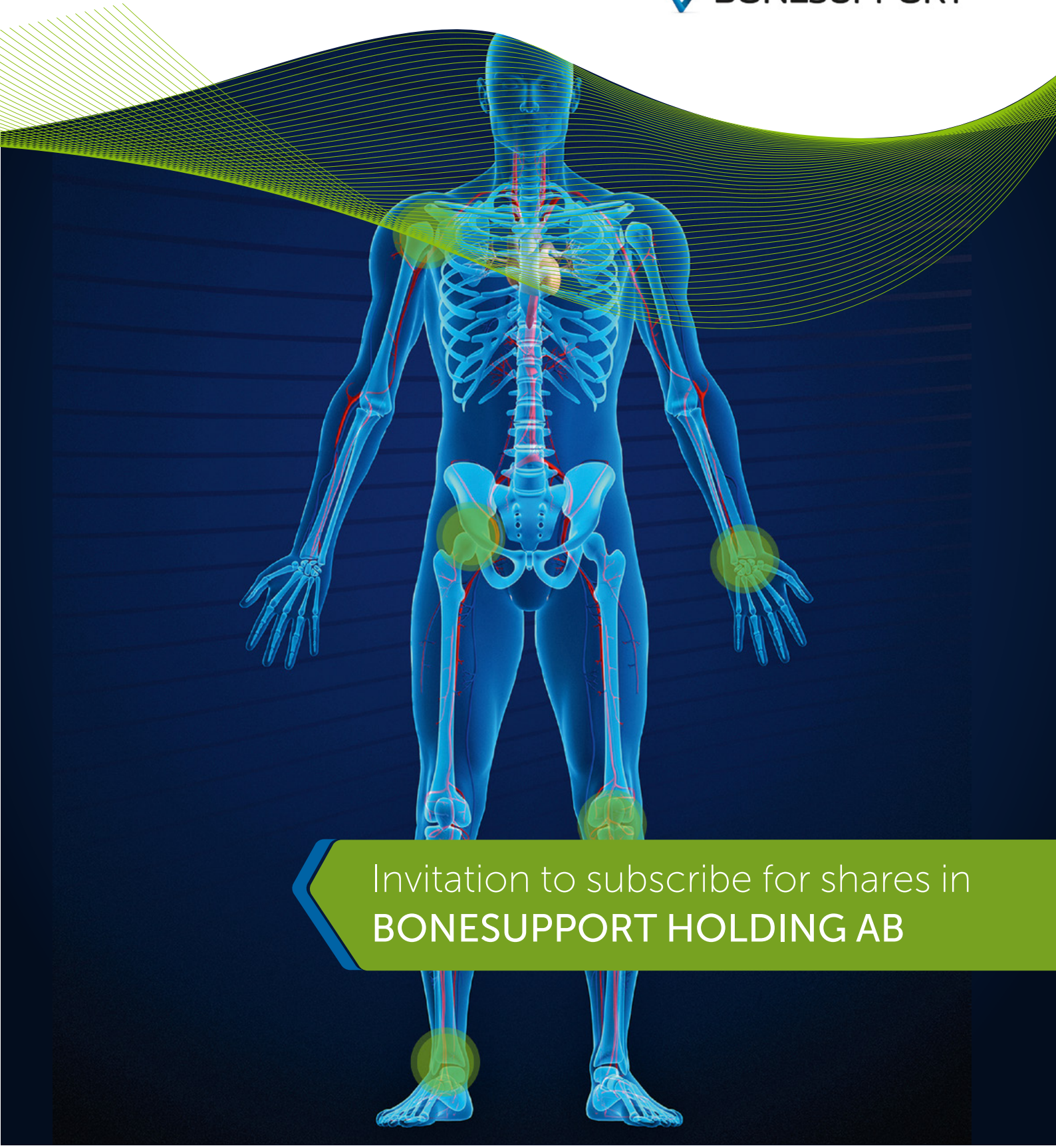
BONESUPPORT



Invitation to subscribe for shares in BONESUPPORT HOLDING AB

JOINT GLOBAL COORDINATORS AND JOINT BOOKRUNNERS

Carnegie

ABG SUNDAL COLLIER

IMPORTANT INFORMATION TO INVESTORS

This prospectus (the "**Prospectus**") has been prepared in connection with the offering to the public in Sweden as well as to institutional investors in Sweden and abroad to subscribe for new shares in BONESUPPORT HOLDING AB (a Swedish public limited-liability company), and admission to trading of said shares on Nasdaq Stockholm (the "**Offering**"). In the present Prospectus, "**BONESUPPORT**", the "**Company**", or the "**Group**" means, depending of the context, BONESUPPORT HOLDING AB, a subsidiary in the group or the group in which BONESUPPORT HOLDING AB is the Parent Company. "**Carnegie**" refers to Carnegie Investment Bank AB (publ) and "**ABGSC**" refers to ABG Sundal Collier AB. Carnegie and ABGSC are jointly referred to as "**Joint Global Coordinators**". "**Investing Shareholders**" refers to Health Cap V L.P., Stiftelsen Industrifonden, Lundbeckfond Invest A/S, Carl Westin Ltd., Tredje AP-fonden, Tellacq AB, OFP V Advisor AB and Arctic Funds PLC. For definitions of other terms used in this Prospectus, please see the section "*Glossary*".

The Offering is not aimed at the general public in any other country than Sweden. Nor is the Offering aimed at persons whose participation necessitates additional prospectuses, registration or other measures than those that follow from Swedish law. No measure has been taken, or will be taken, in any jurisdiction other than Sweden, which might permit the shares to be offered to the public, or which might permit possession or dissemination of this Prospectus or any other document relating to the Company, or shares in such a jurisdiction. Application to subscribe for shares that contravene such regulations may be declared invalid. Persons who receive the Prospectus are encouraged by the Company and the Joint Global Coordinators to obtain information about and to observe such restrictions. Neither the Company nor any of the Joint Global Coordinators assume legal liability for infringement of such restrictions by any person, whether potential investors or not.

The shares in the Offering have not been reviewed by any federal or state securities commission or regulatory authority in the US. Nor have the aforementioned authorities confirmed the accuracy of, or assessed the adequacy of the Prospectus. Any claim to the contrary is a criminal offense in the US. The Offering does not constitute an offer to sell, or solicitation of an offer to buy, Securities in any jurisdiction in which such offer or solicitation would be unlawful. The Securities have not been and will not be registered under the Securities Act of 1933, as amended (the "**Securities Act**"), or with any securities regulatory authority of any state or other jurisdiction of the US and may not be offered or sold within the US, except to persons reasonably believed to be QIBs or outside the US in offshore transactions in reliance on Regulation S. Prospective purchasers are hereby notified that sellers of the Securities may be relying on the exemption from the provisions of Section 5 of the Securities Act provided by Rule 144A. For further information on certain restrictions on transfers of the Securities, see section "*Selling and transfer restrictions*".

The Prospectus is provided on a confidential basis solely to allow a potential investor to consider purchase of the specific securities described. The information in the Prospectus has been provided by the Company and other sources identified herein. Distribution of the Prospectus to other persons than those recipients specified by the Managers or their representatives is prohibited, as it is to persons who may have been hired to inform the recipient about the matter, and any disclosure of the contents without the prior written permission of the Company is prohibited. Any reproduction or distribution of this Prospectus, in its entirety or parts thereof, and all disclosure of the content to other persons is prohibited. The Prospectus is personal to each recipient and does not constitute an offer to any other person or to the general public in any other country than Sweden to subscribe for shares in the Offering.

This Prospectus has been approved and registered by the Swedish Financial Supervisory Authority in accordance with the provisions of Chapter 2, §§ 25 and 26 of the Swedish Financial Instruments Trading Act (1991:980). Neither the approval nor registration implies a guarantee from the Swedish Financial Supervisory Authority that the factual information in the Prospectus is accurate or complete. The Prospectus has been prepared in both a Swedish and an English version. In the event of any inconsistency between different language versions, the Swedish language version shall take precedence.

The Offering and the Prospectus are governed by Swedish law. The courts of Sweden have exclusive jurisdiction to settle any conflict or dispute arising out of or in connection with the Offering or the Prospectus.

Presentation of financial information

Unless otherwise indicated, all financial amounts are expressed in Swedish kronor ("**SEK**"). "**SEK thousand**" means thousands of kronor and "**SEK million**" means millions of kronor. "**USD**" means US dollars and "**USD million**" means millions of dollars. "**EUR**" means euro and "**EUR million**" means millions of euro. Certain financial information and other information presented in this Prospectus have been rounded to make information easily accessible to the reader. As a consequence, the figures in certain columns do not tally with the totals stated.

Forward-looking information

The Prospectus contains certain forward-looking information that reflects BONESUPPORT's current views of future events and financial and operational performance. Words such as "intends", "anticipates", "expects", "can", "plans", "estimates" and similar expressions regarding indications or forecasts of future developments or trends, and which are not based on historical facts, constitute forward-looking information. Forward-looking information is inherently associated with both known and unknown risks and uncertainties because it is dependent on future events and circumstances. Forward-looking information is not a guarantee of future results or developments and actual results may differ materially from those in the forward-looking information. Factors that could cause BONESUPPORT's future results and developments to differ from those in the forward-looking information include, but are not limited to, those described in the section *Risk Factors*. Forward-looking information in the Prospectus is only applicable on the date of issue of the Prospectus. Neither BONESUPPORT nor the Joint Global Coordinators give any commitment to publish updates or revision of any forward-looking statements as a result of new information, future events or similar circumstances other than those required by applicable legislation.

