been obtained for this particular patient group.

"I've visited there twice since then and learned how they work together around patients throughout the medical care chain, from the operating room to discharge."

The clinic in Oxford has extensive experience with CERAMENT G.

"The elegant thing with CERAMENT G in particular is that it contains antibiotics, which means that we only need to operate on the patient one time."

Experience at Oxford shows that close cooperative efforts between orthopaedics and plastic surgeons in the operating room is required for CERAMENT G to function optimally.

"We have learned new techniques that reduce the risk of leakage. One could say that we make better use of each other's skills," explains Dr Gottlieb.

He explains that it is among other things about how to release and attach the muscle that covers the injury in the bone, which is then filled with CERAMENT G.

In Oxford, the plastic surgeons, orthopedic surgeons and infectious disease doctors are part of the same clinic. In Denmark, they are still organized in separate units, however a "transboundary," or interdisciplinary team with about ten doctors with a special interest in the patient group has been established.

In addition to the cooperative efforts in the operating room and weekly group meetings, there are regular joint rounds and visiting patients.

Infectious disease doctors provide expertise in bacterial findings and antibiotic treatment.

The success has also been the efforts of nurses. Among other activities, they run a wound clinic and conduct their own project concerning antibiotic treatment, based on a clinical trial from Oxford.

"This means that our patients have experienced a shorter duration of treatment with antibiotics directly in their blood," explains Dr Gottlieb.

Since 2016, more than 300 patients have been treated with CERAMENT G under the new working procedures. Herlev Hospital is the only hospital in Denmark where a database has been built-up, which makes it easier to evaluate the treatment. Due to that previously there has been a lack of aggregated data, it was difficult to make comparisons.

"But what we can say with certainty right now so far is that we have fewer amputations."

He explains that this relates primarily to patients who also suffer from other illnesses and disorders, such as diabetes. A high proportion of patients who were previously considered impossible to cure also have a diagnosis of psychological issues and often substance abuse problems.

"This is a vulnerable group of patients that we are talking about now, and that in many cases we may now be able to cure. It feels extra motivating," concludes Dr Gottlieb.

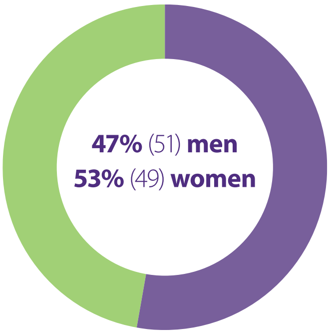
OUR EMPLOYEES AND OUR CORPORATE CULTURE

The cultural work we commenced in 2018 has continued throughout the year. We have focused on living our core values, our culture, in our everyday work. We have integrated our core values in our work, in our cooperative efforts with each other, and with others. Our core values have contributed to enabling us perform our jobs in the manner we believe to be best.

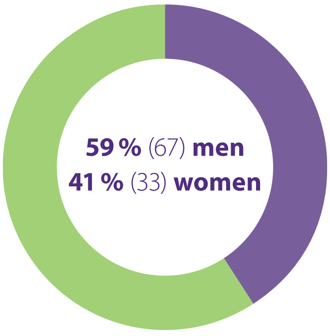
Together with a structured way to break down the Company's strategy into target areas that form the basis of each team's and employees' goals, we have reinforced the common thread for all of us. We have also linked our ambitions related to cultural development with our business goals. During the year we have made it increasingly clear that what each of us is going to achieve, deliver, is absolutely essential, however not the only thing we will be focusing on. We also attach significant importance to how everyone chooses to carry out their work and act vis-à-vis their surroundings.

During the year, we improved our recruitment methodology so that it will become increasingly robust and stringent. We have increased the use of tools that support the selection work, as well as continued in-service training and development after the candidate commenced working with us. Relevant managers and colleagues, as well as the HR Department, are involved in the specific recruitment processes so as to ensure that we provide the candidates the preconditions and possibility to determine if they would like to work for the Company. In addition, we have the possibility to find the candidate who strengthens our Company in terms of skills and expertise and culturally, complements us who already work here, and also contributes to the already good diversity. We will continue to be an organization with diversity in terms of age, gender, ethnicity and seniority at the Company, while at the same time we want each new employee to contribute to the development of our culture. The balance between diversity and the desired culture creates a productive dynamic.

Teamwork
Passion
Innovation
Performance



Employees



Other members of senior management

Strengthening the leadership has been an important ambition during the year. By that we mean the personal leadership everyone exercises in their work regardless of the role as well as the leadership that human resources managers exercise. We have been brave and mature enough to change and improve leadership. During the year, HR managers have strengthened their leadership skills in general by investing in leadership training. The managers' skills and expertise in occupational health and safety issues has also been strengthened, in order to contribute to a sustainable working environment. During the year we have focused on both the physical and social working environment, in order to ensure that we have a working environment that is both safe and functional, while creating energy and facilitating the emergence of useful ideas and innovation.

GOALS

Considering that cultural development takes place over time, we continue to work as hard as we do with our cultural efforts. During the coming year we will engage all teams to ensure that we strengthen our ability to live our core values also increase the efficiency of the teams.

A cultural focus, if anything is to be highlighted before the other, is cooperative efforts and working together. Cooperative efforts within and across unit/vocational boundaries, within and between teams and geographies, is vital in order to grow as an organization, to achieve even better results, and to reach our common goals.

We are in a highly regulated rules-based industry. We will continue to be uncompromising on procedures and methods, in order to ensure patient and product safety as well as quality, however we will also, in a step towards becoming more efficient, simplifying and digitizing where possible.

We at BONESUPPORT have a strong passion for our products and thus an ambition to offer people with bone injuries an increased quality of life. We want to increase the use of our products and thus make the Company successful. Our goal is to significantly increase the use of our products for the benefit of patients, the healthcare system, and the society-at-large.

DIRECTORS' REPORT AND FINANCIAL REPORTS 2019

DIRECTORS' REPORT

THE GROUP

GENERAL INFORMATION

BONESUPPORT HOLDING AB (publ), reg id. 556802-2171, with registered office in Lund, is the Parent Company of BONESUPPORT AB. BONESUPPORT is a fast growing orthobiologics company in the commercial phase that targets the major orthopedic markets in the US and Europe. BONESUPPORT was founded in 1999 and has its registered office in Lund with wholly owned subsidiaries in the US, UK, Germany, Sweden, Denmark, Switzerland, Spain, the Netherlands and a branch in France.

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

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

All three products are marketed in several markets in Europe and in the rest of the world, but in the US, so far, only CERAMENT BVF has received FDA clearance for use. As support for the application to the FDA, a clinical study is being undertaken, the FORTIFY study. This study is expected to be concluded towards the end of 2021.

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

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

The products are based on an innovative technology that is protected by a patent portfolio of approximately 100 registered patents or submitted applications. BONESUPPORT has thirteen years of documented experience of safety and efficacy and, based on sales data, estimates that more than 40,000 treatments have been performed with its products worldwide. There is a great market potential in trauma, chronic osteomyelitis, revision arthroplasty, bone tumors and diabetic foot infections. The Company's research focuses on continuing to further develop and refine the current technology and extend it to further indications by the release of other drugs.

FIVE YEAR OVERVIEW - GROUP

	2019	2018	2017	2016	2015
Net Sales, SEKm	155.5	96.6	129.3	104.6	61.8
Net Sales growth, %	60.9	-25.3	23.6	69.3	50.7
Gross profit, SEKm	135.9	81.5	112.4	88.3	52.2
Gross margin, %	87.4	84.3	87.0	84.4	84.6
Operating result, SEKm	-158.1	-174.4	-99.3	-88.7	-53.9
Net loss, SEKm	-161.1	-176.4	-128.9	-110.2	-59.6
Equity, SEKm	124.3	278.5	450.8	34.3	20.3
Net debt, SEKm	-92.1	-261.5	-434.7	-31.8	-6.0
Operating cash flow, SEKm	-164.1	-171.6	-107.5	-81.9	-65.3
Cash at year end, SEKm	92.1	261.5	533.4	141.5	68.9
Earnings per share, SEK	-3.10	-3.46	-3.24	-4.26*	-0.51**
Average number of employees	78	72	57	46	31
Net sales per employee, SEKt	1,993	1,342	2,268	2,274	1,992

* Adjusted for consolidation of shares (5:1)
** Not adjusted for consolidation of shares
Definitions and calculations of Alternative Performance Measures, see page 77.

SIGNIFICANT EVENTS IN 2019

- Distribution rights for the former US distributor ceased at the end of May. The second quarter was thereby affected by a non comparability item of 11.0 SEKm with negative impact on the operating result. The item relates to repurchase of inventory items from the former distributor.
- A GPO (Group Purchasing Organization) contract was signed in the US with Kaiser Permanente and Healthtrust, with 690 medical offices and 1,600 hospitals.
- The Company announced that the period of patient recruitment for the ongoing FORTIFY study will be extended by 6-9 months against the original date.
- In conjunction with EBJIS (EUROPEAN BONE AND JOINT INFECTION SOCIETY), an analysis was presented which showed that single-stage procedures with CERAMENT G or CERAMENT V at Nuffield Orthopaedic Hospital in the United Kingdom reduced the patient's stay in hospital at the time of surgery by an average of five days.
- BONESUPPORT announced in November that Fergus MacLeod joined the Company as General Manager & Executive Vice President Commercial Operations EUROW.
- The CERTiFy study has been published in Journal of Bone & Joint Surgery. Results showed that CERAMENT is is as good as autograft.
- BONESUPPORT announced in December that Kristina Ingvar joins the Company as Executive Vice President Quality Management & Regulatory Affairs in February 2020.

THE COVID-19 PANDEMIC

The outbreak of Covid-19 is a global challenge that has had a significant impact on society since BONESUPPORT published its full-year report on February 26. The effects of the new coronavirus on society and human health are very worrying and our thoughts go to everyone affected. BONESUPPORT has implemented measures to protect its employees, take its social responsibility and at the same time minimize the negative impact on BONESUPPORT's operations.

Based on the current situation and current information, BONESUPPORT estimates that the outbreak of Covid-19 will have a financial impact on the Company during the first half of 2020, mainly due to changed healthcare priorities, which means that planned operations are postponed and hence lower demand. As the development is unpredictable, it is not possible to predict impact on sales in 2020.

EVENTS AFTER THE CLOSING DAY

For other events after the closing day, see Note 29.

REVENUES

Revenue is generated through three different channels:

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

In 2019, the focus was on the continued development of the investments in a new distribution structure in the US and on the strengthened sales force in Europe, that were made during 2018. During the year, there has been ongoing evaluation of contracted distributors in aim to optimize the market presence for CERAMENT. This has entailed replacements but also a certain increase in the number of distributors. In Europe, the recruitment process continued and the last recruitments in Germany were made towards the end of 2019.

Revenues amounted to 155.5 SEKm (96.6), an increase of 61 percent. The EUROW segment increased with 40 percent to 87.4 SEKm (62.5) and NA increased with 99 percent to 68.0 SEKm (34.1).

SALES AND MARKETING

In the US, CERAMENT BVF is distributed through BONESUPPORT's new distributor network, which at the end of the year included 40 (38) distributors who are supported through our platform by our directly employed and specially trained American sales and marketing organization. At the end of the year, the commercial organization in the US consisted to 24 (21) employees.

In Europe, BONESUPPORT currently has direct sales with 27 (25) directly employed sales representatives in the UK, Germany, Switzerland, Sweden and Denmark. BONESUPPORT sells through distributors in Finland, France, Ireland, Italy, Croatia, the Netherlands, Norway, Poland, Spain and Austria. BONESUPPORT also sells through distributors in some countries outside North America and Europe and has retained the rights to sell to other countries in the rest of the world.

RESEARCH AND DEVELOPMENT

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

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

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

In December, the **CERTiFy** study was published in the highly esteemed JB&JS Journal of Bone & Joint Surgery. CERTiFy is a randomized controlled trial conducted at 20 trauma centers in Germany with 135 patients. The study, which was done on tibia plateau fractures, shows that CERAMENT BVF can replace autograft as standard of care. The study confirmed that CERAMENT has the ability to be converted to bone. In addition, treatment with CERAMENT BVF resulted in significantly lower patient-experienced post-operative pain and a significantly lower blood loss.

BONESUPPORT invests in a study called the **SOLARIO** (Short or Long Antibiotic Regimes in Orthopaedic) study to investigate whether synthetic bone graft substitutes containing antibiotics can lead to shorter treatment times compared to systemic antibiotics and thus reduce the risk of antibiotic resistance, side effects and costs. The study is led by Oxford University Hospital's NHS Foundation Trust in collaboration with the European Bone and Joint Infection Society (EBJIS). The SOLARIO study is a randomized, open European multicenter study involving 500 patients. The first patient was recruited in February 2019 and is expected to be completed during the first half of 2022. A positive result of the study may mean a paradigm shift for the treatment of bone infections.

The French CRIOAc Network has initiated **CONVICTION**, a randomized controlled study to evaluate the efficacy of CERAMENT G in the treatment of osteomyelitis (chronic bone infection). The French Ministry of Health has decided to finance the study with a research grant from BONESUPPORT to partially finance the products used in the study. The study will evaluate the effectiveness of CERAMENT G in the treatment of osteomyelitis. The study is a national multicenter study and will be conducted by clinics that are part of the CRIOAc network. A positive outcome of the study would mean that a large commercial opportunity opens up in the French market and that improved compensation status is obtained.

PERSONNEL AND ORGANIZATION

During 2019, the Group had 78 (72) employees. Of these, 54 percent (55) worked within Sales and marketing.

EXPENSES AND RESULTS

Gross profit

As a result of the increased sales in both the US and EUROW, gross profit increased to 135.9 SEKm (81.5), corresponding to a gross margin of 87.4 percent (84.3).

Operating expenses

In 2019, the Company continued to invest significantly in sales and marketing. Sales and marketing expenses increased to 182.3 SEKm (133.3). The increase of 49 SEKm was related to sales commissions to distributors in the US, which increased by 21.2 SEKm in line with the reported increase in sales, an item affecting comparability of 11.0 SEKm regarding repurchase of stock items from the former US distributor and continued effects of implemented investments in increased number of sellers in both the US and Europe. Research and development costs increased to 68.9 SEKm (66.1), mainly related to costs for the FORTIFY study for CERAMENT G in the US and increased resources for clinical, medical and regulatory activities. Administrative expenses decreased to 43.3 SEKm (58.3), mainly due to the efficiency work that began in the second half of 2018 and which continued during 2019. Of the total costs, depreciation amounted to 5.6 SEKm (1.5).

Operating loss

Operating loss amounted to -158.1 SEKm (-174.4), mainly as an effect of increased sales contributing positively to increased gross profit, while operating expenses have increased as a result of performed commercial investments.

Financial net

Financial net amounted to -0.2 SEKm (-0.5).

Loss for the year

The loss for the year amounted to -161.1 SEKm (-176.4) as a result of the reasons described above.

INVESTMENTS

Investments in intangible assets during the year amounted to 2.9 SEKm (1.0) for the acquisition of patents and capitalized development costs, and to 1.5 SEKm (1.6) regarding equipment and tools. For more information about the acquisition of patents, see Note 11.

FINANCIAL POSITION AND CASH FLOW

Financing

Cash and cash equivalents amounted to 92.1 SEKm (261.5) at the end of the year, a decrease of 169.4 SEKm since the beginning of the year. The change consists of cash flow from operating activities amounting to -158.1 SEKm (-174.4). At the end of the year, shareholders' equity amounted to 124.3 SEKm (278.5), of which 32.8 SEKm (32.4) was share capital. On January 31, 2020, the Company signed an agreement with Scandinavian Enskilda Banken (SEB) for a credit facility of up to 60 SEKm. The credit line is an overdraft facility with collateral in floating charges and terms and conditions that are in line with previously communicated growth targets, so called covenants.

