

BONESUPPORT™ Raises \$37 Million (SEK 327 million) to Drive Product Sales and Deliver Further Value From CERAMENT™ Injectable Drug Eluting Bioceramic Platform

- **Dr. Håkan Björklund of Tellacq AB, former CEO of Nycomed, becomes Chairman-Elect**
- **CERAMENT™ BVF, CERAMENT™ G AND CERAMENT™ V continue to increase sales rapidly driven by a growing body of compelling clinical data**

Lund, Sweden, 27 October, 2016 - BONESUPPORT AB an emerging leader in innovative injectable bioceramic bone scaffolds to treat bone voids caused by trauma, infection, disease or related surgery, announces that it has raised \$37 million (SEK 327 million) in a combination of equity and debt finance. These new funds will be used to deliver further value from its unique CERAMENT platform. The oversubscribed equity financing was led by Tellacq AB and was supported by the Company's current major shareholders, including HealthCap, Lundbeckfond Ventures, Industrifonden, AP3 (The Third Swedish National Pension Fund) and Carl Westin. The debt finance was provided by Kreos Capital.

Dr. Håkan Björklund of Tellacq AB will be joining the BONESUPPORT Board as Chairman in conjunction with the fund raising, subject to shareholder approval. 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 and an Industry Executive at Avista Capital Partners.

Richard Davies, CEO of BONESUPPORT said, "I am delighted that we have been able to complete this new financing to help us to execute our strategy to deliver the significant potential of our unique CERAMENT™ drug eluting osteoconductive/osteoinductive bioceramic platform. I am also pleased that the equity element reflects the significant progress that we have made during the course of 2016. With our sales on a strong growth trajectory, an increasing body of compelling clinical data and a drug eluting platform that will allow us to develop a pipeline of novel products to treat a broad range of bone diseases, BONESUPPORT can look to the future with great confidence."

"We are delighted to welcome Håkan Björklund to the board at this exciting time for the company and look forward to benefiting from his extensive experience in the years ahead. I would also like to take this opportunity to thank the departing chairman Dr. Örn Stuge for his significant contribution to BONESUPPORT over many years" says Björn Odlander, Managing Partner at HealthCap and board member.

Håkan Björklund, said: "Our decision to invest in BONESUPPORT was driven by the important progress that has been made over recent years. The CERAMENT™ drug eluting platform offers multiple opportunities to generate significant value by providing much needed and cost-efficient treatment options for patients with a broad range of bone diseases. I look forward to working with the management team and the Board to deliver BONESUPPORT's potential to become a global leader in the management and treatment of bone disease."

The new funds will be used to support the execution of BONESUPPORT's strategy to deliver significant shareholder value, focused on:

- Driving the sales of CERAMENT™ BVF, CERAMENT™ G and CERAMENT™ V in existing and new markets
- Generating further clinical data to highlight the compelling benefits that the current CERAMENT™ products deliver and to conduct the FORTIFY study to support a planned PMA filing in the US for CERAMENT™ G
- Building the Company's product pipeline by capitalizing on the unique drug eluting properties of its injectable osteoconductive/osteoinductive bioceramic platform.

In the first half of 2016, BONESUPPORT's overall sales have continued to grow rapidly driven by the European success of CERAMENT™ G and CERAMENT™ V, the first CE-marked injectable antibiotic eluting bone graft substitutes. These products are used for the management of problematic bone infections including osteomyelitis and prophylactically in patients who are at risk for developing infection. Sales of CERAMENT™ BVF have also shown good growth as the product has continued to gain traction in the US where it is marketed by BONESUPPORT's partner Zimmer Biomet.

BONESUPPORT is also continuing to generate the clinical data needed to drive the adoption of its products. A recent paper in *The Bone and Joint Journal*[1] provided follow up data from the first 100 patients in a prospective study evaluating CERAMENT™ G for dead space (void) management in patients with chronic osteomyelitis (bone infection) using a single stage surgical procedure. These data showed that this approach, augmented by the use of CERAMENT™ G, was highly effective, delivering a 96% prevention of infection recurrence rate, a 3.0% fracture rate and a total wound leakage rate of 6.0%. This represents a significant improvement in both the infection recurrence and fracture rates when compared to published results evaluating alternative bone graft substitutes that deliver antibiotics locally.

The Company has also recently received approval from the US Food and Drug Administration (FDA) to begin an IDE (Investigational Device Exemption) study with CERAMENT™ G. The FORTIFY study, a randomized multicenter controlled trial, which will evaluate the safety and efficacy of CERAMENT™ G as part of surgical repair of open diaphyseal tibial fractures. The first patient is expected to be recruited into this prophylactic study before the end of 2016.

BONESUPPORT will also use the funds to develop its product pipeline. The Company believes that the attractive properties of its CERAMENT™ platform will allow it to develop products that will deliver a broad range of drugs to the bone to manage indications including osteoporosis, cancer and pain.

References

1. McNally et al, *The Bone and Joint Journal*, 2016, Vol. 98-B, No. 9, p1289-96
2. Raina, D. et al. *A Biphasic Calcium Sulfate Hydroxapatite Carrier Bone Morphogenic Protein -2 and Zoledronic Acid Generates Bone* (2016) *Nature Scientific Reports*

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Notes to Editor

About BONESUPPORT™

BONESUPPORT AB has developed CERAMENT™ as an innovative range of radiopaque injectable osteoconductive bioceramic products that have a proven ability to heal defects by remodeling to host bone in six to twelve months. Our products are effective in treating patients with fractures and bone voids caused by trauma, infection, disease or related surgery. Our lead product, CERAMENT™ |BONE VOID FILLER (BVF) addresses important issues facing health care providers, such as avoiding hospital readmissions and revision surgery that result from failed bone healing and infection caused by residual bone voids. CERAMENT™ |BVF is commercially available in the U.S., EU, S.E. Asia and the Middle East.

CERAMENT™'s distinctive properties as a drug eluting material have been validated in clinical practice by CERAMENT™ |G and CERAMENT™ V, the first CE-marked injectable antibiotic eluting bone graft substitutes. These products provide local sustained delivery of gentamicin and vancomycin, respectively. The local delivery feature enables an initial high concentration of antibiotics to the bone defect and then a longer sustainable dose above the minimal inhibitory concentration (MIC) to protect bone healing and promote bone remodeling.

CERAMENT™ |G and CERAMENT™ V have demonstrated good results in patients with problematic bone infections including osteomyelitis. They are also used prophylactically in patients who are at risk for developing infection. CERAMENT™ |G and CERAMENT™ V are available in the EU.

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

BONESUPPORT™ is a registered trademark.

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