Industry and market information

This Prospectus contains information about the Company's geographic and product markets, market size, market shares, market position and other market-related information pertaining to BONESUPPORT's operations and market. Unless otherwise stated, such information is based on the Company's analysis of several different sources, including statistics and information from external industry or market reports, market surveys, publicly available information and commercial publications. The sources which are the basis for BONESUPPORT's assessment include information from medical research publications and market surveys. Other sources are indicated where required. Such information as originates from third parties has been accurately reproduced herein and, and as far as BONESUPPORT is aware and can confirm through comparison with other information published by the relevant third party, no information has been omitted in any way which could render the reproduced information inaccurate or misleading. As a rule, industry and market publications state that, while the information in the publication has been obtained from sources deemed reliable, the accuracy and completeness of such information cannot be guaranteed. The Company has not independently verified, and cannot therefore guarantee the accuracy of the market information that is contained in this Prospectus and which has been taken from or derived from these market publications. Neither the Company nor any of the Joint Global Coordinators assume any responsibility for the accuracy of any industry or market information from third parties which is included in the Prospectus. In their nature, market information and statistics are forward-looking, subject to uncertainty, may be interpreted subjectively, and may therefore not necessarily reflect actual or future market conditions. Such information and statistics are based on market surveys, which in turn are based on selections, subjective interpretations and assessments, including assessments of the types of products and transactions which should be covered by the relevant market, both by those carrying out the surveys and the respondents. As a result, potential investors should be aware of the fact that the financial information, market information, as well as the forecasts and estimates of market information contained in this Prospectus, do not necessarily represent reliable indicators of BONESUPPORT's future performance.

The content of the Company's website, the website of any member of the Group and any third-party websites referred to herein do not form any part of the Prospectus.

Stabilization

In connection with the Offering, the Joint Global Coordinators may carry out transactions with the aim of keeping the market price of the shares at a level higher than what otherwise might have been the case in the market. Such stabilization transactions may be carried out on Nasdaq Stockholm, the OTC market or otherwise, and may be carried out at any time during the period beginning on the first day when the shares are traded on Nasdaq Stockholm and ending no later than 30 calendar days thereafter. However, the Joint Global Coordinators are under no obligation to carry out stabilization of any kind, nor is there any guarantee that stabilization will be carried out. See also under "*Stabilization*" in the section "*Legal considerations and supplementary information*".

The fact that the Joint Global Coordinators have the opportunity to implement stabilization measures does not mean that such measures will necessarily be taken. Any such stabilization measures may also be discontinued at any time. No later than by the end of the seventh trading day after stabilization transactions have been undertaken, the Joint Global Coordinators shall disclose that stabilization transactions have been undertaken in accordance with article 5(4) in the Market Abuse Regulation 596/2014. Within one week of the end of the stabilization period, the Joint Global Coordinators will, through the Company, make public whether or not stabilization was undertaken, the date at which stabilization started, the date at which stabilization last occurred and the price range within which stabilization was carried out, for each of the dates during which stabilization transactions were carried out.

Important information regarding the possibility to sell allotted shares

Allotment to the general public in Sweden will be notified by the sending out of a contract note, which is expected to happen on or around 21 June 2017. Once payment for the allotted shares has been processed by Carnegie, the shares paid for will be transferred to a custody account or securities account that is designated by the subscriber. The time required for the transfer of payment, and the transfer of paid shares to subscribers of the shares in BONESUPPORT, may mean that such subscriberes will not have the shares they have subscribed for available in the designated custody or securities account earlier than 26 June 2017. Trading in BONESUPPORT's shares on Nasdaq Stockholm is expected to commence on or around 21 June 2017. Note the possibility that shares may not be available in the subscriber's custody or securities account may mean that the subscriber is not able to sell these shares on the stock exchange as of the date upon which trading in the shares commenced. Instead, they will be able to do so when the shares are available in their securities or custody account.

Available information

So long as any of the shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act, the Company will, during any period in which it is neither subject to Section 13 or 15(d) of the US Securities Exchange Act of 1934, as amended (the "**Exchange Act**"), nor exempt from reporting pursuant to Rule 1 2g3-2 (b) under the Exchange Act, furnish, upon request, to any holder or beneficial owner of such restricted securities, or any prospective purchaser designated by any such holder or beneficial owner, the information required to be delivered to such persons pursuant to Rule 144A(d)(4) under the Securities Act. In such cases, the Company will also furnish to each such holder or beneficial owner all notices of Shareholders' meetings and other reports and communications that are generally available to the shareholders.

TABLE OF CONTENT

SUMMARY OF THE OFFERING

Price interval
27–31 SEK per share

Application period for the general public
12–19 June 2017

Application period for institutional investors
12–20 June 2017

Publication of the share price in the offering
21 June 2017

First day of trading
21 June 2017

Settlement date
26 June 2017

Other information

Market	Nasdaq Stockholm
Ticker symbol	BONEX
ISIN code	SE0009858152

Financial calendar

Interim report January – June 2017	17 August 2017
Interim report January – September 2017	2 November 2017
Year-end report 2017	20 February 2018

SUMMARY

The summary of the Prospectus consists of information requirements set out in "Items". The items are numbered in the sections A – E (A.1 – E.7).

The summary in the Prospectus contains all the items required in a summary for the relevant type of security and issuer. However, since some items do not apply to all types of prospectuses, there may be gaps in the item numbering.

While it is required that an item be included in the summary of the relevant securities and issuers, it is possible that no relevant information can be given on that item. In that case, the information is replaced with a brief description of the item, along with the comment "Not applicable".

SECTION A – INTRODUCTION AND WARNINGS

A.1	*Introductions and warnings*	This summary should be considered an introduction to the Prospectus. Investors should base any decision to invest in BONESUPPORT™ on an assessment of the Prospectus as a whole. If a claim relating to the information contained in the Prospectus is brought before a court, the investor claimant may, under the national laws of the Member States, have to bear the costs of translating the Prospectus before the legal proceedings are initiated. Civil liability may only be imposed on persons who have submitted the summary, including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent with other parts of the Prospectus, or if the summary and other parts of the Prospectus are inadequate in providing investors with the key information they require to consider whether or not to invest in BONESUPPORT.
A.2	*Consent to use of the Prospectus*	Not applicable. Financial intermediaries are not entitled to use the Prospectus for subsequent trading or final placement of securities.

SECTION B – ISSUER AND GUARANTOR

B.1	*Corporate name and trading name*	The Company's legal name and trading name is BONESUPPORT HOLDING AB and its corporate registration number is 556802-2171.
B.2	*Domicile, legal form and country of incorporation*	BONESUPPORT is a Swedish public limited liability company, established in Sweden and registered in the municipality of Lund. The Company was formed in Sweden and its organizational structure is governed by the Swedish Companies Act (2005:551).
B.3	*Description of the Company's operations*	BONESUPPORT is an orthobiologic[1] company that develops and commercializes innovative injectable bioceramic bone graft substitutes that remodel to the patient's own bone and has the capability of eluting drugs directly into the bone void. BONESUPPORT's marketed synthetic bone graft substitutes are CERAMENT™ BONE VOID FILLER (BVF), CERAMENT™ G and CERAMENT™ V, all of which are based on the novel and proprietary CERAMENT technology platform. The Company's products are intended for use by orthopedic surgeons to fill and manage bone voids and bone defects due to injuries, such as fractures and other bone diseases, by facilitating bone healing. CERAMENT G and CERAMENT V also have the added property of eluting antibiotics to protect the bone healing process. BONESUPPORT's products are based on an innovative technology backed by an intellectual property portfolio of approximately 100 registered and/or pending patents. BONESUPPORT has a nine year track record of safety and efficacy in treating patients with an estimated number of 30,000 procedures performed to date with its products worldwide based on sales data. The Company believes that there is a large addressable market opportunity for the use of its products across the treatment of trauma, chronic osteomyelitis (bone infection), revision arthroplasty (replacement of a joint prosthesis) and infected diabetic foot. In addition, the Company conducts research and development currently focused on continuing to further develop and refine its existing technology to extend its use into additional indications by the elution of other drugs or in combination with growth factors that further promote bone healing. CERAMENT BVF is currently commercially available in Europe and the US as well as in India, Malaysia, Oman and Singapore. CERAMENT G is available in Europe as well as in India, Malaysia and Oman whereas CERAMENT V is available in the same markets as CERAMENT G except for India. The Company's head office is in Lund, Sweden and the Company had 58 employees as per 31 March 2017. 1) Orthobiologics are products that support tissue healing and restoration by harnessing regenerative potential with the body's own cells to replace or regenerate musculoskeletal structures.
B.4a	*Description of significant trends in the industry*	BONESUPPORT believes that the demand for bone void and bone defect treatment will increase in the future, and further believes that a technology shift towards an increased use of synthetic bone substitutes will occur. The Company considers that the main trends driving the market include: **General demographic trends;** an increasing elderly population and an increase of arthritis and other degenerative diseases as well as demanding lifestyles with the desire to remain active for a longer time will likely lead to an increase of bone voids and bone defects. Increasing obesity in today's society and the risk of associated diabetes is also an important factor. **Trends in health economics;** Health care systems are attempting to more actively manage cost growth by introducing a range of systematic changes in order to better relate treatment outcomes and product benefits to the cost of care – these include assessment mechanisms for introducing new technologies, i.e. the NICE system in the UK[1] and changes in payments methods, e.g. Bundle Payment for Care Improvement Initiative launched in 2013 by the US government. Private healthcare payers are also introducing mechanisms to lower payments, reduce variation in treatments and shift procurement and product selection decisions from individual clinicians to governments and large private payers. 1) National Institute for Health and Care Excellence. An independent government organization in the UK that evaluates and provides guidance on the use of new pharmaceuticals and medical devices in England and Wales.