QUALITY SYSTEM AND QUALITY APPROVALS

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

The Company's products are regulated as Class 3 products in Europe and undergo extensive design verifications / validations before being assessed and approved for CE marking by the authorised notified body British Standard Institute. Before that, the pharmaceutical authority has been consulted for examination of the product's medical substance.

ENVIRONMENT

The Company's operations are not subject to permit under the Swedish Environmental Code (miljöbalken). During the year, the Company has continued improving the working environment.

OPERATIONAL AND FINANCIAL RISKS

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

Our strategy is based on tree pillars:

– Innovation
– Leading clinical and health economics evidence
– Effective commercial platform

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

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

BONESUPPORT's result has been impacted, and will be impacted in the future, by several factors, wholly or partly beyond the Company's control. Apart from what has been mentioned above, a description of the main factors that BONESUPPORT judges to have affected the business' result and can be expected to continue affecting the Company's result, are the following:

- Risks related to the regulatory environment for medical devices and combination products, such as high costs for regulatory compliance, in particular regarding the requirements in the EU directive on medical device products and similar national and regional regulations on medical device products, impacts from regulatory changes and consequences of failure to comply with applicable regulations.
- Risks related to the conduction and outcome of clinical studies, such as studies being expensive and time consuming and may be delayed or cancelled due to a number of factors, including lack of study approvals, lack of patient requirement, undesired side effects or lack of clinical benefit.
- Risks related to failed market acceptance from healthcare providers, patients and payers, e.g. based on perceived advantages over competing treatments, prevalence and severity of adverse side effects, the costs of treatment in relation to alternative treatments as well as risks related to lack of adequate reimbursement which may lead to a reluctance to use the Company's products.

- Risks such as BONESUPPORT not reaching sufficient levels of revenue or positive cash flow in the future in order to finance its operations or that the Company is unable to secure additional funding when required.
- Risks relating to manufacturing, supply and storage, such as the Company's suppliers and manufacturers not performing their services to the satisfaction of the Company or having their operations restricted by authorities, which could lead to costly and time consuming procedures for the Company in order to replace or find new suppliers.
- Risks related to competition and that the Company has a limited product portfolio based on one technology platform, such as competing products proving to be better or gaining greater market acceptance or that the Company's product candidates do not demonstrate enough potential for further development, which could prevent gaining market approval.
- Risks related to key personnel and qualified employees, such as the Company being dependent of its senior management team and other key personnel and if the Company loses key personnel, or fails to recruit necessary personnel, it could delay or impair the continued operations and product development.
- Risks related to intellectual property rights, such as the Company's patent protection not being sufficient to protect its operations, that the Company infringes third party rights or that the Company becomes involved in proceedings regarding intellectual property.
- Risks related to potential product liability claims and insurance matters, such as the Company facing risk for substantial liability for damages if its products or product candidates were to cause patients side effects that cause illness, bodily injury or death and the Company fails to maintain its insurance cover or that the insurance cover is insufficient.

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

LEGAL DISPUTES

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

LONG-TERM STRATEGIC ACTIVITIES

BONESUPPORT's strategy comprises the following main activities:

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

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

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

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

OUTLOOK

Based on the current situation and current information, BONESUPPORT estimates that the outbreak of Covid-19 will have a financial impact on the Company during the first half of 2020, mainly due to changed healthcare priorities, which means that planned operations are postponed and hence lower demand. As the development is unpredictable, it is not possible to predict impact on sales in 2020.

THE BOARD OF DIRECTORS AND ITS WORK

At the Annual General Meeting in May 2019, Håkan Björklund, Björn Odlander, Lars Lidgren, Tone Kvåle, Lennart Johansson and Simon Cartmell were re appointed. Lennart Johansson was appointed as Chairman of the Board. Nina Rawal has left her assignment.

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

CORPORATE GOVERNANCE

The Company has chosen to report corporate governance separate from the Annual Report. The corporate governance report is found om pages 68-71.

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

According to the Swedish Companies Act, the general meeting shall determine the guidelines for remuneration to the CEO and other senior executives. At the annual general meeting held on 14 May 2019, guidelines were adopted with the following main content:

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

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

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

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

In case of termination of the CEO's employment by the Company, the notice period should not exceed 6 months. In case the Company terminates the CEO without cause the CEO shall, in addition to salary during the notice period, be entitled to severance payment corresponding to 12 months' base salary as well as an amount corresponding to the yearly average paid out performance bonus over the last three years (or for such shorter period as the employment agreement has been in force). The notice period for other senior executives shall not exceed 6 months. In case of termination from the Company, in addition to salary during the notice period, severance payment corresponding to an amount equal to up to 12 months base salary may be paid.

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

The Board of Directors has proposed that the Annual General Meeting to be held May 19, 2020, should resolve on the following guidelines for remuneration to apply until the Annual General Meeting in 2021:

These guidelines include those who are members of BONESUPPORT HOLDING AB's ("BONESUPPORT") Group management. Group management currently consists of nine positions. The guidelines also include possible remuneration to Board members for work in addition to board fees.

The guidelines shall apply to remuneration that is agreed upon, and changes that are made to already agreed remuneration, after the guidelines have been adopted by the Annual General Meeting 2020. The guidelines do not cover remuneration decided by the Annual General Meeting, such as remuneration to Board members and share-related incentive programs.

The Company's starting point is that remuneration must be market at market terms and competitive and must consist of the following components: fixed salary, variable cash remuneration, pension benefits and other benefits. The level of remuneration for each individual executive should be based on factors such as work duties, skills, experience, position and performance. In addition, the Annual General Meeting may - and regardless of these guidelines - decide on, for example, share and share price related remuneration.

Regarding employment conditions that are governed by rules other than Swedish, in so far as pension benefits and other benefits are concerned, appropriate adjustments must be made to comply with such mandatory rules or fixed local practice, whereby the general purpose of these guidelines shall be met as far as possible.

The CEO and other senior executives shall be offered a fixed annual cash salary. The fixed salary shall be determined taking into account the senior management's competence, area of responsibility and performance. The fixed salary should be reviewed annually.

In addition to fixed salary, the CEO and other senior executives may, according to separate agreement, receive variable cash compensation. Variable cash compensation covered by these guidelines is intended to promote BONESUPPORT's business strategy and long-term interests, including its sustainability.

The fulfillment of criteria for the payment of variable cash compensation must be measurable over a period of one year. The annual variable cash remuneration may not exceed 75 percent of the fixed annual salary for the CEO and a maximum of 40 percent of the fixed annual salary for other senior executives, with the individual high level to be determined, inter alia in the light of the relevant person's position. The variable cash compensation should not be pension-based, insofar as this is otherwise due to mandatory collective agreement provisions.

The variable cash compensation must be linked to one or more predetermined and measurable criteria that can be financial, such as net sales and operating profit, or non-financial, such as qualitative targets. The variable cash remuneration shall to less than 40 percent be dependent on non-financial criteria. By clearly and measurably linking the targets to the remuneration of the senior executives to BONESUPPORT's financial and operational development, they promote the implementation of the Company's business strategy, long-term interests and sustainability. When the measurement period for fulfillment of the criteria for payment of variable cash compensation has been completed, the extent to which the criteria have been met shall be assessed and determined, respectively. The Remuneration Committee is responsible for such an assessment. Compliance with financial criteria must be determined based on the latest financial information published by the Company. The Board of Directors shall be able to recover, in whole or in part, variable remuneration paid on the basis of information that later proved to be incorrect.

Pension benefits, including health insurance, must be defined contribution, insofar as the executive is not covered by defined benefit pensions under compulsory collective agreement provisions. Premiums for defined contribution pensions, including health insurance, may amount to a maximum of 40 percent of the fixed annual salary.

Other benefits may include life insurance, health insurance and car benefit. Premiums and other costs due to such benefits differ substantially from country to country, but may generally amount to a maximum of 25 percent of the fixed annual salary.

Senior executives must be employed until further notice or for a certain period of time. In the event of termination by BONESUPPORT, the term of notice may not exceed twelve months. Severance pay, in addition to salary and other remuneration during the notice period, may not exceed an amount corresponding to twelve times the cash monthly salary. In the event of termination by the senior executive, the period of notice may not exceed six months.

In addition, compensation for any competition restriction commitment may be paid to compensate for any loss of income. Such remuneration shall only be paid to the extent that the former senior executive has no right to severance pay. Remuneration shall be based on the fixed salary at the time of termination and shall amount to a maximum of 60 percent of the fixed salary at the time of termination, unless otherwise provided by mandatory collective agreements, and shall be payable during the period subject to a restriction of competition, which shall not exceed twelve months after termination of employment.

In preparing the Board's proposal for these remuneration guidelines, the salary and terms of employment of BONESUPPORT's employees have been taken into account by the fact that data on employees' total remuneration, the components of the remuneration and the rate of increase and increase over time have formed part of the remuneration committee's and the Board's decision when evaluating the assessment guidelines. as a result of these.

To the extent that the Board member performs work on behalf of the Company, in addition to the work of the Board, a market-based consultancy fee for such work can be paid to the Board member or to a company controlled by the Board member, provided that the services contribute to the implementation of BONESUPPORT's business strategy, including the sustainability.

The Board has established a Remuneration Committee. The Remuneration Committee's tasks include, among other things, preparing the Board's decision on proposals for guidelines for remuneration to senior executives. The Board of Directors shall draw up proposals for new guidelines at least every four years and submit the proposal for resolution at the AGM. The guidelines shall apply until new guidelines have been adopted by the AGM. The Remuneration Committee shall also follow and evaluate programs for variable remuneration to the Company management, the application of guidelines for remuneration to senior executives as well as current remuneration structures and remuneration levels in the Company. The members of the Remuneration Committee are independent in relation to the Company and Company management. In the Board's treatment of and decisions on remuneration-related matters, the CEO or other persons in the Company management are not present, insofar as they are affected by the questions.

The Board of Directors may decide to temporarily deviate from the guidelines in whole or in part, if there are special reasons for this in an individual case and a deviation is necessary to meet the Company's long-term interests, including its sustainability, or to ensure the Company's financial viability. As stated above, it is part of the Remuneration Committee's tasks to prepare the Board's decision on remuneration issues, which includes decisions on deviations from the guidelines.

In addition to the commitments to pay ongoing remuneration such as salary, pension and other benefits, there are no previously decided remuneration to any senior executives that are not yet due. For further information on remuneration to senior executives, see Note 11 in the annual report.

PARENT COMPANY

REVENUES, LOSS AND FINANCIAL POSITION

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

Management fees were debited in the Group in 2019. In the Parent Company, 48.3 SEKm (51.6) was reported as net sales and 65.6 SEKm (66.8) as administrative expenses. The Parent Company's operating expenses totaled 66.0 SEKm (67.8).

Unconditional shareholders contributions of 22.0 SEKm (200.7) were made to BONESUPPORT AB. Loss for the year was -15.9 SEKm (-13.6).

Shareholders equity decreased to 895.2 SEKm (907.0). Cash and bank balances at the end of the year totaled 73.6 SEKm (243.2).

FINANCIAL RISKS

The Parent Company's financial risks are in all material aspects the same as those of the Group.

OWNERSHIP STRUCTURE AT DECEMBER 31, 2019

The main shareholders at the end of the year were Health Cap V L.P 12.7%, Stiftelsen Industrifonden 9.2%, Swedbank Robur Fonder 7.9%, 3:e AP-fonden 7.7%, Tellacq AB 5.7% and Fjärde AP-fonden 4.8%.

THE SHARE

The Company has common shares and C shares. The quotient value of the shares is 0.625 SEK per share. At December 31, 2019, the number of common shares was 52,016,342, owned by 2,555 shareholders, and the total number of C shares amounted to 505,000. The ordinary shares entitle its owner to one vote per share and the series C shares to one-tenth of a vote per share.

The number of shares should be no less than 29,000,000 (29,000,000) and no more than 116,000,000 (116,000,00).

Own shares

BONESUPPORT HOLDING AB holds all of the C shares. With the support of authorization from the Annual General Meeting on May 22, 2018, the Board of Directors of BONESUPPORT HOLDING AB decided to issue and subsequently repurchase these 505,000 C shares immediately. The shares were issued and repurchased in accordance with the Performance Share Program Employees 2018 and the Performance Share Program Board of Directors 2018 adopted by the Annual General Meeting on May 22, 2018. For the C shares, 315,625 SEK was paid during the year and their share of the share capital amounts to one percent.

THE BOARD'S PROPOSAL FOR APPROPRIATION

Appropriation Parent Company, SEK	
Unrestricted equity in the Parent Company	
Share premium reserve	1,191,775,472
Accumulated losses	-313,591,392
Loss for the year	-15,906,650
Total unrestricted equity in the Parent Company	**862,277,430**

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

CONSOLIDATED INCOME STATEMENT

SEKt	Note	2019	2018
Net sales	4	155,462	96,623
Cost of sales	6, 7	-19,587	-15,157
Gross profit		**135,875**	**81,466**
Selling expenses	6, 7, 10, 11, 21	-182,323	-133,311
Research and development expenses	6, 7, 10, 11	-68,878	-66,064
Administrative expenses	6, 7, 8, 10, 11, 12	-43,280	-58,345
Other operating income	13	10,667	8,530
Other operating expenses	6, 14	-10,163	-6,680
Operating profit/loss		**-158,102**	**-174,404**
Loss from financial items			
Financial income	15	98	975
Financial expenses	15	-275	-1,440
Net financial items		**-177**	**-465**
Profit/loss before income tax		**-158,279**	**-174,869**
Income tax	16	-2,781	-1,536
Net profit/loss for the year		**-161,060**	**-176,405**
Attributable to:			
Equity holders of the Parent		-161,060	-176,405
Earnings per share calculated on earnings attributable to equity holders of the Parent			
Earnings per share before and after dilution, SEK	23	-3.10	-3.46

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKt	2019	2018
Loss for the year	**-161,060**	**-176,405**
Other comprehensive income		
Other comprehensive income to be reclassified to profit or loss in subsequent periods:		
Exchange differences on translation of foreign operations	115	129
Other comprehensive income of the year	**115**	**129**
Total comprehensive income of the year	**-160,945**	**-176,276**
Attributable to:		
Equity holders of the Parent	-160,945	-176,276
Total comprehensive income of the year	**-160,945**	**-176,276**

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

CONSOLIDATED BALANCE SHEET

SEKt	Note	December 31, 2019	December 31, 2018
ASSETS			
Non-current assets			
Intangible assets	18		
Capitalized development expenses		4,625	3,208
Patents		3,053	2,303
Total non-current assets		**7,678**	**5,511**
Tangible assets			
Right of use assets	26	10,385	0
Equipment and tools	19	4,200	3,885
Total tangible assets		**14,585**	**3,885**
Other non-current assets			
Other receivables		951	375
Total other non-current assets		**951**	**375**
Total non-current assets		**23,214**	**9,771**
Current assets			
Inventories	17		
Raw materials and consumables		26,987	14,645
Finished goods and goods for resale		12,344	9,036
Total inventories		**39,331**	**23,681**
Current receivables			
Trade receivables	21, 25	29,848	18,683
Other operating receivables	21, 25	5,744	8,011
Prepaid expenses	22	6,130	4,527
Total current receivables		**41,722**	**31,221**
Cash and cash equivalents	25, 27	92,065	261,468
Total current assets		**173,118**	**316,370**
TOTAL ASSETS		**196,332**	**326,141**