B.4a	*Description of significant trends in the industry, cont.*	**Development in bone graft treatments;** the demand for bone graft substitutes is increasing, driven by an interest in minimally invasive intervention, alleviating the need for traditional bone graft harvesting with allograf and autograft.[1)] The supply of allografts is limited and increased regulation makes this option more cost prohibitive. Furthermore, patients are becoming more aware of synthetics and new technology development leading to a higher demand for "state-of-the-art" treatment. In addition, the global market for synthetic bone graft substitutes includes many market players offering products with very little differentiation which creates a demand for innovative products. **Synthetic bone graft substitutes gaining market shares;** synthetic bone graft substitutes are seen as safer than allografts and is the fastest growing segment gaining market shares from both allografts and demineralized bone matrix segments. The ability to combine synthetic bone graft substitutes with growth factors is also seen as a strength and although it leads to increased costs, it is still lower than e.g. stem cell therapy. Being readily available and easy to use, with broad scope of indications makes synthetic bone graft substitutes attractive to surgeons as well as patients. 1) Traditional bone grafts such as autografts and allografts are treatment methods that include harvesting bone from the patient or a donor. Both methods are common and autograft is considered to be the gold standard for bone grafting procedures.
B.5	*Group structure*	BONESUPPORT HOLDING AB is the parent company of the wholly owned Swedish subsidiary BONE SUPPORT AB which in turn is the parent company of the following wholly owned subsidiaries: Bone Support Incentive AB (Sweden), BONESUPPORT Inc. (United States), BONESUPPORT GmbH (Germany), BONESUPPORT UK Ltd (United Kingdom), BONESUPPORT Switzerland GmbH (Switzerland) and BONESUPPORT B.V. (The Netherlands).
B.6	*Notifiable parties, major shareholders, and control of the Company*	In Sweden, the lower limit for notifiable holdings (so-called flaggning) is five percent of all the shares or of the voting rights of all the shares. As per 26 May 2017, the total number of shareholders of the Company amounted to 39. The table below details the ownership structure as per the same date with the addition of changes known to the Company having occurred up until the publication date of the Prospectus.

Shareholders	Number of shares	Percentage
HealthCap V L.P.	6,092,877	21.00%
Stiftelsen Industrifonden	4,270,565	14.72%
Lundbeckfond Invest A/S	4,270,565	14.72%
Tredje AP-fonden	2,667,240	9.19%
Carl Westin Ltd.	2,630,871	9.07%
Tellacq AB	2,264,151	7.80%
Other shareholders	6,814,952	23.49%
Total	**29,011,221**	**100.00%**

On the date of this Prospectus, there is a shareholders' agreement among all current shareholders in the Company. The shareholders' agreement will terminate in connection with the listing on Nasdaq Stockholm. Furthermore, there is a separate agreement among HealthCap V L.P., OFP V Advisor AB, Lundbeckfond Invest A/S, Stiftelsen Industrifonden, Carl Westin Ltd., Algora AB, Yannic Ltd., Lennart Johansson and Kreos Capital V (Expert Fund) LP governing certain issues related to the warrants held by Kreos Capital V (Expert Fund) LP. This separate agreement will also terminate in connection with the listing of BONESUPPORT on Nasdaq Stockholm.

B.7 *Selected historical financial information*

The following summarized financial information presented in this section regarding the full year is taken from BONESUPPORT's complete financial information for the financial years 2014, 2015 and 2016, which has been made especially for the Prospectus and prepared in accordance with the Swedish Annual Accounts Act, IFRS and RFR 1 Supplementary Accounting Rules for Groups, and has been audited by the Company's auditor according to RevR 5 Review of financial information in prospectuses. The information regarding the period January–March 2016 and January–March 2017 has been taken from BONESUPPORT's interim report for the period January–March 2017, which has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The interim report has been reviewed by the Company's auditor.

The Prospectus contains certain financial performance measures that are not defined under IFRS. The Company believes that these performance measures are an important complement because they allow for a better evaluation of the Company's economic trends. BONESUPPORT consider that these alternative performance measures provide a better understanding of the Company's financial trends when read together with (but not instead of) other measures defined by IFRS and that they, to a great extent, are used by the Company's management, investors, stock market analysts and other interested parties, as a supplemental measure of the Company's financial performance. These financial performance measures should not be viewed in isolation or be considered to replace the performance indicators that have been prepared in accordance with IFRS. In addition, such performance measures as BONESUPPORT has defined them, should not be compared with other performance measures with similar names used by other companies. This is because the above-mentioned performance measures are not always defined in the same manner, and other companies may calculate them differently than BONESUPPORT.

Condensed consolidated income statement

	Un-audited		Audited		
SEK million	Jan – Mar 2017	Jan – Mar 2016	2016	2015	2014
Net Sales	32.5	23.3	104.6	61.8	41.0
Cost of sales	–3.6	–3.7	–16.3	–9.5	–6.4
Gross profit	**28.8**	**19.6**	**88.3**	**52.2**	**34.6**
Selling expenses	–24.8	–17.7	–79.8	–56.2	–37.4
Research and development expenses	–9.4	–5.5	–38.2	–19.0	–17.0
Administrative expenses	–21.7	–9.1	–60.7	–31.7	–23.5
Other operating income	0.8	0.7	7.3	3.3	5.0
Other operating expenses	–1.3	–1.6	–5.7	–2.6	–1.0
Operating loss	**–27.4**	**–13.7**	**–88.7**	**–53.9**	**–39.3**
Net financial items	–3.7	–3.6	–20.8	–5.5	–11.8
Loss before income tax	**–31.1**	**–17.3**	**–109.6**	**–59.4**	**–51.1**
Income tax	0.0	–0.2	–0.6	–0.1	0.0
Loss of the period	**–31.1**	**–17.5**	**–110.2**	**–59.6**	**–51.1**

Earnings per share

	Un-audited		Audited		
	Jan – Mar 2017	Jan – Mar 2016	2016	2015	2014
Loss attributable to:					
Parent company's shareholders (SEK thousand)	–31,088	–17,450	–110,190	–59,555	–51,065
Earnings per share before and after dilution (SEK)[1)]	–1.07	–0.70	–4.26	–2.53	–30.30[2)]

1) For all periods based on the number of Shares in the company after the consolidation 5:1 resolved at the annual general meeting on 12 April 2017. Earnings per share after dilution is the same as before dilution, as dilution effects for negative earnings per share should not be adjusted for.
2) Earnings per share adjusted for preferential share interest.

B.7 *Selected historical financial information, cont.*

Condensed consolidated statement of comprehensive income

	Un-audited		Audited		
SEK million	Jan – Mar 2017	Jan – Mar 2016	2016	2015	2014
Loss for the period	–31.1	–17.5	–110.2	–59.6	–51.1
Other comprehensive income					
Translation differences	0.0	0.0	–0.1	–0.1	–0.4
Other comprehensive income for the period	**–31.1**	**–17.4**	**–110.3**	**–59.6**	**–51.4**

Condensed consolidated balance sheet

	Un-audited		Audited		
SEK million	31 March 2017	31 March 2016	31 December 2016	31 December 2015	31 December 2014
ASSETS					
Intangible assets	4.6	4.8	4.5	4.9	5.1
Tangible assets	0.6	0.6	0.4	0.6	0.4
Other receivables	0.2	0.5	0.2	0.4	0.3
Total non-current assets	**5.4**	**5.9**	**5.1**	**5.9**	**5.8**
Inventories	15.0	14.6	14.5	15.0	9.3
Trade receivables	26.6	16.0	20.2	17.6	9.0
Other operating receivables	6.8	4.4	7.5	4.2	3.2
Cash and cash equivalents	103.3	52.9	141.5	68.9	18.4
Total current assets	**151.8**	**87.9**	**183.7**	**105.7**	**39.9**
TOTAL ASSETS	**157.2**	**93.8**	**188.8**	**111.6**	**45.6**
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent company	9.1	6.4	34.3	20.3	–43.5
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Total Equity	**9.1**	**6.4**	**34.3**	**20.3**	**–43.5**
Non-current borrowings	77.8	0.0	84.6	0.0	62.6
Provisions	0.2	0.0	0.2	0.0	0.0
Total non-current liabilities	**77.9**	**0.0**	**84.8**	**0.0**	**62.6**
Current borrowings	25.8	60.3	25.1	62.9	4.2
Trade payables	7.8	2.9	11.8	4.7	3.8
Other operating liabilities	36.5	24.1	32.8	23.7	18.5
Total Current liabilities	**70.2**	**87.4**	**69.7**	**91.3**	**26.5**
TOTAL LIABILITES	**148.1**	**87.4**	**154.5**	**91.3**	**89.1**
TOTAL EQUITY AND LIABILITIES	**157.2**	**93.8**	**188.8**	**111.6**	**45.6**

B.7 *Selected historical financial information, cont.*

Condensed consolidated statement of cash flow

SEK million	Un-audited Jan – Mar 2017	Un-audited Jan – Mar 2016	Audited 2016	Audited 2015	Audited 2014
Operating loss	–27.4	–13.7	–88.7	–53.9	–39.3
Non-cash adjustments	4.6	4.1	17.6	4.9	0.4
Interests received	0.0	0.0	0.0	0.0	0.0
Interests paid	–3.2	–2.6	–11.6	–6.3	–4.7
Other financial expenses paid	0.0	0.0	–9.9	0.0	0.0
Income tax paid	0.0	–0.2	–0.1	0.0	–0.1
Net cash flows from operating activities before changes in working capital	**–26.1**	**–12.4**	**–92.8**	**–55.4**	**–43.6**
Changes in working capital	–6.0	1.0	10.8	–9.9	–2.3
Net cash flows from operating activities	**–32.1**	**–11.4**	**–81.9**	**–65.3**	**–45.9**
Net cash flows from investing activities	–0.6	–0.3	–1.4	–1.3	–0.8
Net cash flows from financing activities	–5.0	–3.9	155.1	116.8	35.1
Cash flow for the period	**–37.7**	**–15.7**	**71.8**	**50.2**	**–11.6**
Cash and cash equivalents at the beginning of the period	141.5	68.9	68.9	18.4	27.7
Translation difference on cash and cash equivalents	–0.5	–0.3	0.8	0.3	2.3
Cash and cash equivalents at the end of the period	**103.3**	**52.9**	**141.5**	**68.9**	**18.4**

Key financial measures

	Jan – Mar 2017	Jan – Mar 2016	2016	2015	2014
Net Sales, SEK million	32.5	23.3	104.6	61.8	41.0
Sales growth, %[1]	39.6	59.9	69.4	50.7	28.8
Gross profit, SEK million[1]	28.8	19.6	88.3	52.2	34.6
Gross margin, %[1]	88.8	84.2	84.4	84.6	84.4
Operating loss, SEK million[1]	–27.4	–13.7	–88.7	–53.9	–39.3
Loss of the period, SEK million	–31.1	–17.4	–110.2	–59.6	–51.1
Equity at the end of the period, SEK million	9.1	6.4	34.3	20.3	–43.5
Net debt, SEK million[1]	0.3	7.5	–31.8	–6.0	48.4
Net operating cash flow, SEK million	–32.1	–11.4	–81.9	–65.3	–45.9
Cash and cash equivalents at the end of the period, SEK million	103.3	52.9	141.5	68.9	18.4
Earnings per share, SEK[2]	–1.07	–0.70	–4.26	–2.53	–30.30[3]

1) Alternative performance measure, not defined according to IFRS.
2) For all periods based on the number of Shares in the company after the consolidation 5:1 resolved at the annual general meeting on 12 April 2017. Earnings per share after dilution is the same as before dilution, as dilution effects for negative earnings per share should not be adjusted for.
3) Earnings per share adjusted for preferential share interest.

DEFINITIONS OF ALTERNATIVE PERFORMANCE MEASURES

Sales growth, %	Difference in net sales between periods in relation to sales in the same period the previous year
Gross profit, MSEK	Net sales minus costs of sales
Gross margin, %	(Net sales minus cost of sales) divided by net sales
Operating loss, MSEK	Operating loss including depreciations
Net debt, MSEK	Interest bearing debts (borrowings) minus cash and cash equivalents

B.7 *Selected historical financial information, cont.*

Significant events after 31 March 2017

- At the annual general meeting on 12 April 2017, it was decided to change the articles of association and to change the company category to a public company. The annual general meeting also decided on a share consolidation 5:1 whereby five existing shares are consolidated to one share.
- In April 2017, Dr. Michael Diefenbeck was recruited to the senior management as Chief Medical Officer.
- In May 2017, the first patient was enrolled in the ongoing clinical trial FORTIFY.

Significant changes during the period covered by the historical financial information

Net sales

BONESUPPORT's net sales increased by SEK 9.2 million, or 40 percent, from SEK 23.3 million during the period January to March 2016 to SEK 32.5 million during the same period in 2017. The increase in net sales was primarily attributable to increased acceptance of the Company's products and thereby increased sales in the two segments North America and Europe & Rest of the World.

BONESUPPORT's net sales increased by SEK 42.8 million, or 69 percent, from SEK 61.8 million in 2015 to SEK 104.6 million in 2016. The increase in net sales was primarily attributable to increased acceptance of the Company's products and thereby increased sales in the two segments North America and Europe & Rest of the World.

BONESUPPORT's net sales increased by SEK 20.8 million, or 51 percent, from SEK 41.0 million in 2014 to SEK 61.8 million in 2015. The increase in net sales was primarily attributable to increased acceptance of the Company's products and thereby increased sales in the two segments North America and Europe & Rest of the World.

Costs and other revenues

BONESUPPORT's cost of sales decreased by SEK 0.1 million, from SEK 3.7 million, or 16 percent of net sales, during the period January to March 2016 to SEK 3.6 million, or 11 percent of net sales, during the same period in 2017. Selling expenses increased by SEK 7.1 million, from SEK 17.7 million, or 76 percent of net sales, during the period January to March 2016 to SEK 24.8 million, or 76 percent of net sales, during the same period in 2017. The increase was primarily attributable to increased personnel costs. Administrative expenses increased by SEK 12.6 million, from SEK 9.1 million, or 39 percent of net sales, during the period January to March 2016 to SEK 21.7 million, or 67 percent of net sales, during the same period in 2017. The increase was primarily attributable to costs related to the Company's employee stock option programs, an increase in external services in connection with IPO preparations amounting to SEK 5.3 million and other costs such as hired staff, recruitment costs and IT costs. Research and development expenses increased by SEK 3.9 million, from SEK 5.5 million, or 24 percent of net sales, during the period January to March 2016 to SEK 9.4 million, or 29 percent of net sales, during the same period in 2017. The increase was primarily attributable to increased personnel costs and increased activity. Other operating income, which is mainly related to currency exchange rate gains, increased by SEK 0.1 million, from SEK 0.7 million during the period January to March 2016 to SEK 0.8 million during the same period in 2017. Other operating expenses, which is mainly related to currency exchange rate losses, decreased by SEK 0.3 million, from SEK 1.6 million during the period January to March 2016 to SEK 1.3 million during the same period in 2017.

B.7	*Selected historical financial information, cont.*	In line with the increase of the net sales BONESUPPORT's cost of sales increased by SEK 6.8 million from SEK 9.5 million, corresponding to 15 percent of net sales in 2015, to SEK 16.3 million, corresponding to 16 percent of net sales, in 2016. Selling expenses increased by SEK 23.6 million, from SEK 56.2 million, or 91 percent of net sales, in 2015 to SEK 79.8 million, or 76 percent of net sales, in 2016. The increase was primarily attributable to increased sales and increases marketing and selling efforts in the US, UK, Germany, Switzerland and Scandinavia. Administrative expenses increased by SEK 29.0 million, from SEK 31.7 million, or 51 percent of net sales, in 2015 to SEK 60.7 million, or 58 percent of net sales, in 2016. The increase was partly due to costs associated with the change of the CEO, the listing preparations as well as cost related to the Company's employee stock option plan. Research and development expenses increased by SEK 19.2 million, from SEK 19.0 million, or 31 percent of net sales, in 2015 to SEK 38.2 million, or 37 percent of net sales, in 2016. The increase was primarily attributable to increased clinical and medical resources as well as trial expenses related to the FORTIFY study to approve CERAMENT G in the US. Other operating income, which is mainly related to foreign currency gains, increased by SEK 4.0 million, from SEK 3.3 million in 2015 to SEK 7.3 million in 2016. Other operating expenses, which is mainly related to foreign currency losses, increased by SEK 3.1 million, from SEK 2.6 million in 2015 to SEK 5.7 million in 2016. BONESUPPORT's cost of sales increased by SEK 3.1 million, from SEK 6.4 million, or 16 percent of net sales, in 2014 to SEK 9.5 million, or 15 percent of net sales, in 2015. Selling expenses increased by SEK 18.8 million, from SEK 37.4 million, or 91 percent of net sales, in 2014 to SEK 56.2 million, or 91 percent of net sales, in 2015. The increase was primarily attributable to the sales infrastructure that was increased especially in the US, UK, Germany and Switzerland. Administrative expenses increased by SEK 8.2 million, from SEK 23.5 million, or 57 percent of net sales, in 2014 to SEK 31.7 million, or 51 percent of net sales, in 2015. The increase was mainly due to an increase in finance and IT resources. Research and development expenses increased by SEK 2.0 million, from SEK 17.0 million, or 42 percent of net sales, in 2014 to SEK 19.0 million, or 31 percent of net sales, in 2015. The increase was primarily attributable to building up clinical and regulatory resources for the FORTIFY trial. Other operating income, which is mainly related to foreign currency gains, decreased by SEK 1.7 million, from SEK 5.0 million in 2014 to SEK 3.3 million in 2015. Other operating expenses, which is mainly related to foreign currency losses, increased by SEK 1.6 million, from SEK 1.0 million in 2014 to SEK 2.6 million in 2015.
B.8	*Pro forma financial information*	Not applicable. The Prospectus does not contain any pro forma financial information.
B.9	*Profit forecast*	Not applicable. The Prospectus does not contain any profits forecast or calculation of expected earnings.
B.10	*Remarks in the audit report*	In the audit report for the annual report 2015, the Company's auditor has, in connection with the auditor's recommendation that the annual general meeting treats the loss in accordance with the proposal in the administration report and discharge the board and the CEO from liability, provided a disclosure of particular importance as follows: "Without it affecting my above statements, I want to draw attention to the information in the directors' report and note 3 that a need for further external financing will occur by the end of 2016 to complete the planned research, development and commercialization. These circumstances indicates that there is a material uncertainty factor that can lead to significant doubt regarding the Company's ability to continue the operations."