CONSOLIDATED BALANCE SHEET

SEKt	Note	December 31, 2019	December 31, 2018
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Parent			
Share capital	23	32,826	32,373
Paid but not registered share issue		100	0
Other paid-in capital		1,191,775	1,186,094
Reserves		-60	-175
Fund for development expenses		3,552	1,801
Accumulated losses including loss for the year		-1,103,884	-941,562
Total equity		**124,309**	**278,531**
Non-current liabilities			
Leasing debt	25, 26	5,703	0
Provisions	24	305	289
Total non-current liabilities		**6,008**	**289**
Current liabilities			
Leasing debt	25, 26	4,682	0
Trade payables	25	13,649	12,472
Income tax payable		2,330	228
Other operating liabilities		4,912	9,084
Accrued expenses	22, 25	40,442	25,537
Total current liabilities		**66,015**	**47,321**
Total liabilities		**72,023**	**47,610**
TOTAL EQUITY AND LIABILITIES		**196,332**	**326,141**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEKt	Share capital	Paid but not registered share issue	Other paid-in capital	Translation reserve	Fund for development expenses	Accumulated losses	Total equity
As at January 1, 2018	**31,424**	**0**	**1,189,015**	**-304**	**1,592**	**-770,941**	**450,786**
Comprehensive income							
Loss for the year						-176,405	-176,405
Other comprehensive income							
Exchange differences on translation of foreign operations				129	0		129
Total comprehensive income	**0**	**0**	**0**	**129**	**0**	**-176,405**	**-176,276**
Transactions with equity holders							
Change in fund for development expenses					209	-209	0
New share issue	949						949
Transaction costs, new share issue			-1,860				-1,860
Allotted warrants			740				740
Share-based payment transactions						4,192	4,192
Total transactions with equity holders	**949**	**0**	**-1,120**	**0**	**209**	**3,983**	**4,021**
As at January 1, 2019	**32,373**	**0**	**1,187,895**	**-175**	**1,801**	**-943,363**	**278,531**
Comprehensive income							
Loss for the year						-161,060	-161,060
Other comprehensive income							
Exchange differences on translation of foreign operations				115			115
Total comprehensive income	**0**	**0**	**0**	**115**	**0**	**-161,060**	**-160,945**
Transactions with equity holders							
Change in fund for development expenses					1,751	-1,751	0
New share issue, employee stock option programs	137						137
New share issue under process, employee stock option programs		100	3,880				3,980
New share issue and repurchase of own C-shares	316					-316	0
Share-based payment transactions						2,606	2,606
Total transactions with equity holders	**453**	**100**	**3,880**	**0**	**1,751**	**539**	**6,723**
As at December 31, 2019	**32,826**	**100**	**1,191,775**	**-60**	**3,552**	**-1,103,884**	**124,309**

CONSOLIDATED STATEMENT OF CASH FLOWS

SEKt	Note	2019	2018
Operating activities			
Operating loss		-158,102	-174,404
Non-cash adjustments	28	17,556	3,230
Interests received		98	46
Interests paid		-36	-868
Other paid financial costs		0	558
Income tax paid		-5,210	-2,151
Net cash flows from operating activities before changes in working capital		**-145,694**	**-173,589**
Changes in working capital			
Increase in inventories		-14,613	-588
Decrease (+)/increase (-) in operating receivables		-8,101	2,670
Decrease (-)/increase (+) in operating liabilities		4,580	-118
Net cash flows from operating activities		**-163,828**	**-171,625**
Investing activities			
Investments in intangible assets	18	-2,915	-997
Investments in equipment and tools	19	-1,510	-1,609
Investments in financial assets		0	-113
Net cash flows from investing activities		**-4,425**	**-2,719**
Financing activities			
New share issue		137	949
Transaction costs, new issue of shares		0	-1,860
Allotted warrants		3,980	740
Repayments of borrowings	26	-5,933	-98,620
Net cash flows from financing activities		**-1,816**	**-98,791**
Net cash flows		**-170,069**	**-273,135**
Cash and cash equivalents as at January 1	25	261,468	533,367
Net foreign exchange difference		666	1,236
Cash and cash equivalents as at December 31	25	**92,065**	**261,468**

PARENT COMPANY INCOME STATEMENT

SEKt	Note	2019	2018
Net sales	5	48,290	51,578
Administrative expenses	5, 8, 10, 11	-65,568	-66,756
Other operating income	13	961	528
Other operating expenses	14	-1,357	-1,033
Operating loss		**-17,674**	**-15,683**
Result from financial items			
Other interest income and similar income	15	2,519	2,253
Other interest expenses and similar expenses	15	-752	-148
Net financial items		**1,767**	**2,105**
Result before taxes		**-15,907**	**-13,578**
Income tax	16	0	0
Loss for the year		**-15,907**	**-13,578**

Parent Company loss for the year equals comprehensive income

PARENT COMPANY BALANCE SHEET

SEKt	Note	December 31, 2019	December 31, 2018
ASSETS			
Non-current assets			
Non-current financial assets			
Participations in Group companies	20, 25	726,652	704,652
Receivables on Group companies	25	125,246	0
Total non-current financial assets		**851,898**	**704,652**
Total non-current assets		**851,898**	**704,652**
Current assets			
Current receivables			
Other receivables	21	0	153
Prepaid expenses	22	650	728
Total current receivables		**650**	**881**
Cash	25	73,549	243,247
Total current assets		**74,199**	**244,128**
TOTAL ASSETS		**926,097**	**948,780**

PARENT COMPANY BALANCE SHEET

SEKt	Note	December 31, 2019	December 31, 2018
EQUITY AND LIABILITIES			
Equity			
Restricted equity			
Share capital	23	32,826	32,373
Paid but not registered share issue		100	0
Total restricted equity		**32,926**	**32,373**
Unrestricted equity			
Share premium reserve		1,191,775	1,187,895
Accumulated losses		-313,592	-299,698
Loss for the year		-15,907	-13,578
Total unrestricted equity		**862,277**	**874,619**
Total equity		**895,203**	**906,992**
Non-current liabilities			
Liabilities to Group Companies		19,203	0
Total non-current liabilities		**19,203**	**0**
Current liabilities			
Trade payables	25	116	485
Liabilities to Group Companies	25	0	38,067
Other liabilities		5,473	233
Accrued expenses	22, 25	6,102	3,003
Total current liabilities		**11,691**	**41,788**
TOTAL EQUITY AND LIABILITIES		**926,097**	**948,780**

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEKt	Share capital	Paid but not registered share issue	Other paid-in capital	Accumulated losses	Total equity
As at January 1, 2018	**31,424**	**0**	**1,189,015**	**-299,698**	**920,741**
Comprehensive income					
Loss for the year				-13,578	-13,578
Total comprehensive income	**0**	**0**	**0**	**-13,578**	**-13,578**
Transactions with equity holders					
New share issue	949				949
Transaction costs, new share issue			-1,860		-1,860
Allotted warrants			740		740
Total transactions with equity holders	**949**	**0**	**-1,120**	**0**	**-171**
As at January 1, 2019	**32,373**	**0**	**1,187,895**	**-313,276**	**906,992**
Comprehensive income					
Loss for the year				-15,907	-15,907
Total comprehensive income	**0**	**0**	**0**	**-15,907**	**-15,907**
Transactions with equity holders					
New share issue, employee stock option programs	137				137
New share issue under process, employee stock option programs		100	3,880		3,980
New share issue and repurchase of own C-shares	316			-316	0
Total transactions with equity holders	**453**	**100**	**3,880**	**-316**	**4,118**
As at December 31, 2019	**32,826**	**100**	**1,191,775**	**-329,499**	**895,203**

PARENT COMPANY STATEMENT OF CASH FLOWS

SEKt	Note	2019	2018
Operating activities			
Operating loss		-17,674	-15,683
Interest received		2,519	2,253
Interests paid		-752	-148
Net cash flows from operating activities before changes in working capital		**-15,907**	**-13,578**
Changes in working capital			
Increase (-) in operating receivables		-21,429	-166
Increase in (+) operating liabilities		8,108	462
Net cash flows from operating activities		**-29,228**	**-13,282**
Investing activities			
Shareholders' contribution		0	-200,740
Net cash flows from investing activities		**0**	**-200,740**
Financing activities			
New share issue		137	949
Transaction costs, new share issue		0	-1,860
Allotted warrants		3,980	740
Change in balances towards Group Companies		-144,588	-56,505
Net cash flows from financing activities		**-140,471**	**-56,676**
Net cash flow	25	**-169,699**	**-270,698**
Cash at beginning of the year		243,247	513,945
Cash at end of the year	25	**73,548**	**243,247**

NOTES

NOTE 1
GENERAL INFORMATION, ACCOUNTING POLICIES

CORPORATE INFORMATION
BONESUPPORT is active in orthobiological products, developing and commercializing innovative injectable bioceramic bone graft substitutes which remodel to host bone and have the capability of eluting drugs directly into the bone void. BONESUPPORT's marketed synthetic bone graft substitutes are CERAMENT BVF, CERAMENT G and CERAMENT V, all of which are based on the novel and proprietary CERAMENT technology platform.

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

The Board of Directors approved these consolidated accounts on March 20, 2020 and they will be presented before the Annual General Meeting for adoption on May 19, 2020.

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

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

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

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

Implementation of new accounting policies
The accounting policies applied include new and amended standards effective for periods beginning on January 1, 2019. None of these has had any major impact on the Group's financial statements.

BONESUPPORT has applied IFRS 16 Leases since January 1, 2019.

IFRS 16 'Leases' replaces IAS 17. IFRS 16 Leases means that, in principle, all leases are recognized in the balance sheet, the right to use the leasing object as an asset and the remaining lease payments as debt. In the income statement, the leasing cost is replaced by depreciation of the assets and interest expense on the lease liabilities. Key ratios such as equity ratio and debt/equity ratio change as liabilities in the balance sheet increase. The leasing agreements that will be reported in the balance sheet relate primarily to the leasing of premises.

BONESUPPORT will apply IFRS 16 according to a simplified method. This means a calculation period based on the remaining payments, that the comparison year is not recalculated. The right to use asset is values at an amount equal to the leasing debt. Contracts shorter than twelve months are not taken into account. As of January 1, 2019 the effect of transition to accounting in accordance with IFRS 16 means an increased balance sheet total of approximately 14,145 SEKt and that the equity ratio decreases from 85.4% to 81.9%. For further information, see Note 26.

New or amended IFRS standards applicable from 2020 or later have not been applied in the preparation of these financial statements. The assessment is that these will not have a material impact on the Group's financial results and financial position.

ESTIMATES, ASSUMPTIONS AND ASSESSMENTS
When preparing the Company's financial statements, a number of assessments and estimates are made and assumptions that affect the application of accounting principles and the reported amounts in the income statement and balance sheet. The actual outcome may deviate from these estimates and assessments. Estimates and assessments are evaluated on the basis of historical experience and other factors, including expectations of future events.

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

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

BASIS FOR CONSOLIDATION
The consolidated accounts include the Parent Company and its subsidiaries. The financial reports for the Parent Company and the subsidiaries, included in the consolidated financial statements, refer to the same period and are prepared according to the accounting principles applicable to the Group. All the intra-group transactions, income, expenses, gains or losses, which arise in transactions between companies included in the consolidated accounts, are eliminated in full.

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

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

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

TRANSLATION OF FOREIGN SUBSIDIARIES' FINANCIAL STATEMENTS

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

	USD	EUR	CHF	GBP	DKK
Closing day rate December 31, 2019	9.333	10.447	9.597	12.241	1.397
The year's average rate 2019	9.460	10.589	9.519	12.066	1.418
Closing day rate December 31, 2018	8.969	10.261	9.114	11.363	
The year's average rate 2018	8.692	10.257	8.883	11.593	

CONSOLIDATED STATEMENT OF CASH FLOWS

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

REVENUE AND REVENUE RECOGNITION

Revenue is generated through three different channels:

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

All revenue from customer contracts is recognized when control over the goods has passed over to the buyer. The Group's revenue mainly arise from one category, the sale of the CERAMENT products. Revenue is recognized when the performance obligation is satisfied. For distributors that are also end customers, delivery terms Ex Works apply to the Company's premises, which means that the risk passes on to the buyer when the goods leave the warehouse. For end customers, DDP to the customer's specified destination or FOB is applied. This means that the performance obligation is satisfied and the revenue recognized when the goods is available at the customers specified address or has been handed over to a freight company. Consignment stock is held by some customers. In these cases, revenue is recognized when products are taken out of consignment stock. As described in the Directors' report, BONESUPPORT sells directly to end customers in the US through the new distributor organization (from October 2018). This means no change of the accounting principles and no major effect on the financial reports, follows above described process. The distributors receive commission based on net sales, reported as selling expenses.

Customer contracts contain no right of return, this applies to both distributors and end customers.

Generally, 30 days of payment terms are applied to the Company's direct markets and for sales to distributors, market-adjusted terms of up to 90 days are applied.

INTANGIBLE ASSETS

Capitalized development expenses and patents:
Expenses for the development of new products are accounted for as intangible assets when they have received regulatory approval by licensing authorities and if it is highly probable that such expenses will lead to economic benefits for the Company. Capitalized development expenses are reported as intangible assets, and depreciation is made from the date the product is ready to use.

The depreciation period is the remaining expected useful life, which for patents is five years and for capitalized development expenses ten years. Development costs that do not meet these criteria are expensed.

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

All intangible assets are assessed annually with regard to any need for impairment.

LEASING

For leases where Bonesupport is the lessee, IFRS 16 Leasing Agreement has been applied since January 1, 2019. The Company has no leases where it is the lessor.

At the beginning of an agreement, it is assessed whether it is a lease to be reported as a financial lease in accordance with IFRS 16. All leases where the Company is a lessee are reported as such except short-term leases and leases where the underlying asset is of low value. For such exceptions, the leasing fees are reported as an operating expense on a straight-line basis over the leasing period, if no other method of phasing the fee gives a more accurate picture of how the economic benefits from the underlying asset are reaped.

The lease debt is initially valued at the present value of future lease payments, discounted by the Group's marginal loan interest rate. The Group has no external loan financing, which is why information on marginal loan interest rates is missing. After discussion with an external lender, evaluation is made at what interest rate the Company could raise loans for financing, for example, the acquisition of office property. As a development company, the risk premium is relatively high, which is why six per cent have been considered reasonable.

Leasing fees included in the valuation of leasing liabilities include fixed fees after deductions for any benefits in connection with the signing of the agreement; variable leasing fees that depend on an index or price; amounts expected to be paid by the lessee under residual value guarantees; the exercise price for an option to buy if the lessee is reasonably sure to take advantage of such an opportunity; and penalty fees payable upon termination of the lease, if the lease period reflects that the lessee will exercise an opportunity to terminate the agreement.

The lease debt is disclosed on separate lines in the balance sheet, with breakdown by maturity. Leasing liabilities are reported in subsequent periods by increasing the debt to reflect the effect of interest and decreasing it to reflect the effect of leasing fees paid. The lease debt is revalued with a corresponding adjustment of the right of use asset in accordance with the rules found in IFRS 16.

The right of use assets are initially recognized at the value of the lease debt, with the addition of leasing fees paid at the commencement date of the agreement as well as initial direct expenses. The right of use asset is reported in subsequent periods at cost less depreciation and any write-downs. The same principles are applied for impairment of the right of use assets as those described in the section on Inventories and tools.