B.11	*Working capital*	BONESUPPORT estimates that the current working capital is insufficient to meet the Company's needs over the next twelve months. BONESUPPORT's need for working capital over the next twelve months is mainly assignable to the implementation of the FORTIFY study to support the filing for FDA approval, a so called premarket approval (PMA), in the US for CERAMENT G and the generation of health economics and outcomes research (HEOR) data and other clinical data. The Company estimates the working capital need to approximately SEK 150 million for the upcoming twelve months and that the current working capital will last until the end of the first or second quarter of 2018, primarily depending on the priority and execution of existing and new development projects. The Company intends to finance its deficit of working capital with the funds raised in the new share issue which will be carried out simultaneously with the listing on Nasdaq Stockholm. If the Offering is fully subscribed, the total proceeds of the issue will amount to SEK 500 million before issue expenses. The intented proceeds from the issue together with cash on hand is considered sufficient to secure the Company's working capital during the upcoming twelve months. In light of the Company's need for working capital, the Company's board of directors have decided to condition the Offering upon it generating proceeds of a minimum of SEK 250 million after issue expenses. This level is considered sufficient to secure the Company's working capital for the coming twelve months. The issue proceeds will then be used for: • Conducting the FORTIFY study to support PMA filing in the US for CERAMENT G (40–50 percent); • Other clinical data and HEOR data generation (40–50 percent); • Increased marketing spend and strengthened commercial infrastructure (10–20 percent). In the event that the required subscription rate (SEK 250 million) is not achieved, the Offering will be withdrawn and the subsequent listing on Nasdaq Stockholm will not take place. The Company will then seek alternative sources of funding, and if necessary to ensure the Company's financial position, reduce or re-phase the scope of planned studies and reduce marketing costs, which means that the operations would be narrower in scope than originally envisaged.

SECTION C – SECURITIES

C.1	*Securities offered*	Shares in BONESUPPORT HOLDING AB (ISIN SE0009858152).
C.2	*Currency*	The shares are denominated in SEK.
C.3	*Shares issued*	As per the date of the Prospectus, the Company's share capital is SEK 18,132,013.125, represented by 29,011,221 shares, each with a quota value per share is SEK 0.625. The Company has only one share class. All shares have been fully paid.
C.4	*Rights associated with the securities*	Each share entitles the holder to one vote at the general meeting and every shareholder is entitled to vote with the full number of shares owned and represented by him or her. If the Company decides to issue new shares, warrants or convertible bonds by means of a cash issue or offset issue, the shareholders will, as a general rule, have preferential subscription rights in proportion to the number of shares they already own. All shares provide equal rights to the Company's profits and to any surplus in the event of liquidation. Decisions to pay dividends will be made by the general meeting and payment will be arranged by Euroclear Sweden AB. The right to receive dividend payment belongs to the person who is registered as a holder of shares in the share register kept by Euroclear Sweden AB on the dividend record day as determined by the general meeting.
C.5	*Transferability restrictions*	Not applicable. The shares are not subject to any restrictions on their free transferability.
C.6	*Admission for trading on a regulated market*	On 19 May 2017, Nasdaq Stockholm's listing committee decided to admit BONESUPPORT's shares for trading on Nasdaq Stockholm. The first day of trading is expected to occur on or around 21 June 2017.
C.7	*Dividend policy*	BONESUPPORT will continue to focus on market expansion for its current products, organizational growth and further development and expansion of its product pipeline. In light hereof, the board of directors does not intend to propose any distribution of dividends before the Company generates a long-term sustainable profitability and long term sustainable positive cash flow. 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. The distribution of dividends shall, in so far as distribution of dividends is proposed, be well balance with respect to the goals, scope and risks of the business.

SECTION D – RISKS

D.1	*Principal Risks related to the Company and the industry*	An investment in BONESUPPORT is associated with risks. The Company's operations and market can be affected by a number of factors, fully or partly beyond the Company's control. Investors considering an investment in the share should carefully analyze the following risk factors, described in no particular order or in detail, but which are considered to be the principal risk that could have a material negative impact on the Company's operations, financial position and earnings.´

- Risks related to the regulatory environment for medical device products 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 cost 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 related to current and additional financing 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 comply with the provisions of current loan arrangements or is unable to secure additional funding when required.
- Risks related 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.

D.3	*Principal Risks related to securities*	Investment in securities is associated with risk. Such risks may cause the price of the Company's shares to fall significantly, and that investors may lose all or parts of their investment. Principal risks deemed relevant for BONESUPPORT's shares, and described in no particular order, are: • Risks related to that the price in the Offering will not match the price at which the shares in BONESUPPORT will be traded on the stock market after the Offering, that the shares are subject to substantial fluctuations on the stock market or that active trading will not be developed and established after the completion of the Offering. • Risks related to that BONESUPPORT has previously not paid any dividends and the existence and size of any future dividends will be dependent on the Company's future development. • Risks related to sales of shares which are made by major shareholders, as well as the general market expectation that sales will be carried out, could have a negative effect on the price of BONESUPPORT's shares, and that any new share issue may lead to dilution of the holdings of the shareholders; • Risks related to that Swedbank Robur Fonder AB and Investing Shareholders will not be able to fulfill their undertakings, since these undertakings are not secured by bank guarantee, blocked funds or pledging or similar arrangement, and since the undertakings, are subject to certain conditions, which could have a negative impact on the completion of the Offering.

SECTION E – THE OFFERING

E.1	*Proceeds and costs relating to the Offering*	The Offering is expected to provide BONESUPPORT with around SEK 500 million before transaction costs. BONESUPPORT's costs for the Offering and the listing on Nasdaq Stock-holm are expected to amount to maximum SEK 39 million. The Offering is thus expected to provide BONESUPPORT with approximately SEK 461 million after transaction costs.
E.2a	*Reasons for the Offering*	The primary focus of the Company's strategy is to continue to drive sales of its current products CERAMENT BVF, CERAMENT G and CERAMENT V on existing and new markets and generate further clinical and HEOR data from clinical studies, including the CERTiFy study for CERAMENT BVF, to highlight the compelling benefits the Company considers CERAMENT to deliver compared to other common forms of treatment of bone voids and bone defects. In parallel, BONESUPPORT will be conducting the clinical study FORTIFY for CERAMENT G to support a PMA filing in the US for CERAMENT G, with the aim of receiving approval by 2021 and initiate CERAMENT V's US regulatory pathway process. The Company also aims to advance two of its product pipeline candidates by capitalizing on the drug eluting properties of the CERAMENT platform. Moreover, the Company intends to increase marketing spend and to expand its commercial infrastructure to continue its revenue growth. The execution of BONESUPPORT's markering initatives and strategy through to 2021 requires significant investment. BONESUPPORT estimates that the current working capital is insufficient to meet the Company's need over the next twelve months. To secure the financing needed to deliver its growth strategy and to support the Company's working capital needs over the next twelve months, the Company has decided to carry out a new share issue in connection with the listing on Nasdaq Stockholm. Assuming that the Offering is fully subscribed, the gross proceeds will amount to SEK 500 million and SEK 461 million after issue expenses. The Company intends to use such proceeds in the following order of priority and with the approximate percentage of the issue proceeds stated. 1) Conduct the FORTIFY study to support the PMA filing in the US for CERAMENT G and initiate CERAMENT V clinical studies: approximately 25–30 percent; and support buildout of commercial infrastructure with additional employees within marketing and sales, etc.; approximately 10 percent. 2) Generation of HEOR data and other clinical data: approximately 30 percent. 3) Increase marketing spend on the Company's key markets: approximately 20–25 percent. 4) Advance pipeline of two new product candidates: approximately 10 percent. The proceeds from the Offering will strengthen the Company's financial position and, assuming that the Offering is fully subscribed, are estimated to be sufficient to drive continued high growth of sales of the current product portfolio, to complete the FORTIFY study, the potential receipt of marketing approvals for CERAMENT G in the US by 2021 as well as reaching a point where the Company becomes cash flow positive. In light of the Company's need for working capital, the Company's board of directors have decided to condition the Offering upon it generating proceeds of a minimum of SEK 250 million before issue expenses. In in the event that the required subscription rate is not achieved, the Offering will be withdrawn and the subsequent listing on Nasdaq Stockholm will not take place.