The right of use assets are depreciated over their estimated useful life or, if shorter, over the agreed lease term. If an agreement transfers or is likely to transfer ownership at the end of the lease term, the right of use asset is depreciated over its estimated useful life. Depreciation begins on the commencement date of the lease. The right of use assets are presented on a separate line in the balance sheet.

Bonesupport has implemented the transition to IFRS 16 in accordance with a simplified method. This means, among other things, that the comparison year has not been recalculated. For 2018, the Group classified all leases as operating leases. Leasing fees for operating leases are expensed on a straight-line basis over the lease term and are reported as sales and administration costs.

EQUIPMENT AND TOOLS

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

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

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets subject to amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is made with the amount at which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an assets fair value less cost of disposal and its value in use. When assessing write-down requirements, assets are classified at the lowest levels with separately identifiable cash flows (cash generating units).

FINANCIAL INSTRUMENTS

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

CLASSIFICATION OF FINANCIAL ASSETS

Interest bearing financial assets:

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

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

Impairment of financial assets:

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

INVENTORIES

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

CASH AND CASH EQUIVALENTS

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

FOREIGN CURRENCIES

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

SHARE CAPITAL

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

REMUNERATION TO EMPLOYEES

Pensions:

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

Share based compensation:

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

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

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

DEFERRED TAX

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

OPERATING SEGMENTS

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

PARENT COMPANY'S ACCOUNTING PRINCIPLES

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

The following differences exist between the Group's and the Parent Company's accounting principles:

- Participations in subsidiaries are accounted for in the Parent Company according to the cost method.
- The Group perform impairment test of investments in subsidiaries on a yearly basis or on indication of decrease in value. The impairment test is based on a cash flow analysis for the next five years. For further information see Notes 3 and 20.
- The Parent Company does not apply IFRS 9 and will not apply IFRS 16. Currently the Parent Company has not entered into any lease agreements. The Parent Company reports financial instruments at amortized cost.
- The Parent Company follows the Annual Accounts Act's format for the income statement and statement of financial position, which among other things implies another format for equity.
- The Parent Company's net sales comprise revenue from sale of services performed for the subsidiaries. Invoicing is done on a regular basis and at arm's length. The revenue is recognized in the Parent Company in the period that the subsidiary reaps the benefit of the service. Revenue and expense are posted in the same period.

NOTE 2
FINANCIAL RISK MANAGEMENT

Through its operations, the Group is exposed to various types of financial risks as market risk, liquidity risk and credit risk. The primary market risk is currency risk. BONESUPPORT has a comprehensive finance policy for both the Parent Company and the Group, which regulates the assignment of responsibilities in financial matters between the Board of Directors, the CEO, the CFO and other group companies. The Board of Directors' Audit Committee is responsible of monitoring the design of the finance policy and, if necessary, propose changes to the Board of Directors. The finance policy is characterized by low risk levels. There have been no changes to the finance policy or the risk management process since 2018. The strategy comprises continuous identification and management of risks.

MARKET RISK

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

Currency risk

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

Approximately 43% (35) of BONESUPPORT AB sales are invoiced in USD, approximately 22% (33) in EUR and approximately 21% (20) in GBP. This is only to a small extent offset by purchases in EUR. If, all else equal, USD is strengthened or weakened by 5 percent against SEK, the Group's loss after tax is affected by approximately +/- 3.5 SEKm (3.7) based on transactions in 2019. The equivalent weakening of EUR gives an impact of +/- 1.0 SEKm (1.9) and GBP an impact of +/- 0.3 SEKm (0.9).

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

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

Currency risk is mainly attributable to exposure from trade receivables at end of year, see Note 21 for split by currency. The largest part of trade receivables are based in USD (approx. 40%), after which EUR and GBP with approximately 24% each of trade receivables, currency fluctuations may affect future cash flows. If, all else equal, USD is strengthened or weakened by 5% against SEK, the Group's loss after tax is affected by +/- 0.6 SEKm (0.2) based on trade receivables as per December 31, 2019. The equivalent effect for GBP is +/- 0.4 SEKm (0.3) and EUR is +/- 0.4 SEKm (0.4).

The sensitivity analysis in the table below shows the effects from changes in SEK against currencies for the Group. The numbers are based on 2019 results and financial position.

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

SEKm	+/- 5% USD	+/- 5% EUR	+/- 5% GBP
Transaction risk	+/- 3.5	+/- 1.0	+/- 0.3
Translation risk	+/- 0.0	+/- 0.0	+/- 0.0

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

As per December 31, 2019 a general increase or decrease in interest rates have no impact on the Group's result since the interest bearing loans were fully repaid by February 1, 2018.

CREDIT RISK AND COUNTERPARTY RISK

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

The Group's customers are primarily hospitals, clinics and distributors with high credit rating. Trade receivables are split by a large number of customers and no customer stands for a major part of total trade receivables. Trade receivables are geographically spread out. The concentration risks are considered limited. Reversal of estimated credit losses were 1,557 SEKt during 2019 and new provisions were made with 16 SEKt (33). See Note 21 for further information on trade receivables.

Credit risks in cash and cash equivalents are considered immaterial since the counterparties are banks with high credit rating by international credit rating institutes. As per December 31, 2019 cash and cash equivalents amount to 92,065 SEKt (261,468) of which SEK 82% (94), GBP 8% (1), USD 5% (3) and EUR 5% (2).

The Group's maximum exposure to credit risk is considered equal to reported amounts of total financial assets, see Note 25.

LIQUIDITY RISK AND FUNDING RISK

Liquidity risk implies the risk that the Group encounter problems meeting its payment obligations for financial liabilities. Funding risk implies the risk that the Group fails to raise sufficient funds at reasonable cost.

The liquidity risk is low since the Group's financial liabilities by end of 2019 are current, consist of trade payables and accrued expenses. The major part falls due within three months.

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

NOTE 3
ASSESSMENTS, ESTIMATES AND ASSUMPTIONS

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

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

VALUATION OF TAX LOSS CARRY FORWARDS

The possibilities for capitalization of deferred tax assets for tax loss carry forwards are investigated annually. Deferred tax receivables are only included in cases where there are convincing arguments that future tax surpluses will be available against which the temporary difference can be utilized. Despite the positive development at present, the likelihood that the Company reports profit in the near future is small. For more information, see Note 16.

VALUATION OF INVESTMENTS IN SUBSIDIARIES

The Parent Company is annually, or more frequently, evaluating whether there are any indicators of impairment in investments in subsidiaries, if recognition of an impairment loss is required. The recoverable amount of investments in subsidiaries has been determined by calculating value in use which require extensive estimates and assumptions. In these assumptions present values of forecasted future cash flows for the coming five years have been calculated using a discount rate of 20% after tax (25% pre-tax). When determining the discount rate, risk free interest rate, market premium, corporate specific capital structure and actual tax rate have been considered. Cash flows after the five-year period have been based on forecasted growth rate of 40 % with a gradual reduction corresponding to 10% per year. The calculated value in use has been compared to the carrying value showing no impairment. A sensitivity analysis has been performed where different discount rates have been simulated. An increase in discount rate of 5 percentage shows no impairment. The result of the impairment test shows a surplus value why no recognition of impairment loss is required for investments in subsidiaries.

NOTE 4
OPERATING SEGMENTS

	2019				2018			
	NA	EUROW	Other	Total	NA	EUROW	Other	Total
Net sales	68,013	87,448	0	155,462	34,126	62,497	0	96,623
of which CERAMENT BVF	68,013	13,512	0	81,525	34,126	10,993	0	45,119
of which CERAMENT G and CERAMENT V	0	73,936	0	73,936	0	51,504	0	51,504
Cost of sales	-5,654	-13,933	0	-19,587	-4,497	-10,660	0	-15,157
Gross profit	**62,359**	**73,515**	**0**	**135,875**	**29,629**	**51,837**	**0**	**81,466**
Operating costs 1	-118,889	-65,535	0	-184,424	-74,587	-61,564	0	-136,151
Contribution	**-56,530**	**7,980**	**0**	**-48,549**	**-44,958**	**-9,727**	**0**	**-54,685**
Other operating items 2	0	0	-109,553	-109,553	0	0	-119,719	-119,719
Operating result	**-56,530**	**7,980**	**-109,553**	**-158,102**	**-44,958**	**-9,727**	**-119,719**	**-174,404**
Net financial items	0	0	-177	-177	0	0	-465	-465
Loss before income tax	**-56,530**	**7,980**	**-109,730**	**-158,279**	**-44,958**	**-9,727**	**-120,184**	**-174,869**

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

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

Markets that delivered more than 10% of net sales during 2019 were United States with 68.0 SEKm (34.1), United Kingdom with 32.6 SEKm (19.9) and Germany with 22.1 SEKm (16.0). Net sales in Sweden amounted to 8.1 SEKm (6.2). No (1) customer represented more than 10% of net sales.

The amounts in the table above are eliminated for Group transactions. Inter company sales from EUROW to NA amounted to 63.8 SEKm (27.2).

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

NOTE 5
INTRA-GROUP PURCHASES AND SALES

Intra-group purchases and sales amounted to 364,856 SEKt (234,997). The Parent Company rendered services to Group Companies of 48,290 SEKt (51,578) and purchased services from Group Companies of 49,124 SEKt (54,053).

All intra-group dealings, income, expenses, gains or losses, which arise in transactions between Group Companies are eliminated in total.

NOTE 6
EXPENSES BY TYPE

GROUP	2019	2018
Cost for inventory items	-12,565	-7,916
Personnel costs	-140,445	-129,674
Depreciation and amortization of tangible and intangible assets	-7,730	-1,547
Sales commissions	-22,571	-1,100
Other expenses	-140,920	-139,320
Total	**-324,231**	**-279,557**

Other expenses mainly concern external services, advertising & public relations, travel expenses and exchange rate losses. Exchange rate losses amount to 10,158 SEKt (6,590).

NOTE 7
DEPRECIATION AND AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS

GROUP	2019	2018
Capitalized development expenses	600	718
Patents	148	12
Right of use assets	5,694	0
Equipment and tools	1,288	817
Total	**7,730**	**1,547**

Amortization is included in cost of sales.

NOTE 8
COMPENSATION TO AUDITORS

	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
EY				
Audit fees related to the assignment	3,046	1,899	1,555	821
Audit related fees	0	175	0	175
Fees for tax services	0	55	0	0
Total	**3,046**	**2,129**	**1,555**	**996**
Other auditors				
Frank Hirth UK				
Audit fees related to the assignment	180	0	0	0
Other assignments	1,336	0	0	0
Total	**1,516**	**0**	**0**	**0**

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

NOTE 9
PERSONNEL (AVERAGE NUMBER)

	2019		
	Men	Women	Total
PARENT COMPANY:			
Sweden	1	0	1
SUBSIDIARIES:			
Sweden	8	20	28
Germany	5	7	12
USA	14	8	22
The Netherlands	1	0	1
Switzerland	2	0	2
Great Britain	6	5	11
Denmark	0	1	1
Total subsidiaries	**36**	**41**	**77**
Total Group	**37**	**41**	**78**

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

The number of employees in the tables above represent average full-time equivalents. At the end of the financial year, the Board of Directors was composed of 5 (5) men and 1 (2) woman. The management comprised 5 (6) men and 3 (3) women.

NOTE 10
SALARY, OTHER COMPENSATION AND SOCIAL SECURITY

	2019		2018	
GROUP	Board & CEO	Other employees	Board & CEO	Other employees
Salary and other compensation				
Parent Company	6,535	0	4,915	0
Subsidiaries	0	100,491	4,801	88,818
Total	**6,535**	**100,491**	**9,716**	**88,818**

NOTE 10, cont'd
SALARY, OTHER COMPENSATION AND SOCIAL SECURITY

Social security all employees	2019	2018
Parent Company	2,473	1,840
(of which pension cost)	(-305)	(129)
Subsidiaries	21,254	19,525
(of which pension cost)	(-4,717)	(5,257)
Total	**23,727**	**21,365**
(of which pension cost)	(-5,022)	(5,386)

The Managing Director is employed in the Parent Company since March 1, 2018. The former Managing Director (until February 2018) was employed in a subsidiary. Social security costs for BONESUPPORT AB include social security fees on employee stock option benefits. Above amounts do not include share-based remuneration. These are included in Note 11.

NOTE 11
COMPENSATION TO SENIOR EXECUTIVES AND RELATED PARTY TRANSACTIONS

Compensation to the CEO is decided by the Board of Directors on a proposal from the remuneration committee. Senior executives during the year consisted of the CEO and an additional 7 (9) persons. On December 31, 2019 the number of senior exexutives was 9 including the CEO. For the Group management, market conditions apply to salaries and other employment benefits, which are approved by the remuneration committee.

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

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

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

	2019			2018		
	Salaries, fees	Social security	Share-based compensation	Salaries, fees	Social security	Share-based compensation
Lennart Johansson *Chairman of the Board from May 2019, Director until April 2019*	220	69	28	220	69	15
Håkan Björklund *Chairman of the Board until May 2019, Director from June 2019*	375	118	0	375	0	0
Nina Rawal *Director until May 2019*	185	58	0	185	58	0
Lars Lidgren *Director*	150	25	0	150	0	67
Björn Odlander *Director*	175	55	0	175	55	0
Tone Kvåle *Director*	275	0	28	275	0	15
Simon Cartmell *Director from May 2018*	150	23	55	150	0	29
Emil Billbäck *CEO from March 2018*	5,248	2,024	668	3,636	1,298	64
Richard Davies *CEO until February 2018*	0	0	0	4,801	625	1,610
Other senior executives 7 (9) persons	14,750	4,019	899	18,625	5,557	1,103

Compensation to the Board of Directors in the table above, excluding the share-based compensations, are fees that have been paid during 2019. In Note 10, fees expensed regarding 2019 are reported. For the proposed guidelines for remuneration to senior executives 2019, see the Director's report and the Corporate Governance Report.

Bonus to the current CEO amounts to 1,653 SEKt (540) and to other senior executives to 2,432 SEKt (1,518).

For the current CEO and other senior executives, the Company pays pension premiums according to a scheme where 7% is calculated on salaries up to 7,5 of the current price base, 24% on price base between 7.5-20 and 16% on price base between 20-30. The pension schemes are different since management, excluding the CEO, is based in 4 (4) different countries. Pension premiums relating to the CEO were paid at 305 SEKt (214) and premiums to other senior executives were paid at 1,165 SEKt (1,881). Board directors have not received any pension.

BONESUPPORT AB has purchased a patent by Professor Lars Lidgren's company Seagles AB – "Case 13-CERAMENT+BMP+anti-catabolic drugs". The agreement was signed in March 2015 and the purchase price for the patent amounts to a total of 2,1 SEKm divided in three installments, of which all have been paid, 900 SEKt in 2019, 660 SEKt in 2017 and 500 SEKt in 2015.

During 2018, BONESUPPORT signed a consultancy agreement with Board Director Simon Cartmell's company Route 2 Advisors Ltd, relating to Life Science. 615 SEKt (81) has been paid during the year.

NOTE 12
EMPLOYEE STOCK OPTION PROGRAMS AND PERFORMANCE SHARE PROGRAMS

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

Employee stock option programs

Of the three employee stock option programs, two run over ten years and expire 2022 and 2025 and one program runs over eight years and expires 2024. Each stock option gives the holder the right to acquire 0.2 ordinary share in BONESUPPORT when exercising the option. This at a price of 0.125 SEK, equivalent to 0.625 SEK per share, in the first two programs and 5.30 SEK, equivalent to 26.50 SEK per share, in the third program. The employee stock options are vested according to a schedule in each program. A condition for allotment of options is employment or a contractual relationship with the Company at each vesting date. Of the allocated 25.7 million options, 21.2 million (20.4) options were fully vested before the end of the year.

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

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

VALUATION - PERFORMANCE SHARE PROGRAM EMPLOYEES 2019/2022	Dec 10, 2019
Dividend	-
Expected volatility	35%
Interest rate	-0.32% - -0.57%
Valuation of the share (SEK)	27.10
Valuation model	Black & Scholes/Monte Carlo

VALUATION - PERFORMANCE SHARE PROGRAM EMPLOYEES 2018/2021	Nov 7, 2018
Dividend	-
Expected volatility	35%
Interest rate	-0.21%
Valuation of the share (SEK)	10.17
Valuation model	Black & Scholes/Monte Carlo

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

VALUATION - EMPLOYEE STOCK OPTION PROGRAM 2016/2024	Nov 9, 2016
Dividend	-
Expected volatility	50%
Interest rate	0%
Subscription price (SEK) - recalculated after share consolidation 5:1	26.50
Valuation model	Black & Scholes

VALUATION - EMPLOYEE STOCK OPTION PROGRAM 2015/2025	Jan 1, 2016
Dividend	-
Expected volatility	50%
Interest rate	0%
Subscription price (SEK) - recalculated after share consolidation 5:1	0.625
Valuation model	Black & Scholes

VALUATION - EMPLOYEE STOCK OPTION PROGRAM 2012/2022	Jan 1, 2012
Dividend	-
Expected volatility	40%
Interest rate	0%
Subscription price (SEK) - recalculated after share consolidation 5:1	0.625
Valuation model	Black & Scholes

CHANGES DURING THE YEAR (NUMBER) - PERFORMANCE SHARE PROGRAMS	2019	2018
Outstanding at January 1	505,000	0
Granted during the year	730,000	575,000
Cancelled during the year	-10,000	-70,000
Outstanding at December 31	1,225,000	505,000
Exercisable at December 31	**0**	**0**

CHANGES DURING THE YEAR (NUMBER) - EMPLOYEE STOCK OPTION PROGRAM 2016/2024	2019	2018
Outstanding at January 1	2,226,779	3,538,420
Cancelled during the year	-16,667	-1,311,641
Outstanding at December 31	2,210,112	2,226,779
Exercisable at December 31	**1,831,711**	**1,480,717**

CHANGES DURING THE YEAR (NUMBER) - EMPLOYEE STOCK OPTION PROGRAM 2015/2025	2019	2018
Outstanding at January 1	0	5,398,300
Cancelled during the year	0	-2,249,292
Exercised during the year	0	-3,149,008
Outstanding at December 31	0	0
Exercisable at December 31	**0**	**0**

CHANGES DURING THE YEAR (NUMBER) - EMPLOYEE STOCK OPTION PROGRAM 2012/2022	2019	2018
Outstanding at January 1	3,953,411	8,208,371
Cancelled during the year	-84,378	-97,497
Exercised during the year	-1,102,125	-4,157,463
Outstanding at December 31	2,766,908	3,953,411
Exercisable at December 31	**2,546,158**	**3,220,283**

NOTE 12
EMPLOYEE STOCK OPTION PROGRAMS AND PERFORMANCE SHARE PROGRAMS

CHANGES DURING THE YEAR (NUMBER) - EMPLOYEE STOCK OPTION PROGRAM 2010/2017	2019	2018
Outstanding at January 1	0	283,677
Exercised during the year	0	-283,677
Outstanding at December 31	0	0
Exercisable at December 31	**0**	**0**

Weighted average exercise price for the options that were exercised during the year was 0.63 SEK (0.63) per share.

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

During 2019 the cost of employee stock option plans, excluding social security contributions, was recognized as operating expense amounting to 2,498 SEKt (4,192). Accrued social security contributions amounts to 3,475 SEKt (2,277).

At the end of the year, former CEO, Richard Davies, holds 0 (749,758) vested employee stock options within the employee stock option program 2016/2024. These options were exercised in January 2020 for 26.50 SEK per share. The total acquisition price was 3,974 SEKt. Registration of the issued shares was done in January 2020.

NOTE 13
OTHER OPERATING INCOME

	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Exchange rate gains	9,775	7,761	961	528
Other	892	769	0	0
Total	**10,667**	**8,530**	**961**	**528**

NOTE 14
OTHER OPERATING EXPENSES

	GROUP		PARENT COMPANY	
	2019	2018	2019	2018
Exchange rate losses	10,158	6,590	1,357	1,033
Loss from sale and disposal of tangible assets	0	55	0	0
Other	5	35	0	0
Total	**10,163**	**6,680**	**1,357**	**1,033**

NOTE 15
FINANCIAL ITEMS

GROUP	2019	2018
Interest income	98	46
Exchange rate differences on borrowings from financial institutions	0	929
Total financial income	**98**	**975**

	2019	2018
Interest expenses	-275	-1,069
Exchange rate differences on borrowings from financial institutions	0	-371
Total financial expenses	**-275**	**-1,440**

PARENT COMPANY	2019	2018
Interest income, Group	2,519	2,253
Interest expenses, Group	-752	-148
Net financial items	**1,767**	**2,105**

NOTE 16
INCOME TAX

GROUP

The following components are included in the tax expense of the year:	2019	2018
Current tax on loss for the year	-2,699	-1,536
Adjustment of taxes attributable to previous years	-82	0
Current tax expense	**-2,781**	**-1,536**
Deferred tax related to changes in temporary differences	0	0
Reported tax	**-2,781**	**-1,536**

The difference between reported tax and tax expense based on applicable tax rate consists of:	2019	2018
Loss before income tax	-158,279	-174,869
Tax according to the applicable tax rate 21.4% (22%)	33,872	38,471

Tax effects from:	2019	2018
Difference between Swedish and foreign tax rates	-423	-69
Non tax-deductible items	-7,533	-7,133
Non taxable income	381	456
Adjustments not included in reported result	0	409
Current tax attributable to prior years	-17	-16
Loss carry forward for which no deferred tax asset has been recognized	-28,979	-33,654
Tax expense for the year	**-2,699**	**-1,536**

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

NOTE 16, cont'd
INCOME TAX

PARENT COMPANY

Reported tax expense:	2019	2018
Tax expense of the year	**0**	**0**

The difference between reported tax and tax expense based on applicable tax rate consists of:	2019	2018
Loss before income tax	-15,907	-13,578
Tax according to the applicable tax rate 21.4% (22%)	3,404	2,987

Tax effects from:	2019	2018
Non tax-deductible items	-14	-15
Adjustments not included in reported result	0	409
Loss carry forward for which no deferred tax asset has been recognized	-3,390	-3,381
Tax expense for the year	**0**	**0**

The Parent Company's prevailing tax rate is 21.4% (22%).

GROUP

The Group's total loss carry forwards as per December 31, 2019 amount to approximately 890 SEKm (756) whereof 95 SEKm (79) refers to the Parent Company. The tax loss carry forwards have no fixed maturity. Deferred tax assets attributable to the loss carry forward has been valued at zero as it is currently not possible to assess when tax losses carry forwards can be utilized. Despite of the positive development at the present, the probability of the Company recognizing profits during the near future is small. When the outlook for this is different, the Company will consider if there are compelling reasons to recognize a deferred tax asset.

NOTE 17
INVENTORIES

Changes in inventory are classified as cost of sales and amount to -1,920 SEKt (2,443).

Impairment write-down of inventory to net realizable value due to products with short durability or other impairment risk, amounts to 48 SEKt (186).

NOTE 18
INTANGIBLE ASSETS

GROUP

Capitalized development expenses:	Dec 31, 2019	Dec 31, 2018
Opening accumulated acquisition value	11,544	11,147
Investments	2,017	397
Closing accumulated acquisition value	**13,561**	**11,544**
Opening accumulated amortization	-8,336	-7,618
Amortization for the year	-600	-718
Closing accumulated amortization	**-8,936**	**-8,336**
Closing book value	**4,625**	**3,208**

NOTE 18, cont'd
INTANGIBLE ASSETS

Patents:	Dec 31, 2019	Dec 31, 2018
Opening accumulated acquisition value	2,383	1,783
Investments	900	600
Closing accumulated acquisition value	**3,283**	**2,383**
Opening accumulated amortization	-80	-68
Amortization for the year	-149	-12
Closing accumulated amortization	**-229**	**-80**
Closing book value	**3,054**	**2,303**

Regarding the purchased patent, see Note 11.

NOTE 19
EQUIPMENT AND TOOLS

GROUP	Dec 31, 2019	Dec 31, 2018
Opening accumulated acquisition value	5,402	8,275
Investments	1,510	1,609
Disposals	-191	-4,478
Translation difference	103	-4
Closing accumulated acquisition value	**6,824**	**5,402**
Opening accumulated depreciation	-1,517	-5,176
Disposals	191	4,478
Depreciation for the year	-1,288	-817
Translation difference	-10	-2
Closing accumulated depreciation	**-2,624**	**-1,517**
Closing book value	**4,200**	**3,885**

NOTE 20
PARTICIPATIONS IN GROUP COMPANIES

PARENT COMPANY	Dec 31, 2019	Dec 31, 2018
Opening accumulated acqusition value	1,002,438	801,698
Shareholders contribution	22,000	200,740
Closing accumulated acquisition value	**1,024,438**	**1,002,438**
Opening accumulated write-down	-297,786	-297,786
Closing accumulated write-down	**-297,786**	**-297,786**
Closing book value	**726,652**	**704,652**

NOTE 20, cont'd
PARTICIPATIONS IN GROUP COMPANIES

	Share of equity %	Number of shares	Book value Dec 31, 2019	Book value Dec 31, 2018	Corporate Reg. No.	Registered office
BONESUPPORT AB	100	1,000	726,652	704,652	556800-9939	Lund

SUBSIDIARIES OF BONESUPPORT AB:

	Share of equity %	Number of shares	Book value Dec 31, 2019	Book value Dec 31, 2018	Corporate Reg. No.	Registered office
BONESUPPORT Inc.	100	100	69	69	98-0539754	Delaware
BONESUPPORT GmbH	100	1,000	0	0	HRB 80228	Frankfurt
BONESUPPORT BV	100	18,000	183	183	34377023	Amsterdam
BONESUPPORT Switzerland GmbH	100	20,000	171	171	CHE-474.771.411	Zürich
BONESUPPORT UK Ltd	100	1	0	0	10352673	London
BONESUPPORT ApS	100	500	69	69	40081135	Kongens Lyngby
BONESUPPORT, S.L.U.	100	3,500	36	36	B67244988	Barcelona
BONESUPPORT Incentive AB	100	100,000	840	840	556739-7780	Lund

NOTE 21
TRADE RECEIVABLES AND OTHER RECEIVABLES

	GROUP		PARENT COMPANY	
GROUP	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Trade receivables	29,848	18,683	0	0
Other receivables	5,744	8,011	125,246	153
Total	**35,592**	**26,694**	**125,246**	**153**

Other receivables above refer to:	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Receivables on Group companies	0	0	125,246	0
VAT receivable	1,887	3,651	0	153
Other	3,857	4,360	0	0
Total	**5,744**	**8,011**	**125,246**	**153**

Credit risk exposure:	Dec 31, 2019	Dec 31, 2018
Trade receivables not past due, gross amounts	17,252	7,516
Expected credit loss	0	0
(Expected credit loss, %)	0%	0%
Trade receivables past due, gross amounts	13,526	13,616
Expected credit loss	-930	-2,449
(Expected credit loss, %)	7%	18%
Total trade receivables	**29,848**	**18,683**

Improved internal control and strengthened processes have led to a reassessment of earlier provisions which has impacted the result with 1,557 SEKt (753) due to reversal of impaired trade receivables.

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

Due date for trade receivables past due but not written off:	Dec 31, 2019	Dec 31, 2018
Less than 1 month	4,942	6,938
1-3 months	3,390	2,122
More than 3 months	4,267	2,107
Total	**12,599**	**11,167**

Changes in credit risk provision:	2019	2018
As of January 1	2,449	3,169
Provision for bad debts	16	33
Recovery of provision for bad debts	-1,557	-753
Translation difference	22	0
As of December 31	**930**	**2,449**

No provision for expected credit losses have been made in other categories of trade receivables and in other receivables since it is considered immaterial. No credit risk provision has been made for receivables on Group companies.

The four largest customers represent 9% (15) of total trade receivables. The single largest customer represents 3% (5).

Group's trade receivables per currency:	Dec 31, 2019	Dec 31, 2018
USD	12,058	3,637
SEK	1,117	785
EUR	7,229	6,426
GBP	7,146	5,817
DKK	942	961
CHF	1,356	1,057
Total	**29,848**	**18,683**

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

NOTE 22
ACCRUALS AND PREPAID ITEMS

	GROUP		PARENT COMPANY	
	Dec 31, 2019	Dec 31, 2018	Dec 31, 2019	Dec 31, 2018
Prepaid expenses				
Prepaid insurance	1,167	1,037	646	716
Other prepaid expenses	4,963	3,490	4	12
Total	**6,130**	**4,527**	**650**	**728**
Accrued expenses				
Accrued social security contributions for employee stock options	3,515	2,277	0	0
Accrued bonus including social security contributions	9,908	1,951	2,872	870
Accrued holiday including social security contributions	4,938	3,379	531	335
Accrued pension	1,092	1,018	74	0
Other accrued social security contributions	1,340	2,560	356	105
Other accrued employee expenses	0	7,428	0	0
Repurchase of stock items	11,000	0	0	0
Other accrued expenses	8,649	6,924	2,269	1,693
Total	**40,442**	**25,537**	**6,102**	**3,003**

NOTE 23
SHARE CAPITAL AND EARNINGS PER SHARE

Total number of shares, quotient value 0.625 SEK (0.625)	52,521,342

Number of shares December 31, 2017	**50,277,890**
Conversion of employee stock options 2018	1,518,027
Number of shares December 31, 2018	**51,795,917**
Share issue C shares	505,000
Conversion of employee stock options 2019	220,425
Number of shares December 31, 2019	**52,521,342**
Number of votes	**52,066,842**

The total number of shares at the end of the year is 52,521,342 (51,795,917) of which 52,016,342 are common shares and 505,000 are series C shares. The share capital amounts to 32,826 SEKt (32,373). During 2019, 220,425 shares were issued from exercise of employee stock options.

NOTE 23, cont'd
SHARE CAPITAL AND EARNINGS PER SHARE

EARNINGS PER SHARE - BEFORE DILUTION

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

	2019	2018
Loss for the year, SEKt	-161,060	-176,405
Weighted average number of shares, thousands	51,889	50,971
Earnings per share before dilution, SEK	-3.10	-3.46

EARNINGS PER SHARE AFTER DILUTION

BONESUPPORT has in total 2,205,614 (2,951,250) potential shares in form of employee stock options and warrants. The number as per end of 2019 excludes 172,201 issued in January 2020. These refer to employee stock options exercised during 2019 but registration of the new shares was done in January 2020. Of the number of potential shares as of end 2019, 1,210,210 (1,210,210) are warrants. During 2018, 361,096 warrants were issued to management. 599,114 warrants were issued to Kreos Capital in connection with signing of the loan agreement in 2016 and 250,000 are held by a former executive. The rest of the potential share are employee stock options, 995,404.