E.3	*Terms and conditions of the Offering*	**General** The Offering is directed to the general public in Sweden and to institutional investors. The Offering includes 16,129,032 to 18,518,519 new issued shares in the Company, whereby the final number of shares will be dependent on the price in the Offering. The Offering is divided into two parts (i) the offering to the general public in Sweden and (ii) the offering to institutional investors in Sweden and Abroad. The outcome of the Offering is expected to be announced by means of a press release around 21 June 2017. **The price in the Offering** The price in the Offering is expected to be set in the range SEK 27 to 31 per share. The price range has been set by the Company's board of directors in consultation with the Joint Global Coordinators. **Application period and application** The application period for the general public in Sweden will be the period 12 – 19 June 2017 and for institutional investors in Sweden and abroad, the period 12 – 20 June 2017. The Company's board of directors reserve the right to shorten or extend the application period for the Offering. Notice of any such shortening or extention will be given by press release prior to the end of the application period. Application can be made to Carnegie, Nordnet AB or Avanza Bank AB according to the instructions from each bank. **Allotment** Decisions on the allotment of shares will be made by the Company's board of directors in consultation with the Joint Global Coordinators. **Over-allotment option** The Company has committed to issue, at the request of the Joint Global Coordinators, up to an additional 2,777,778 shares, which corresponds to a maximum of 15 percent of the total number of shares in the Offering at a price corresponding to the price in the Offering. The over-allotment option can only be used to cover any over-allotment in the Offering. **Settlement date** The settlement date is estimated at 26 June 2017. **Conditions for completion of the Offering** The Offering is conditional upon that interest for the Offering is large enough, in the view of the Joint Bookrunners, for achieving appropriate trading in the share, that the Placing Agreement is entered into, that certain customary completion conditions in the agreement are fulfilled, and that the Placing Agreement is not terminated. Furthermore, the Offering is also conditional upon the Offering raising a minimum of SEK 250 million after deduction for issue expenses. In in the event that the required subscription rate (SEK 250 million) is not achieved, the Offering will be withdrawn and the subsequent listing on Nasdaq Stockholm will not take place.
E.4	*Interests and conflicts of interest*	Carnegie and ABGSC are Joint Global Coordinators in the Offering. The Joint Global Coordinators provide financial advice and other services to the Company in connection with the Offering. None of the Joint Global Coordinators own shares in the Company and will not achieve any other financial gains from BONESUPPORT other than previously agreed fees for their services.

E.5	*Lock-up agreements*	Health Cap V L.P., Stiftelsen Industrifonden, Lundbeckfond Invest A/S, Carl Westin Ltd., Tredje AP-fonden, Tellacq AB, OFP V Advisor AB and Arctic Funds PLC are Investing Shareholders. Investing Shareholders, certain selected existing shareholders[1], board members and senior executives holding shares and other securities have undertaken not to sell their respective holdings during a period starting from the first day of trading in the Company's shares on Nasdaq Stockholm (the "**Lock-up Period**"). The undertaking does not apply for shares that are acquired in the Offering or thereafter. However, for board members and senior executives holding employee stock options, the undertaking as a general rule also applies to shares received upon exercise of employee stock options. A holder of employee stock options that has exercised employee stock options may however during the Lock-up Period sell shares received upon exercise of employee stock options provided that such sale is strictly limited to such number of shares reasonably required to obtain funds to cover the tax amount that arises due to the exercise of employee stock options. The Lock-up Period for board members and senior executives is 360 days. The Lock-up Period for the Selling Shareholders and the other shareholders who have undertaken not to sell shares is also 360 days, but the undertaking is gradually lowered during the Lock-up Period for these shareholders according to the following. During the first 180 days, the undertaking comprises all of the shareholders' shares. During the following 90 days (day 181–270), the undertaking comprises only 2/3 of all shares and thereafter (day 271–360) only 1/3 of all shares. Notwithstanding the aforementioned, the Lock-up Period for Arctic Securities AB is 180 days and comprises all of the shareholder's shares. The Joint Global Coordinators can discretionary decide to grant exemptions from the restrictions on the sale of shares during the respective Lock-up Period. The Company will also enter into a lock-up arrangement entailing inter alia that the Company undertakes not to issue any shares or other securities in the Company. 1) InnKap 3 Admin AB, Teknoseed I AB, Teknoseed II KB, Bertil Lindqvist, BrainHeart Capital AB, CMF Groth i Skåne Invest AB, Stephan Lorenzini, Vencorp Securities, Craafordska stiftelsen, NBG Technology LP, Ferd AS, Teknoinvest VIII KS, Teknoinvest VIII B (GP) AS and Kreos Capital V (Expert Fund) LP.
E.6	*Dilution*	With full subscription of the new share issue in the Offering and assuming that the over-allotment option is not exercised and a price in the Offering corresponding to the midpoint of the price range (i.e. SEK 29), the number of shares in BONESUPPORT will increase by 17,241,379 shares from 29,011,221 to 46,252,600, which corresponds to a dilution of 37.3 percent of the total shares in the Company after the Offering. If the over-allotment option is fully exercised, the Offering will, based on the same assumptions, comprise an additional 2,777,778 shares, which means that the total number of shares will further increase to 48,838,807, corresponding to a total dilution of 40.6 percent. BONESUPPORT has outstanding warrants, including for a number of incentive programs. These warrants may be exercised after the completion of the Offering, which would correspond to a dilution of approximately 13.1 percent of the total number of shares in the Company after the completion of the Offering assuming full subscription of the new share issue in the Offering, that the Over-allotment option is not exercised, a price in the Offering corresponding to the midpoint of the price range (i.e. SEK 29) and that the maximum possible number of warrants are exercised. The warrants give the holders right to subscribe for shares in the Company at a subscription price ranging from SEK 0.625 to 26.5 per share.
E.7	*Costs for the investor*	Not applicable. No costs will be imposed on investors in the Offering.

RISK FACTORS

Investment in securities is associated with risk. When considering a possible investment decision, it is important to carefully analyze the risk factors considered to be of significance to the Company and the share's future development. The following describes risk factors considered to be of importance for BONESUPPORT, without any specific ranking. This applies for both risks regarding circumstances that are attributable to BONESUPPORT and its industry and those of a more general nature, and risks associated with the shares and the Offering. Certain risks relate to factors beyond the Company's control. The following account does not claim to be complete and all risk factors can naturally not be predicted or described in detail, which is why an overall assessment must also include other information in the Prospectus as well as a general assessment. The risks and uncertainty factors below can have a significant negative impact on BONESUPPORT's operations, financial position and/or earnings. They can also cause the shares of BONESUPPORT to decrease in value, which could lead to shareholders in BONESUPPORT losing all or part of their investment. Additional factors that are not currently known to BONESUPPORT, or that are currently not deemed to pose risks, may also negatively impact BONESUPPORT.

The Prospectus contains forward-looking statements that may be affected by future events, risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements for a variety of factors, including but not limited to, those described below and elsewhere in the Prospectus.

RISKS RELATED TO BONESUPPORT, ITS OPERATIONS AND INDUSTRY

Risks related to the regulatory environment for medical devices and combination products

From a regulatory perspective, BONESUPPORT™'s marketed products are considered to be medical devices. Medical devices are subject to extensive regulatory rules and regulations, supervised by regulatory authorities around the world, for example the US Food and Drug Administration ("**FDA**") and applicable national authorities in relevant European countries. The regulatory framework covers all parts of the Company's business such as research, development, manufacturing, testing, labeling, marketing, sales and distribution. In addition to these industry-specific regulations, the Company is, or may be, subject to numerous other ongoing regulatory obligations, such as data protection, environmental, health and safety laws and restrictions. The costs of compliance with applicable regulations, requirements or guidelines could be substantial. Furthermore, the regulatory environment has generally become more stringent and extensive over time. Failure to comply with these regulations could result in sanctions including fines, injunctions, civil penalties, denial of applications for marketing approval of the Company's product candidates, delays, suspension or withdrawal of approvals, license revocation, seizures or recalls of products, operating restrictions and criminal prosecutions, any of which could significantly increase the Company's costs, restrict the sales of its current products, delay the development and commercialization of its product candidates and substantially impair its ability to generate revenues and achieve profitability. If any of these risks are realized, it could have a material adverse effect on the Company's operations, financial position and earnings.

Risks related to the assessment, clearance or approval process of medical devices and combination products before they are placed on the market

BONESUPPORT's products and product candidates are subject to regulatory assessment, clearance or approval before they are placed on the market in various jurisdictions.

The regulatory approval process is expensive and time consuming and the timing and outcome of the approval process is difficult to predict. Each regulatory authority may impose its own requirements and may refuse to grant or may require additional data before granting clearance or marketing approval even if granted by authorities in other jurisdictions.

The Company has also to consider that the approval process for medical devices and combination products in the US and the EU, as well as other major markets in the world, can change. The regulatory pathway for future clearances or approvals may also change due to reinterpretation of applicable regulations. Such changes or reassessments could lead to increased costs and require more clinical studies, changes to manufacturing methods and increased documentation requirements. Any increased costs or extensive

requirements at some stage of the process may delay market access of future products and thus negatively impact the Company's operations, and subsequently, earnings. In addition, if any of the Company's product candidates are considered to be pharmaceuticals from a regulatory perspective, the process for gaining market approval could be more extensive, costly and time-consuming compared to the process for medical devices.