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

NOTE 24
PROVISIONS

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

	2019	2018
As of January 1	289	173
Provision	0	103
Re evaluation	16	13
As of December 31	**305**	**289**

NOTE 25
CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	Dec 31, 2019	Dec 31, 2018
Financial assets:		
Trade receivables	29,848	18,683
Other receivables	3,937	382
Cash and cash equivalents	92,065	261,468
Financial liabilities:		
Leasing debt	10,385	0
Trade payables	13,649	12,472
Accrued liabilities	19,649	23,259

The Parent Company's financial assets and liabilities:

	Dec 31, 2019	Dec 31, 2018
Financial assets:		
Participations in Group Companies	726,652	704,652
Receivables on Group Companies	125,246	0
Cash	73,549	243,247
Financial liabilities:		
Trade payables	116	485
Liabilities to Group Companies	0	38,067
Accrued liabilities	1,879	3,003

On January 31, 2020, the Company signed an agreement with Skandinaviska Enskilda Banken (SEB) for a credit facility of up to SEK 60 million. The credit line is an overdraft facility with collateral in floating charges and terms and conditions in line with previously communicated growth targets, so called covenants. All financial liabilities are valued at amortized cost. The fair value of financial assets and liabilities is estimated to be in accordance with the booked value due to the short maturity. The Parent Company values all financial assets except participations in Group Companies at amortized cost. Accrued expenses are specified in Note 22. For information on interest income on financial assets, see Note 15. Losses on financial assets, recognized in the income statement as credit losses are described in Note 21.

NOTE 26
LEASING

The Group has lease agreements with Första Fastighets AB IDEON (Wihlborgs) in Sweden and John Hancock Life Insurance Company/John Hancock Life & Health Insurance Company in USA for the lease of office and warehouse space. In addition, the Group has contracts with a number of suppliers for car leasing and a leasing contract with ATEA regarding the rental of computers and other IT equipment. All items are used in the Company's daily operations. The lease period for premises extends between 3 and 5 years, for cars between 3 and 4 years and for computers and other IT equipment for 3 years. The terms of the agreement are market-based and none of the contracts require the Group to maintain any financial key figures.

NOTE 26, cont'd
LEASING

No leasing contracts last longer than five years.

The Group also has a low value lease agreement for a coffee machine and a water dispenser. For this agreement, the Group applies the exception in IFRS 16 for leasing agreements of low-value assets.

The right of use assets and the leasing debt and how their book values have changed during the year is summarized below:

GROUP - RIGHT OF USE ASSETS	**Buildings**	**Cars**	**Equipment**	**Total**
Opening accumulated acquisition value	0	0	0	0
Transition effect IFRS 16	12,633	1,512		14,145
New leasing objects		1,775	306	2,081
Translation difference	-62	-85		-147
Closing accumulated acquisition value	**12,571**	**3,202**	**306**	**16,079**
Depreciation for the year	-4,339	-1,253	-102	-5,694
Closing accumulated depreciation	**-4,339**	**-1,253**	**-102**	**-5,694**
Closing book value	**8,232**	**1,949**	**204**	**10,385**

GROUP - LEASING DEBT	**Total**
Opening balance	0
Transition effect	14,145
Debt for new leasing objects	1,256
Repayment of debt	-5,933
Interest expense	239
Translation difference	678
Closing balance	**10,385**
of which non-current leasing debt	5,703
of which current leasing debt	4,682

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

The Group's leasing debts have the following, undiscounted maturities:

GROUP - LEASING DEBT PER MATURITY	**Dec 31, 2019**
Within one year	6,340
Between one and two years	2,670
Between two and three years	2,246
Between three and four years	1,368
Between four and five years	433
Sum	**13,057**

NOTE 26, cont'd
LEASING

The amounts with which leasing has been reported in the income statement are as follows:

GROUP	2019
Depreciation right of use assets	5,694
Interest expense for leasing debt	239
Fees for leasing agreements of low-value assets	15
Total	**5,948**

The Parent Company is not engaged in any operational lease contracts. Total expenses relating to operating leases in the Group amounted to 0 SEKt (4,734).

Leasing is included in the Group's total cash flow with 239 SEKt regarding interest payments and 5,933 SEKt regarding repayment of borrowings.

TRANSITION EFFECTS IFRS 16 LEASING

The transition effect has been calculated to 14,145 SEKt. The effect on the balance sheet at transition date is disclosed below. The income statement has been affected to some extent. Leasing cost has been replaced by depreciation and interest expenses. Operating result has to some extent been affected postively since interest expenses are recognized in the financial net. Key ratios such as equity ratio and debt ratio have been affected as liabilities have increased. The equity ratio has decreased from 85.4% to 81.9% as of January 1, 2019. In its valuation of leasing debt and right of use assets, the Company assessed and did not include the option to use a three-year extension for leasing premises relating to the offices in Lund and Boston, as the Group's need for office space in the coming years is deemed difficult to forecast. The Company's assessment of these options at the end of the year remains unchanged.

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

Reconciliation of operating lease commitments as per December 31, 2018 and leasing debt as per January 1, 2019:

Operating lease commitments as per December 31, 2018	14,808
Discount effect applying estimated interest rate 6%	-648
Reduction regarding low value leases	-15
Financial lease liabilities as per December 31, 2018	14,145
Leasing debt as per January 1, 2019	**14,145**

NOTE 27
PLEDGED SECURITIES AND CONTINGENT LIABILITIES

PLEDGED SECURITIES

The US subsidiary BONESUPPORT Inc. has provided a guarantee for its rented facilities of 56 USDt (56), corresponding to 523 SEKt (502). The Parent Company guarantees a corresponding amount.

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

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

At the end of 2019 and 2018, the Group and the Parent Company had no other contingent liabilities.

NOTE 28
ITEMS NOT INCLUDED IN THE CASH FLOW

GROUP - ITEMS NOT INCLUDED IN CASH FLOW	2019	2018
Depreciation regarding right of use assets	5,694	0
Other depreciation and amortization	2,036	1,547
Provision for repurchase of items from previous distributor	11,000	0
Costs for employee stock option programs	2,605	4,192
Unrealized exchange rate differences	-1,601	-1,720
Write-down (or release thereof) on trade receivables	-1,618	-961
Gain or loss on sale or disposals of equipment and tools	0	55
Other	-560	117
Total	**17,556**	**3,230**

NOTE 29
EVENTS AFTER THE CLOSING DAY

BONESUPPORT is closely following the outbreak and spread of Covid-19. The Group has taken proactive measures to reduce risks for employees and to ensure business continuity. BONESUPPORT estimates that there is a risk that the Covid-19 outbreak will have a financial impact on the company during the first half of 2020. As the development is unpredictable, it is not possible to predict impact on sales in 2020.

On January 31, 2020, the Company signed an agreement with Scandinavian Enskilda Banken (SEB) for a credit facility of up to 60 SEKm. The credit line is an overdraft facility with collateral in floating charges and terms and conditions that are in line with previously communicated growth targets, so called covenants.

BONESUPPORT announced in March that the Company will submit a De Novo application to the US Food and Drug Administration (FDA) to obtain a market approval for the Company's antibiotic–releasing product CERAMENT G. The application is specified for the indication osteomyelitis (bone infection) and can potentially result in an approval at the end of 2020.

BONESUPPORT announced in December that Kristina Ingvar joins the Company as Executive Vice President Quality Management & Regulatory Affairs in February 2020.

NOTE 30
PROPOSAL FOR APPROPRIATION - PARENT COMPANY

SEK **Unrestricted equity in the Parent Company**	**Dec 31, 2019**	**Dec 31, 2018**
Share premium reserve	1,191,775,472	1,187,895,490
Retained earnings	-313,591,392	-299,698,240
Loss for the year	-15,906,650	-13,577,527
Total	**862,277,430**	**874,619,723**

The Board of Directors propose that the share premium reserve, retained earnings and loss for the year should be carried forward. The proposal will be presented at the Annual General Meeting on May 19, 2020.

THE BOARD'S ASSURANCE

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

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

Lund 3 April 2020

Lennart Johansson
Chairman of the Board

Håkan Björklund
Director

Simon Cartmell
Director

Tone Kvåle
Director

Lars Lidgren
Director

Björn Odlander
Director

Emil Billbäck
CEO

Our audit report was issued on 3 April 2020

Ernst & Young AB

Ola Larsmon

Certified Public Accountant

AUDITOR'S REPORT

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of BONESUPPORT HOLDING AB (publ) for the year 2019. The annual accounts and consolidated accounts of the company are included on pages 28-62 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2019 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2019 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

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

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

KEY AUDIT MATTERS

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

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

Revenue recognition

Description
Net sales for 2019 amounts to KSEK 155,462 in the consolidated income statement. The revenue recognition principles are described in Note 1. Revenues are reported based on the compensation expected to be received by the group in exchange for transfer of promised goods or services to a customer, exclusive of any amounts collected on behalf of third parties (such as sales taxes), at the point at which the control over the good has transferred to the customer. The revenues arise primarily from one revenue stream, sales of goods, via three channels with different sales conditions; sales in the United States with a combination of sales entity and distributors, direct sales in five countries in Europe and sales via distributors on all other markets. We have thus considered revenue recognition to represent a key audit matter.

How our audit addressed this key audit matter
We have evaluated the company's revenue recognition process through our audit. Amongst other we have tested the company's recorded revenue transactions, audited credit notes and accounts receivable, performed data analytics and performed analytical review procedures. Moreover, we have analyzed sales compared to the prior year and movements in the recorded revenues compared to expectations, audited customer agreements, conducted sample tests on accruals at financial statement closing and conducted tests of incoming payments.

We have audited disclosures in the annual report.

Shares in subsidiaries

Description
The carrying amount of shares in subsidiaries per 31 December 2019 amounts to KSEK 726,652 in the parent company's balance sheet, which corresponds to 79% of total assets in the parent company. The company annually and at indication of impairment that reported values do not exceed the estimated recoverable amount. The recoverable amount is determined by a present value calculation of future cash flows. Future cash flows are based on management's forecasts and include a number of assumptions, including earnings, growth, investment needs and discount rates.

Changes in assumptions have a major impact on the calculation of the recoverable amount and the assumptions applied by the company may therefore be of major importance for the assessment of impairment. We have therefore considered the reporting of shares in subsidiaries as a key audit matter.

A description of the impairment test is included in the section on assessments, estimates and assumptions in Note 3 and information about shares in subsidiaries is included in Note 20.

How our audit addressed this key audit matter
In our audit we have evaluated and tested the company's process for establishing impairment tests, amongst other by evaluating accuracy in previous forecasts and assumptions. We have also made comparisons with other companies to evaluate the fairness of future cash flows and growth assumptions, and with the help of our valuation specialists evaluated the applied discount rate and assumptions about long-term growth. Moreover, we have examined the model and method for carrying out impairment test. We have audited disclosures in the annual report.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-27, 67 och 72-78. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

Responsibilities of the Board of Directors and the Managing Director

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

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

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

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS R

Opinions
In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of BONESUPPORT HOLDING AB (publ) for the year 2019 and the proposed appropriations of the company's profit or loss.

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

Basis for opinions
We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accor-

dance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

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

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of BONESUPPORT HOLDING AB (publ) by the general meeting of the shareholders on 14 May 2019 and has been the company's auditor since 22 April 2010.

Malmö 3 April 2020
Ernst & Young AB

Ola Larsmon
Authorized Public Accountant

BONESUPPORT'S SHARE

BONESUPPORT's share was listed at Nasdaq Stockholm Small Cap June 21, 2017. The Company has common shares (A shares) and C shares. During 2019, the number of shareholders increased by 750 to 2,555 (1,805). Highest share price during 2019 was 35.50 SEK and lowest was 18.00 SEK per share. Closing share price December 31, 2019 was 32.50 SEK.

SHARE CAPITAL AND NUMBER OF SHARES

Share capital by the end of the year was 32,826 SEKt distributed over 52,521,342 shares with a quotient value of 0.625 SEK per share.

SHARE TURNOVER

During 2019, number of shares traded were 16,324,183. Average share turnover was 1.9 SEKm per trading day.

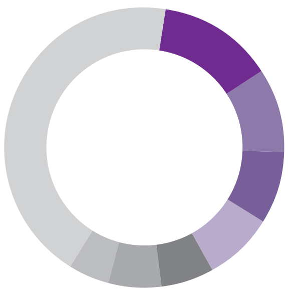
OWNERSHIP STRUCTURE

At the end of 2019, BONESUPPORT had 2,555 (1,805) shareholders, where Swedish shareholders accounted for 67.6% of capital and 67.4% of votes.

DIVIDEND AND DIVIDEND POLICY

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

LARGEST SHAREHOLDERS PER DECEMBER 31, 2019



HealthCap VLP	12.7%
Stiftelsen Industrifonden	9.2%
Swedbank Robur Fonder	7.9%
Tredje AP-fonden	7.7%
Tellacq AB	5.7%
Fjärde AP-Fonden	4.8%
Lundbeckfonden Invest A/S	4.4%
Övriga aktieägare	47.6%

DEVELOPMENT NUMBER OF SHARES 2019

Date	Event	No. of shares
December 31, 2018	Opening balance	51,795,917
Januari-December 2019	Conversion of options to shares	220,425
March 2019	Emission of C shares	505,000
December 31, 2019	Closing balance	52,521,342

BONESUPPORT CLOSING PRICE VS INDEX

2019 CORPORATE GOVERNANCE REPORT

BONESUPPORT HOLDING AB (publ) ("**BONESUPPORT**") is a Swedish public limited company with its registered office in Lund, Sweden. The Company's shares are listed on Nasdaq Stockholm and are traded under the ticker symbol BONEX. BONESUPPORT's corporate governance is based on applicable statutes, regulations, rules and recommendations for stock-exchange listed companies, such as the Swedish Corporate Governance Code (the "**Code**"), Nasdaq Stockholm's Rule Book for Issuers, BONESUPPORT's Articles of Incorporation, and company-specific rules and guidelines. For more information, refer to the Company's website www.bonesupport.com. During the financial year 2019, BONESUPPORT has applied the Code without any deviations.

SHAREHOLDERS MEETINGS

The Annual General Meeting, or, where applicable, an extraordinary meeting of shareholders, is the ultimate decision-making body of BONESUPPORT, in which all shareholders are entitled to participate. The AGM makes decisions on principle matters, for instance concerning amendments to the Articles of Incorporation, the election of Members of the Board of Directors and the auditor, adoption of the Profit & Loss Statement and Balance Sheet, discharge from liability for Members of the Board of Directors and the Chief Executive Officer, disposition of profits or losses, principles for the appointment of members of the Nomination Committee, and guidelines for remuneration to members of senior management.

At the Annual General Meeting on May 14, 2019, eleven shareholders were represented, corresponding to holdings of 56.05 percent of the total number of shares and voting rights in the Company. Advokat Ola Grahn, a lawyer, was elected as Chair of the AGM. At the 2019 Annual General Meeting, the following resolutions were adopted: determination of the directors' fees for the Members of the Board of Directors and fees to the auditors, the re-election of Håkan Björklund, Björn Odlander, Lars Lidgren, Tone Kvåle, Lennart Johansson and Simon Cartmell as ordinary Board Members. Nina Rawal declined re-election before the 2019 Annual General Meeting. Lennart Johansson was elected Chairman of the Board. Re-appointment of Ernst & Young AB as auditor with authorized public accountant Ola Larsmon as the auditor in charge. Resolution on Instructions and Rules of Procedure for the Nomination Committee, determination of Remuneration Policy for members of senior management, and the implementation resolution for a long-term incentive program for members of senior management and employees.

The Annual General Meeting will be held on Tuesday, May 19, 2020, at 10:00 a.m., at the Elite Hotel Ideon, Scheelevägen 27 in Lund, Sweden. For further information concerning the Annual General Meeting, please visit BONEUPPORT's website. All shareholders have the right to participate and vote for all their shares at the Annual General Meeting. For information concerning shares and voting rights, see the Directors' Report, page 34 in the Annual Report.

NOMINATION COMMITTEE

According to the Swedish Corporate Governance Code, the Company is to have a Nomination Committee, the duties of which shall include the preparation and drafting of proposals regarding the election of Members of the Board, the Chairman of the Board, the Chair at the shareholders meetings and the auditor(s). The Nomination Committee shall also propose directors' fees for Members of the Board and fees for the auditor(s). At the 2019 Annual General Meeting, it was resolved to adopt an Instruction and Rules of Procedure for the Nomination Committee according to which the Nomination Committee is to consist of four members representing the three largest shareholders per the end of September, together with the Chairman of the Board. For information concerning ownership interests, see the Directors' Report, page 34 in the Annual Report or the Company's website www.bonesupport.com.

In accordance with the adopted Instruction, a Nomination Committee has been constituted in preparation of the 2020 Annual General Meeting consisting of Jacob Gunterberg (Chair) representing HealthCap V LP, Bo Lundgren representing Swedbank Robur Fonder, and Jonas Jendi representing Stiftelsen Industrifonden, along with the Chairman of the Board. The composition of the Nomination Committee for the 2020 Annual General Meeting was publicly notified via a press release concerning the Q3 interim report for January – September 7, 2019.

During 2019, the Nomination Committee held 3 meetings and had ongoing contact in-between the meetings. The Nomination Committee has complied with the Instruction adopted at the Annual General Meeting on May 14, 2019.

The Nomination Committee has in its work applied Rule 4.1 of the Code as a diversity policy, whereby the Nomination Committee has taken into account that the Board of Directors, with regard to the Company's business activities, stage of development and circumstances in general, shall be characterized by diversity and breadth with respect to members' qualifications, skills and expertise, experience and background, and that an even gender balance shall be strived for. The Nomination Committee's ambition is that the gender balance will be equalized over time.

EXTERNAL AUDIT

The Company's auditor is appointed by the Annual General Meeting for the period until the end of the next following Annual General Meeting. The auditor examines the Annual Report with accompanying financial statements, as well as the management by the Board of Directors and the Chief Executive Officer. Following each financial year, the auditor shall submit an auditor's report to the Annual General Meeting. Each year, the Company's auditor reports his observations from the audit to the Board of Directors.

At the 2019 Annual General Meeting, Ernst & Young AB was re-appointed as the Company's auditor with authorized public accountant Ola Larsmon as auditor in charge. It was also resolved at the Annual General Meeting that the fees to the auditor should be paid in accordance with the usual billing standards and after receipt of approved invoices. More information regarding the auditor's fees can be found in Note 8 in the Annual Report.

THE BOARD OF DIRECTORS

After the Annual General Meeting, the Board of Directors is the Company's highest decision-making body. The Board of Directors is responsible for the Company's organization and the management of the Company's affairs, for example by establishing targets and strategies, securing procedures and systems for monitoring the established targets, continuously assessing the Company's financial position and evaluating the operational management. Furthermore, it is the Board of Directors' responsibility to ensure that true and correct information is provided to the Company's stakeholders, that the Company complies with laws and regulations, and that the Company develops and implements internal policies and ethical guidelines. The Board of Directors also appoints the Company's CEO and determines his/her salary and other remuneration, based on the guidelines adopted by the Shareholders Meeting.

The Board Members elected by the Annual General Meeting are elected annually at the Annual General Meeting for the term until the next Annual General Meeting is held. According to the Company's Articles of Incorporation, the Board of Directors is to consist of a minimum of three and a maximum of eight members without alternates. According to the Code, the majority of the Board Members elected by the Annual General Meeting must be independent of the Company and its management. Furthermore, at least two of the Board Members who are independent in relation to the Company and its management must also be independent in relation to major shareholders. Major shareholders are shareholders who directly or indirectly control 10 percent or more of the total shares and voting rights in the Company. In determining whether or not a Board Member is independent, an overall assessment is to be made of all the circumstances which may call into question the independence of the Board Member vis-à-vis the Company, its management, or the major shareholders. A Member of the Board who is employed or a member of a board of directors of a company that is a major shareholder is not considered to be independent. There are no further provisions in the Articles of Incorporation concerning the appointment and resignation of Members of the Board or amendments to the Articles of Incorporation.

All Board Members elected by the Annual General Meeting, except Björn Odlander, are independent in relation to the major shareholders, and all Board Members elected by the Annual General Meeting, except Simon Cartmell, are independent in relation to the Company and its management. Björn Odlander is independent in relation to the Company and its management, but not in relation to major shareholders as he is a partner of HealthCap. Simon Cartmell is independent in relation to major shareholders, but not in relation to the Company and its management, due to that after the 2018 Annual General Meeting he entered into a consultancy agreement with the Company whereby he regularly assists the Company in matters relating to commercialization strategies as well as product and business development. As indicated, the Board of Directors is of the view that the Company fulfils the Code's requirement in regard to independence. The Board of Directors' members, own and closely related parties' holdings and the year in which they were elected are presented on the pages 72-73 of the Annual Report.

The Board of Directors follows a written Rules of Procedure, which is reviewed annually and adopted at the statutory Board of Directors meeting. The Rules of Procedure govern, among other things, the Board of Directors' working methods, duties, responsibilities, decision-making within the Company, the Board of Directors' meeting agenda, the duties and responsibilities of the Chairman of the Board, and the allocation of responsibilities and duties between the Board of Directors and the CEO. The Instruction regarding financial reporting and the Instruction to the CEO are also adopted in connection with the statutory Board of Directors meeting.

The work of the Board of Directors is also carried out on the basis of an annual briefing plan, which fulfills the Board of Directors' need for information. In addition to the Board of Directors meetings, the Chairman of the Board of Directors and the CEO have an ongoing dialogue concerning the management of the Company.

The Board of Directors meets according to a pre-determined annual schedule and shall, in addition to the statutory Board of Directors meeting, hold at least six ordinary Board of Directors meetings between each Annual General Meeting. In addition to these meetings, extraordinary meetings may be arranged to deal with matters that cannot wait until any of the regular meetings. The work of the Board of Directors during the year has followed the framework as described above. Fourteen meetings have been held in 2019. See the table below for the attendance record.

Board Member	Meetings
Lennart Johansson	14/14
Håkan Björklund	14/14
Björn Odlander	14/14
Lars Lidgren	14/14
Tone Kvåle	14/14
Simon Cartmell	14/14
Nina Rawal	6/6

The work of the Board of Directors is evaluated annually with the purpose of further developing the Board of Directors' working methods and efficiency. The Chairman of the Board is responsible for the evaluation, and for presenting it to the Nomination Committee. The purpose of the evaluation is to obtain an idea of the Board Members' views on how the work of the Board of Directors is conducted and what measures could be taken to streamline the work of the Board of Directors, and whether the Board of Directors is well balanced in terms of skills and expertise. The evaluation is an important basis for the Nomination Committee in preparation of the Annual General Meeting.

The Chairman of the Board conducted an evaluation with all Members of the Board in 2019. The results of the evaluation have been reported and discussed in the Board of Directors and the Nomination Committee.

Remuneration to the Board of Directors

The amount of the directors' fee to paid to the Members of the Board elected by the Annual General Meeting is decided upon by the Annual General Meeting. In preparation of the 2020 Annual General Meeting, the Nomination Committee will make proposals in regard to the directors' fees. At the Annual General Meeting held on May 14, 2019, it was resolved that a directors fee of SEK 325,000 would be paid to the Chairman of the Board and SEK 150,000 would be paid to each of the other Members of the Board who are not employed by the Company. In addition, it was decided that remuneration for work related to the committee is to be paid in the amount of SEK 125,000 to the Chair of the Audit Committee, and with SEK 70,000 to each of the other members of the Audit Committee, with SEK 50,000 to the Chair of the Remuneration Committee and SEK 25,000 to each of the other members of the Remuneration Committee. For the financial year 2019, remuneration was paid to the members of the Board of Directors as set out in the table below. All amounts are stated in SEK thousands.

Name	Member of	Remuneration
Lennart Johansson	Chairman of the Board, member of the Audit Committee, member of the Remuneration Committee	420
Håkan Björklund	Member of the Board, Chair of the Remuneration Committee	200
Tone Kvåle	Member of the Board, Chair of the Audit Committee	275
Lars Lidgren	Member of the Board	150
Björn Odlander	Member of the Board, member of the Remuneration Committee	175
Simon Cartmell	Member of the Board	150

Audit Committee

The task and responsibility of the Audit Committee is primarily to monitor the Company's financial position, to monitor the effectiveness of the Company's internal control, internal audit and risk management, to be informed about the audit of the Annual Report and accompanying financial statements/consolidated financial statements, and to review and monitor the auditor's impartiality and independence. The Audit Committee shall also assist the Nomination Committee in proposals for decisions concerning the election and remuneration of the auditor. The Audit Committee is comprised of Tone Kvåle (Chair) and Lennart Johansson.

The work of the Audit Committee during the year has followed the framework as described above. During the 2019 financial year, the Audit Committee held six meetings and has discussed matters concerning the Company's control system, review of quarterly reports, assessment of the auditor's work, and evaluation of risk management. See the table below for the attendance record.

Member	Meetings
Tone Kvåle	6/6
Lennart Johansson	6/6

Remuneration Committee

The task and responsibility of the Remuneration Committee are primarily to prepare matters regarding remuneration and other terms of employment for the Chief Executive Officer and members of senior management. The Remuneration Committee shall also monitor and evaluate ongoing and completed programs for variable remuneration for members of senior management during the year, and monitor and evaluate the implementation of the guidelines for remuneration to members of senior management which the Annual General Meeting has adopted. The Remuneration Committee is comprised of Håkan Björklund (Chair), Björn Odlander and, as of the 2019 Annual General Meeting, Lennart Johansson.

During the financial year 2019, the Remuneration Committee held 5 meetings and has dealt with matters regarding the CEO's and other Group management's bonus results for 2018, bonus criteria and salary audit for 2019, plus the implementation of a performance-based incentives share savings program for employees for 2019. See the table below for the attendance record.

Member	Meetings
Håkan Björklund	5/5
Björn Odlander	5/5
Lennart Johansson	3/3

CEO AND OTHER MEMBERS OF SENIOR MANAGEMENT

The Chief Executive Officer is subordinate to the Board of Directors in the role, the CEO has as the primary task and responsibility to manage the Company's ongoing management and day-to-day business operations of the Company. The Board of Directors' Rules of Procedure and Instruction for the CEO stipulate which matters and issues the Company's Board of Directors is to decide on and which decisions fall within the area of responsibilities of the CEO. The CEO is also responsible for preparing reports and the requisite basis for decision-making in preparation of the Board of Directors meetings and presents the materials at the Board of Directors meetings.

BONESUPPORT has a management team consisting of eight people (as of this writing), including the CEO. For further information about the CEO and other members of senior management, please refer to pages 74-75 in the Annual Report.

Remuneration to members of senior management

Remuneration to members of senior management consists of a base salary, variable remuneration, pension benefits, share-based incentive programs and other benefits.

The remuneration paid to the CEO and other members of senior management in terms of salary and other remuneration for the 2019 financial year is set out in the table below. All amounts are stated in SEK thousands.

TSEK	Salary	Social insurance costs	Share-based remuneration
CEO	5,248	2,024	668
Other members of senior management, 7	14,750	4,019	945

Guidelines for remuneration to members of senior management

Pursuant to the Swedish Companies Act, the Annual General Meeting shall decide on guidelines for remuneration to the CEO and other members of senior management. At the Annual General Meeting on May 14, 2019, guidelines were adopted with primarily the following content:

The Company's starting point is that the Company is to offer remuneration at levels that are at market terms, and which facilitate the ability to recruit and retain senior management, and that the terms and conditions must be competitive taking into consideration the circumstances in the country where the member of the senior management is employed. Remuneration to members of senior management may be comprised of a base salary, variable remuneration, pension benefits, share-based incentives and other incentive programs as decided by the Annual General Meeting, along with other benefits.

The base salary shall be determined taking skills and expertise, area of responsibility and performance into account. The variable remuneration shall be based on the outcome of pre-established and well-defined objectives. The variable remuneration shall be capped and for the CEO may not exceed 75% of the annual base salary, and for other members of senior management 40% of the annual base salary, whereby the maximum individual level is to be determined based on factors relating to i.a. the position held by the specific individual.

In addition to what is required by law and collective bargaining agreements or other contracts, the CEO and other members of senior management may be entitled to arrange pension solutions on an individual basis. A refraining from receiving a salary and variable remuneration can be used for increased pension contributions, provided that over time the total cost for the Company is unchanged.

Share-based incentive programs shall be, where appropriate, decided by the Annual General Meeting. The members of senior management may be granted other customary benefits, such as a company car, occupational health care services, etc.

In the event of termination of the CEO's employment by the Company, the period of notice shall not exceed 6 months. If the Company terminates the CEO's employment without an objective cause, the CEO shall be entitled, in addition to their salary during the notice period, to severance pay corresponding to twelve months' base salary. For other members of senior management, the notice period in the event of termination by the Company shall not exceed 6 months. In the event of dismissal by the Company, the Company shall pay, in addition to the salary during the notice period, severance pay corresponding to an amount equal to a maximum of 12 months' base salary.

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

The Board of Directors has proposed that the Annual General Meeting to be held on May 19, 2020, should decide to approve essentially unchanged guidelines for remuneration that will be in effect until the Annual General Meeting in 2021.

INTERNAL CONTROL

The Board of Directors' responsibility for the internal control is governed by the Swedish Companies Act, the Swedish Annual Reports Act – which requires that information concerning the primary elements of BONESUPPORT's internal control and risk management systems related to the financial reporting each year is to be included in the Corporate Governance Report – as well as the Code. The Board of Directors is to ensure, inter alia, that BONESUPPORT has sufficient internal control and formalized procedures that ensure compliance with established principles for financial reporting and internal control, and that there are effective systems for follow-up and control of the Company's business operations and the risks associated with the Company and its business operations.

The overall purpose of internal control is to ensure, to a reasonable extent, that the Company's operating strategies and targets are monitored and that the shareholders' investment is protected. Furthermore, internal control is to ensure that external financial reporting is, to a reasonable extent, reliable and prepared in accordance with generally accepted accounting principles, compliance with applicable laws and regulations, and that requirements imposed on stock-exchange listed companies are complied with. The internal control primarily consists of the following five components: control environment, risk assessment, control activities, information and communication and monitoring. There is no unit in the Company for internal auditing. The Board of Directors evaluates the need for this unit annually and has made the assessment that, considering the size of the Company, there is not sufficient need to introduce a formal internal audit unit.

1. Control environment

The Board of Directors has overall responsibility for internal control in relation to the financial reporting. In order to establish and maintain a functioning control environment, the Board of Directors has adopted a number of policies and regulatory documents that govern the financial reporting. These consist primarily of the Board of Directors' Rules of Procedure, Instruction for the Chief Executive Officer, and Instruction for financial reporting. BONESUPPORT has also adopted a special authorization policy. In addition, the Company has a financial manual that contains the principles, guidelines and process descriptions for bookkeeping, accounting and financial reporting. The Company has also summarized its procedures for internal control in a separate internal control policy. Finally, the Board of Directors has established an audit committee whose primary task is to monitor the Company's financial position, monitor the effectiveness of the Company's internal control, internal audit and risk management, keep itself informed about the audit of the Annual Report with accompanying financial statements including consolidated financial statements, and review and monitor the auditor's impartiality and independence. The responsibility for the day-to-day work with financial control has been delegated to the Company's CEO, who in turn has delegated this responsibility to the Company's CFO, who has overall responsibility for maintaining sound internal control over the financial reporting environment. The CEO regularly reports to the Board of Directors in accordance with the established instruction for the CEO and the instruction for financial reporting.