Even following clearance or approval, the Company could be forced to conduct postmarket or vigilance studies, which can be expensive and time-consuming to conduct. The Company's products may be subject to limitations on their indicated uses or even be withdrawn from the market for various reasons, including if they are shown to be unsafe or ineffective. Further, in order to introduce certain medical devices in the European Economic Area (the "**EEA**") it is necessary that an assessment is carried out by a third party, a so called notified body, to demonstrate that the device complies with the requirements. Decisions taken by notified bodies are valid for a maximum of five years and may be extended for further periods of five years at a time. The renewal process can be time consuming, especially if the original product file is extended with for example new indications or otherwise is essentially modified.

BONESUPPORT has initiated an approval process for its product CERAMENT™ G in the US and expects to receive market approval by 2021. The FDA could decline the approval application for CERAMENT G, ask for more data or give a narrower label than the one requested which would affect the Company's ability to successfully market the product on the US market.

If any of the above-mentioned risks are realized, it could have a material adverse effect on the Company's operations, financial position and earnings.

Risks related to the conduction and outcome of clinical studies

BONESUPPORT conducts clinical studies (i.e. studies on patients) on its products and product candidates i.a. to support regulatory approvals for market access or to generate evidence relating to clinical and cost benefits of using its products. Clinical studies are costly and time consuming and associated with risks such as finding trial sites, recruitment of suitable patients, the actual cost per patient exceeding budget and inadequacies in the execution of the trials. There is also a risk of delays in the performance of clinical studies. Such delays can occur for a variety of reasons, including delays in obtaining regulatory approval to commence a trial, reaching agreements on acceptable terms with prospective contract research organizations and clinical investigational sites sites, contracted suppliers not performing their services satisfactory, obtaining institutional review board approval at each difficulties in patient enrolment, patients failing to complete a trial or return for follow-up, adding new sites or obtaining sufficient supplies of clinical study materials or clinical sites dropping out of a trial. If delays persist, there is a risk that studies eventually are suspended or terminated prematurely if the delays occur due to circumstances that the Company has difficulties controlling, or is unable to control, or if the measures required for conducting the studies further are deemed too costly or extensive in relation to the scope and goals of the studies.

Many factors may affect patient enrolment, including the size and nature of the patient population, the proximity of patients to clinical sites, the eligibility criteria for the trial, the design of the clinical study, competing clinical studies, clinicians' and patients' perceptions as to the potential advantages of the product being studied in relation to other available therapies, including any new products that may be approved for the indications the Company is investigating. Clinical studies may also be suspended or terminated if participating subjects are exposed to unacceptable health risks or undesired side effect.

Furthermore, clinical studies may not demonstrate the required clinical benefit for the prospective indication the trial is aimed at. Failure in clinical studies could lead to market clearance or approvals not being obtained which could delay or jeopardize the Company's ability to develop, market and sell the product candidate being studied. At any stage of development, based on review of available preclinical and clinical data, the estimated costs of continued development, market considerations and other factors, the Company may discontinue the development of its products and product candidates. Furthermore, with respect to the clinical studies conducted by third parties, the Company may have less control over their timing or outcome.

BONESUPPORT is currently supporting two major clinical studies: CERTiFy, which is an investigator initatied study designed to prospectively generate evidence relating to the clinical and cost benefits of its currently marketed product CERAMENT BONE VOID FILLER ("**CERAMENT BVF**") versus autologous bone grafting; the Company sponsored FORTIFY study, which is aimed to demonstrate the safety and effectiveness of CERAMENT G with the main purpose of obtaining US market approval. Both studies are exposed to the above-mentioned risks related to clinical studies in general. In addition, studies such as FORTIFY, which include trauma patients, can experience substantial difficulties with patient recruitment due to the often emergency nature of severe trauma. Examples of such difficulties include the need for urgent patient care which is prioritized before study enrolment, difficulties or the inability for injured patients to give informed consents due to impaired consciousness, as well as patients or families being resistant to making decisions regarding study participation in an emergency setting. Such factors can make it harder to recruit patients to trauma studies and lead to variability in recruitment rates compared to other clinical studies that include non-emergency patients.

Positive outcomes of the CERTiFy and FORTIFY studies are expected to change future treatment recommendations and support the use of the Company's products. However, if the

CERTiFy and FORTIFY studies would be delayed, cannot be completed, or fail to show positive results due to any of the above-mentioned risks, it could lead to disadvantageous consequences for the Company's position on the market.

If any of the risks described above where to materialize, it could have a material adverse effect on the Company's operations, financial position and earnings.

Risks related to failure of market acceptance by healthcare providers, patients and third-party payers, the availability of adequate healthcare reimbursement options and outcome of health economic and outcomes research data

There is a risk that a product that has gained market approval, does not successfully reach the desired level of acceptance from physicians, hospitals, patients, third-party payers and the medical community in general, which could prevent the Company from generating revenues or becoming profitable. Market acceptance of the Company's current and future products by physicians, hospitals, patients and third-party payers will depend on a number of factors, many of which are beyond the Company's control, including: the clinical indications for which each product is approved, acceptance by physicians, hospitals, patients and third-party payers of each product as a safe and effective treatment, relative convenience, ease of administration and other perceived advantages over competing treatments, prevalence and severity of adverse side effects, the cost of treatment in relation to alternative treatments, the extent to which the product is approved for inclusion on formularies of hospitals and managed care organizations, whether the product is designated under physician treatment guidelines as initial or first-line therapy or as therapy in relapsing/recurrent disease, and limitations or warnings contained in a product's approved labeling.

Market acceptance is also dependent on the availability of adequate reimbursement by third parties, such as insurance companies and other third-party payers. If physicians, hospitals and other medical facilities are unable to obtain favorable reimbursement rates from third-party payers for procedures involving use of BONESUPPORT's products, or if reimbursement from third-party payers for such procedures significantly declines, it may lead to reluctance to use the Company's products.

In addition, there is an increased demand to demonstrate clinical and economic evidence to healthcare providers, decision-makers and third-party payers, for example through so called Health Economics and Outcomes Research ("HEOR") that complement traditional clinical development information such as efficacy, safety and quality. If the HEOR data developed by the Company through clinical studies is unfavorable, it could impact the acceptance or success of the Company's products in the market.

Furthermore, the Company's efforts to raise awareness and educate health care providers of the products' benefits compared to other techniques and procedures may not be successful. Insufficient actions on this matter may lead to misuse of the product which in turn can result in unsatisfactory patient outcomes, patient injury, negative publicity or lawsuits. Media reports may limit widespread acceptance of the products which can increase the risk for unexpected results on the market.

Any failure in market acceptance from the medical community could adversely affect BONESUPPORT's reputation, the overall demand for the products and impair commercial success for current and future products, which could have a material adverse effect on the Company's operation, financial position and earnings.

Risks related to current and additional financing

The amount and timing of costs needed to implement the Company's business plan, including development and commercialization programs, will depend on numerous factors, including the progress, costs, timing and results of its research and development activities (including clinical studies), the costs and timing of obtaining regulatory approval, the costs of obtaining, maintaining and enforcing its patents and other intellectual property rights, the costs and timing of obtaining or maintaining manufacturing for its products and product candidates, the costs and timing of establishing sales and marketing capabilities, whether or not the Company enters into strategic collaborations or partnerships and the terms and timing of establishing such collaborations, license agreements and other partnerships. Some of these factors are outside the Company's control.

There is a risk that BONESUPPORT will not reach sufficient levels of revenue or positive cash flow in the future in order to finance the Company's operations. Furthermore, if BONESUPPORT is unable to obtain suitable financing or unable to pursue attractive business opportunities, it could limit the Company's ability to maintain its market position or the competitiveness of its product offering, which could have a material adverse effect on the Company's operations, financial position and earnings. BONESUPPORT may also need to seek additional external financing to continue its operations. Such financing can come from third parties or from existing shareholders through public or private financing initiatives. There is a risk that new capital cannot be raised when needed or on satisfactory terms or that capital raised is not sufficient to finance operations in accordance with established development plans and objectives. This could result in the Company being forced to restrict its development activities or, ultimately, to discontinue its operations. The terms of available financing could also have a negative impact on the Company's operations as debt financing, if available to the Company, could contain restrictive conditions which could limit the Company's flexibility.

BONESUPPORT currently has a loan arrangement with Kreos Capital V (UK) Limited, which includes restrictions related to the conduct of BONESUPPORT's business, including restrictions related to additional borrowing, provision of

securities, disposals and acquisition, as well as a prohibition related to dividends meaning that BONESUPPORT is not entitled to pay dividends prior to the loan having been repaid in full. If BONESUPPORT is unable to comply with the provisions of the loan arrangement or in any other way is in breach of the agreement, it could lead to the lendor requiring the loan to be repaid, utilizing pledges in the Company's assets (including pledges of business mortgages, pledges of the shares in BONE SUPPORT AB and certain other subsidiaries, pledges of certain core patents, pledges of certain group internal loans, pledges of certain external receivables and pledges over certain bank accounts) or imposing altered terms and conditions. If that would occur, BONESUPPORT may also need to seek additional external financing to continue its operations and there is a risk that such financing cannot be obtained on satisfactory terms, or at all.

Furthermore, the Company's future capital requirements may differ from the management's estimates. The future capital requirements depend on several factors, including the costs of development and commercialization of product candidates, as well as timing and size of sales revenues from current and future products. Failure to adequately estimate the Company's future capital requirements could have various material adverse effects on the Company's operations, financial position and earnings.