2. Risk assessment

The risk assessment includes identifying risks that may arise if the basic requirements for financial reporting in the Company are not fulfilled. In a special risk assessment document, BONESUPPORT's management team has identified and evaluated the risks that arise in the Company's business operations and assessed how these risks can be properly managed. Within the Board of Directors, the Audit Committee has primary responsibility for continuously assessing the Company's risk situation, after which the Board of Directors also conducts an annual review of the risk situation. During the year, senior management has reviewed the risks related to strategies, compliance, and financial and operational issues. Afterwards, these risks were assessed according to probability and effect, where risks with either a high degree of probability or potential impact have been prioritized. This has subsequently been presented to the Audit Committee before being reviewed by the Board of Directors. The Company has assigned each risk factor to at least one person in Group management for them to lead the efforts in developing and executing plans for courses of action.

3. Control activities

In order to prevent, detect and correct mistakes and deviations, a framework for control in terms of policies, processes and procedures has been established within BONESUPPORT in relation to control objectives. The control activities help to ensure that the requisite measures are taken to identify and address risks consistent with achieving the Company's objectives. Examples of control activities at an overall level are that BONESUPPORT has a clear governance structure and division of responsibilities with a number of forums and activities which continuously monitor the business operations. Well-defined business processes, separation of duties, and appropriate delegation of authority are also activities that promote good corporate governance and internal control.

Key processes identified to have potential significant risks are mapped out in detail in separate process descriptions in the financial handbook and key process steps are defined in order to ensure that there is sufficient enough segregation of responsibilities and that the sufficient control mechanisms are in place. At the end of 2018, a new ERP system was introduced throughout the Group, followed by a thorough review of the Group's control activities.

4. Information and communication

BONESUPPORT has information and communication established for the intention to promote the accuracy of financial reporting, and to facilitate reporting and feedback from the business operations to the Board of Directors and senior management, for example by making corporate governance documents such as internal policies, guidelines and Instructions regarding the financial reporting known and accessible to the employees affected. The Board of Directors has also adopted an information policy that regulates the Company's external disclosure.

5. Monitoring

The compliance with and effectiveness of the internal controls are continually monitored. The CFO is responsible for ensuring that appropriate processes for monitoring are in place, and the CEO ensures that the Board of Directors continuously receives reports on the developments concerning of the Company's business activities, including the developments with the Company's profits or losses and financial position, as well as information on significant events, such as research results and important contracts. The CEO also makes a report concerning these matters at each Board of Directors meeting. The Company's compliance with relevant policies and guidelines shall be evaluated annually and a report is to be made to the Audit Committee annually by the CFO. A summary of identified proposals for improvements shall then be presented to the Board of Directors.

Lund, 3 April 2020

THE BOARD OF DIRECTORS OF BONESUPPORT HOLDING AB

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

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

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2019 on pages 68–71 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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

Opinions

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

Malmö 3 April 2020
Ernst & Young AB

Ola Larsmon
Authorized Public Accountant

BOARD OF DIRECTORS

LENNART JOHANSSON
CHAIRMAN OF THE BOARD

HÅKAN BJÖRKLUND
DIRECTOR

LARS LIDGREN
FOUNDER &
DIRECTOR

BJÖRN ODLANDER
DIRECTOR

TONE KVÅLE
DIRECTOR

SIMON CARTMELL
DIRECTOR

BOARD OF DIRECTORS

Name	Born year	Education	Experience	Holding (own and related parties) per December 31,2019
Lennart Johansson Member of the Board of Directors since 2017	1955	MBA from the Stockholm School of Economics (1980).	Senior Advisor at Patricia Industries AB since 2015, Lennart was previously Managing Director (Business Development, Operating and Financial Investments) at Investor AB (2006-2015). Prior to this he was Chief Executive Officer of Emerging Technologies ET AB and b-business partners. He is currently Board Member of Swedish Orphan Biovitrum AB, Vectura AB and Hi3G Access AB.	50,000 shares (own holding).
Håkan Björklund Member of the Board of Directors since 2016	1956	Ph.D. in Neuroscience from Karolinska Institutet in Sweden	Dr. Björklund is Partner of Tellacq AB, a private investment firm. He joined the BONESUPPORT Board in December 2016 in conjunction with the Company's 37 USDm (315 SEKm) financing, which was led by Tellacq. Dr. Björklund has a long and successful track record in the healthcare industry, including as the former CEO of Nycomed, which he grew from a small Scandinavian company into a global business before its acquisition by Takeda in 2011. He is currently chairman of the board of Swedish Orphan Biovitrum AB.	Owns 25% of the shares in Tellacq AB that holds 2,952,451 shares.
Lars Lidgren Founder Member of the Board of Directors since 2010	1943	M.D., Ph.D. and professor in orthopaedics from Lund University	M.D, clinical professor at the University Hospital of Lund. Dr. Lidgren is leading a regenerative medicine research group at the Orthopaedic university department in Lund, which is a member of the ISOC group of worldwide leading hospitals. He is an honorary member of and served as president of several major societies and initiated the worldwide Bone and Joint Decade 2000-2010. Dr. Lidgren is a successful serial entrepreneur who founded the companies Scandimed (Biomet), AMeC and GWS, Sweden. He is also a board member of the stock listed companies Orthocell in Australia, Curando Nordic and Safeture in Sweden.	217,678 shares and via insurance 335,275 shares, all through Algora AB. Also 860,985 employee stock options (own holding) which were exercised in January 2020.
Björn Odlander Member of the Board of Directors since 2010	1958	M.D. from Karolinska Institutet	M.D., Ph.D, in biochemistry at Karolinska Institutet in Stockholm. Managing and founding partner of HealthCap. Dr. Odlander serves on the following boards, among others: Oncorena AB and KK-Stiftelsen.	–
Tone Kvåle Member of the Board of Directors since 2016	1969	Diploma in Finance & Administration from Harstad University College, Norway	Tone Kvåle has more than 20 years of experience gained in the biotech industry. She has been Chief Financial Officer at Nordic Nanovector ASA (publicly listed company in Norway) since November 2012. Prior to joining Nordic Nanovector, she was CFO of NorDiag ASA, Kavli Holding and Dynal Biotech (Norway), and has held senior management positions at Invitrogen/Life Technologies, now ThermoFisher (US). Tone Kvåle was previously in the board and member of the audit committee of Badger Explorer ASA.	15,000 shares (own holding).
Simon Cartmell Member of the Board of Directors since 2018.	1960	BSc Medical Microbiology, University of Manchester; MSc Management and Economics (Sloan Fellowship Programme), University of London.	Simon Cartmell has a long and extensive background as CEO, manager and entrepreneur in the pharmaceutical, biotech and medtech sectors. He was previously the CEO of ApaTech Ltd., a UK based orthobiologics company developing and marketing ACTIFUSE, a synthetic bone graft substitute. In 2010, based on its differentiated technology and US sales success, ApaTech was acquired by Baxter in a 330 USDm transaction. Simon Cartmell has been and is active as a board member in several public and private companies in the biotech and medical technology. His current board memberships include OssDsign AB (chairman of the board), IESO Digital Health Ltd (chairman of the board), Oviva AG (chairman of the board) and ReNeuron plc.	31,091 shares (own holding).

MANAGEMENT TEAM

EMIL BILLBÄCK
CHIEF EXECUTIVE OFFICER

HÅKAN JOHANSSON
CHIEF FINANCIAL OFFICER

HELENA L BRANDT
HEAD OF HUMAN RESOURCES

CARIN NILSSON-THORELL
VP QUALITY MANAGEMENT & REGULATORY AFFAIRS

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

JOHAN OLSSON
CHIEF OPERATING OFFICER

ANNELIE AAVA VIKNER
EVP MARKETING & COMMUNICATIONS

FERGUS MACLEOD
GM & EVP COMMERCIAL OPERATIONS EUROW

KRISTINA INGVAR
VP QUALITY MANAGEMENT & REGULATORY AFFAIRS

MANAGEMENT TEAM

Name	Born year	Employed since	Education	Experience	Holding per December 31, 2019
Emil Billbäck	1970	2018	B.Sc. in Business Administration from Karlstad University	Emil Billbäck has more than 25 years of experience within the life science industry. His most recent operational role was with BSN medical as Chief Commercial Officer and EVP EMEA. Then followed a role as Senior Advisor for ESSITY (following SCA's acquisition of BSN Medical). Emil Billbäck has lived and worked for four years in the US and ten years in Germany.	176,000 shares and 170,000 warrants (own holding).
Håkan Johansson	1963	2018	B.Sc. in Business Administration & Economics from the Mid-Sweden University	Håkan Johansson joined BONESUPPORT as Chief Financial Officer in November 2018. He has more than 20 years of experience gained from CFO and Senior Management roles in various industries in public and private companies. Prior to joining BONESUPPORT he was CFO Northern Europe within Tunstall Healthcare Group (2012-18), a global provider of connected health and connected care solutions. Before this he held CFO and Senior Management roles at toy manufacturer BRIO AB (publ) and Arctic Paper Group.	25,000 shares (own holding).
Helena L Brandt	1965	2017	M.Sc. in industrial economy from Lund University	Helena L Brandt has more than 20 years' experience within HR and from managerial positions from a broad range of industries. She has held global roles within HR at Astra Zeneca, Sony och Tetra Pak.	15,000 shares (own holding).
Carin Nilsson-Thorell	1955	2002	M.Sc. from Lunds tekniska högskola	Carin Nilsson-Thorell has more than 35 years' experience within the medical both from major organizations and startup companies. She has previously held different international positions at Gambro and Glycorex Transplantation.	3,459 shares and 208,000 employee stock options (own holding).
Michael Diefenbeck	1974	2017	M.D. from Ludwig- Maximilians University München, Germany. Ph.D. from Friedrich-Schiller University, Jena, Germany.	Michael Diefenbeck is a certified orthopaedic and trauma surgeon with 16 years of clinical experience. He founded Scientific Consulting in Orthopaedic Surgery during 2014, and worked for BONESUPPORT on different projects as an independent clinical adviser. He has 16 years' clinical experience from different hospitals in Germany and is author of 27 published research articles within the area.	35,000 shares, 75,000 warrants and 360,000 employee share options (own holding).
Johan Olsson	1965	2007	M.Sc. in Engineering from Lunds tekniska högskola	Johan Olsson has long experience from the medical industry in senior positions within production, logistic, supply and development. Previously he worked at Gambro as Head of Intensive Care Product Line.	3,459 shares and 148,000 employee stock options (own holding).
Annelie Aava Vikner	1971	2018	Bachelor's degree in chemistry from the Linköping institute of technology, LIU (Linköping University) and a post graduate certificate in Leadership Expectations from Glasgow Caledonian University.	Annelie Aava Vikner joined BONESUPPORT as Executive Vice President Marketing & Communications in March 2019. Annelie Aava Vikner has more than 20 years in the field of medical technology & pharma. Before joining BONESUPPORT she held various leading regional marketing management positions within Medtronic, one of the worlds' leading medical technology company (2002-2019). Her latest assignment before joining BONESUPPORT was as Senior Strategy & Marketing Manager for the restorative therapy group, ABGI&NORDICS (Austria, Switzerland, Benelux, Greece, Israel & Nordic).	15,000 shares (own holding).
Fergus MacLeod	1970	2019	HND Business & Finance University of Bedfordshire Executive Leadership Program Center for Creative Leadership	Fergus MacLeod started in the position as the Company's General Manager & Executive Vice President Commercial Operations EUROW in November 2019. Fergus MacLeod has more than 20 years of experience from international sales leadership positions within the Orthobiologics and Medical Devices sectors at companies like Johnson Matthey, RTI Surgical and Stryker.	15,000 shares (own holding)
Kristina Ingvar	1972	2020	Bachelor of Medicine and a Diploma in Marketing Management	Kristina Ingvar joined BONESUPPORT in February 2020 and will take on the position as the Executive Vice President Quality Management & Regulatory Affairs of the Company from April 2020, in connection with Carin Nilsson-Thorell's retirement. Kristina Ingvar has a medical degree from Lund University. She joins BONESUPPORT from Novo Nordisk, where her most recent role has been Global Program Vice President, Regulatory Affairs. During her 20-year long career Kristina Ingvar has held various product, project and people management positions in the regulatory, quality, safety and medical areas. Kristina Ingvar has worked closely with R&D and Manufacturing.	15,300 shares (own holding)

DEFINITIONS

ALLOGRAFT	The transplant of an organ or tissue from one individual to another of the same species, with a different genotype.
AUTOGRAFT	A bone graft harvested from the patient's own skeleton, usually from the iliac crests.
BMP	Bone Morphogenic Protein.
BONE GRAFT SUBSTITUTE	Synthetic material used as bone grafts instead of biological bone tissue.
CERAMENT BVF	CERAMENT BONE VOID FILLER
CERAMENT G	CERAMENT G, CERAMENT with gentamicin
CERAMENT V	CERAMENT V, CERAMENT with vancomycin
CF	Cash Flow.
CLINICAL STUDY	Study on humans of e.g. a medical device or a pharmaceutical product.
DBM	Demineralized bone matrix. A bone substitute biomaterial.
DR	Doctor.
FDA	US Food and Drug Administration.
HEMATOMA	A localized collection of blood outside the blood vessels.
HEOR	Health Economics and Outcomes Research. Scientific discipline that quantifies the economic and clinical outcomes of medical technology.
HISTOLOGY	The study of the microscopic anatomy (microanatomy) of cells and tissues of plants and animals.
IDE	Investigational Device Emption. Exemption from regulatory approval to conduct clinical studies on a medical device.
ILIAC CREST	The upper wing of the hip bone (ilium).
MICRO-CT	Micro Tomography, uses X-ray scanning to recreate a 3D-model without destroying the object.
OSTEOINDUCTION	A bone graft material or a growth factor can stimulate the differentiation of osteoblasts, forming new bone tissues.
OSTEOMYELITIS	A bacterial infection affecting bones.
PMA	Premarketing Approval is the FDA process to review Class III medical devices.
TOXICITY	The degree to which substance (a toxin or poison) can harm humans or animals.

DEFINITIONS - ALTERNATIVE PERFORMANCE MEASURES

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

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

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

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

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

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

Interest bearing debt
Borrowings from banks and financial institutions, short and long term. Shows the debt level of the group and forms the base for interest expenses.

Net debt
Interest bearing debt (borrowing) minus cash and cash equivalents. Shows the group's net debt and is used to measure the leverage level of the group and future funding needs.

	2019	2018
Net sales, SEKm	155.5	96.6
Sales growth, %	60.9	-25.3
Cost of sales, SEKm	-19.6	-15.2
Gross profit, SEKm	135.9	81.5
Gross margin, %	87.4	84.3
Directly attributable selling expenses, SEKm	-159.6	-112.6
Selling expenses, not directly attributable, SEKm	-22.7	-20.7
Selling expenses, SEKm	-182.3	-133.3
Directly attributable research & development expenses, SEKm	-24.8	-23.6
Research & development expenses, not directly attributable, SEKm	-44.0	-42.5
Research & development expenses, SEKm	-68.9	-66.1
Contribution, SEKm	-48.6	-54.7

	Dec 31	
SEKm	**2019**	**2018**
Non-current borrowings	5.7	0.0
Current borrowings	4.7	0.0
Interest bearing debt	10.4	0.0
Cash and cash equivalents	92.1	261.5
Net debt	-81.7	-261.5

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