Risks related to that the financial targets included in the Prospectus may differ materially from BONESUPPORT's actual results

The financial targets set forth in this Prospectus and elsewhere are BONESUPPORT's expectations concerning growth and profitability. These objectives are based on a number of factors, which are inherently subject to significant business, operational, economic and other risks, many of which are outside the Company's control. The Company has detailed the assumptions the senior management and the board of directors have made when setting out its targets, but there is a risk that these assumptions may not continue to reflect the commercial, regulatory and economic environment in which the Company operates. Accordingly, such assumptions may change or may not materialize at all. In addition, unanticipated events may adversely affect the actual results that the Company achieves in future periods whether or not its assumptions otherwise prove to be correct. As a result, BONESUPPORT's actual result may vary materially from these targets and investors should not place undue reliance on them.

Risks related to profitability in subsequent periods

BONESUPPORT has incurred significant operating losses since its foundation and experienced a net loss of approximately SEK 110.2 million in 2016. These losses have resulted principally from costs incurred in research and development, business development and clinical testing as well as from general and administrative costs associated with the Company's operations. In the future, the Company will be required to conduct further significant research and development, business development, clinical testing and regulatory compliance activities. Such activities, together with anticipated general and administrative expenses and the anticipated increase of costs and expenses associated with the expected growth of the Company, could result in the Company sustaining significant losses and/or operating costs for the foreseeable future.

There is a risk that the Company will not earn sufficient revenues or achieve profitability to conduct its operations in accordance with set goals and strategies, which could impair the Company's ability to sustain operations or obtain any required additional funding. If the Company does achieve profitability in the future, it may not be able to sustain profitability in subsequent periods. In addition, the Company may experience uneven cash flows. As a result, period-to-period comparisons of financial results are not necessarily meaningful and results of operations in prior periods should not be relied upon as an indication of future performance. Any future deviations in results of operations expected by securities analysts or investors could have a material adverse effect on the market price of the Company's shares.

Risks related to marketing and sales

BONESUPPORT currently sells its products by a combination of direct sales, specialty distributors and distribution partners. In order to achieve its growth strategy, BONESUPPORT needs to further increase and develop its sales and marketing infrastructure. This will require recruitment of additional personnel and further development of sales and marketing strategies, which is likely to be both costly and time consuming. If the Company's efforts in this respect are delayed or unsuccessful, there is a risk that the Company will not have the sales and marketing capabilities to reach its growth targets, which could impair the Company's potential future sales and earnings.

Currently, a large portion of BONESUPPORT's revenues arise from sales in North America through the Company's distribution partner Zimmer Biomet. During 2016, sales in North America accounted for approximately 66 percent of the Company's total revenue. Zimmer Biomet is a global company within musculoskeletal health care that offers its own products for the management of bone healing, for example the synthetic bone graft substitute EquivaBone and the gentamicin-collagen Septocoll E. Such products are thus competing on the same markets as BONESUPPORT's products as they are intended for similar use. Failure on behalf of Zimmer Biomet to uphold its sales levels and/or decisions to deprioritize BONESUPPORT's products in favor of other products the distribution partners offers within bone healing, it may impact the Company's sales and earnings negatively. The current distribution agreement is valid until August 2018, thereafter the agreement continues for successive one year terms unless terminated by either party upon not less than three months' notice, meaning that the agreement can be terminated with relatively short notice. Should any of the aforementioned occur, the Company may be required to

find alternative distribution partners or develop own sales capabilities in that region, which could be cost and time consuming, and may not be possible within such time that expected sales levels can be maintained.

If any of the above-mentioned risks would to occur, it could have a material adverse effect on BONESUPPORT's operations, financial position and earnings.

Risks related to macro-economic factors including pricing and demand of medical products

Since BONESUPPORT markets and sells its products in many parts of the world, the Company is affected by the general demand and pricing of products for orthopedic treatment in relevant markets. BONESUPPORT cannot anticipate the development of financial markets, the economic and political climate or foresee macro-economic events, and an economic down-turn or an otherwise weak or declining economy could strain the market for orthopedic care and lead to increased pressure on hospitals, third-party payers and authorities to reduce medical costs, potentially lowering the willingness to pay for medical device products in general, including BONESUPPORT's products. In several countries, including the US and in Europe, there are various measures to curb rising medical costs, which could result in reduced reimbursement levels, and could therefore affect the Company's future sales. Other political factors could also impact on the Company's operations. For example, the possibility to successfully gain market approval for CERAMENT G and CERAMENT V in the US could be adversely affected by changes in the regulatory landscape as well as the reimbursement landscape.

If any of the above-mentioned risks would to occur, it could have a material adverse effect on BONESUPPORT's operations, financial position and earnings.

Risks related to manufacturing, supply and storage

BONESUPPORT currently relies, and expects to continue to rely, on third-party suppliers and manufacturers for its production of CERAMENT products. There is always a risk that such external parties, for various reasons, do not perform their services to the satisfaction of the Company, do not meet agreed or required quantitative or quality standards and/or are not able to manufacture on a timely basis. If that would occur, continued production could incur additional costs, be delayed or even stopped and BONESUPPORT may have to contract other external parties to perform such services, which could be time-consuming and costly.

Furthermore, the manufacturers engaged by the Company are, and will continue to be, obliged to follow the applicable regulations for the process of manufacturing, testing, quality control and documentation of the product concerned. The production facilities will be inspected by regulatory authorities on a recurring basis, which could lead to remarks and new requirements on the manufacturing process. Should the Company's external manufacturers not fulfil these requirements, previously granted authorizations may be revoked, which could lead to increased costs, delays or stoppage, and potentially to other sanctions such as fees, fines, confiscation of products, operational restrictions and criminal sanctions.

If BONESUPPORT needs to engage new suppliers or manufacturers, or exchange current suppliers or manufacturers, such a process could at the moment take up to approximately four years due to regulatory requirements, such as attaining approvals from relevant notified bodies as well as extensive quality testing to ensure that new suppliers or manufacturers meet the quality standards required by law and by BONESUPPORT. To avoid shortages of key components during this process, the Company must maintain sufficient storage levels and therefore there is a risk that such components are exposed to contamination or quality reduction or that the storage levels are not sufficient for the Company's needs until new manufacturers are engaged.

Should any of the above-mentioned risks occur, it could have a material adverse effect on the Company's operations, financial position and earnings.

Risks related to a limited product portfolio based on one platform

BONESUPPORT's currently main marketed products CERAMENT BVF, CERAMENT G and CERAMENT V, as well as its product candidate pipeline, are based on the CERAMENT technology platform. The Company is therefore currently dependent on few products based on the same technology, and BONESUPPORT's future profitability depends on the Company's ability to continue to grow sales of existing products as well as to develop and commercialize new products. If other companies develop competing technologies, or alternative products, which would prove to be better or achieve greater market acceptance, BONESUPPORT's future earning capabilities may be adversely affected.

The Company's product candidates are currently in an early development stage and will therefore require extensive research and development in order to achieve relevant market authorization. There is a risk that the Company's product candidates will not demonstrate the efficacy and safety required to progress into further development and subsequently to achieve market approval. If the continued development of the Company's product candidates is unsuccessful, BONESUPPORT's future earning capabilities may therefore be adversely affected. Failure to continue to grow sales of existing products or achieve commercialization of new product candidates, for whichever reasons, could mean that the Company is unable to maintain operations in its current form, or ultimately, need to discontinue its operations.

Risks related to key personnel and qualified employees

BONESUPPORT is dependent on the senior management team, including its clinical scientific team, sales and marketing team. The Company's success depends in part on its continued ability to attract, retain and motivate highly quali-

fied clinical scientific personnel and on its ability to develop and maintain important relationships with leading academic institutions, clinicians and scientists. The Company may not be able to attract or retain qualified personnel on acceptable terms in the future due to the intense competition for qualified personnel within the industry for medical devices and pharmaceuticals as well as other related industries. The departure of some or several key employees could delay or impair BONESUPPORT's business and continued product development. Furthermore, if the Company does not continue to recruit and retain top talent with relevant knowledge and expertise, there is a risk that it cannot reach its growth targets. Thus, loss of key employees or failure to attract new employees could have a material adverse effect on BONESUPPORT's operations, financial position and earnings.

Risks related to competition

The orthobiologics[1] market is a highly competitive market characterized by global competition and rapid technological development. The Company is facing competition from large companies, including multinational companies and other companies active on the orthobiologics market. There are currently several different techniques and products available in the market for the use in the same treatments that the Company's products are intended for. It is therefore important for the commercial success of BONESUPPORT's products to demonstrate advantageous clinical and economic evidence to healthcare providers and decision makers compared to other available techniques and products.

Competitors may have substantially larger research and development organizations than BONESUPPORT. Consequently these companies are often able to invest greater financial resources in clinical studies and the marketing approval process. There is a risk that other companies will develop techniques and products which will prove superior to BONESUPPORT's techniques and products. Competing companies with larger marketing budgets than the Company may further succeed with the marketing of equally effective products, or even less effective products than the Company's, and still achieve greater market acceptance. Furthermore, medical advances or rapid technological development by competitors may result in the Company's products and product candidates becoming non-competitive or obsolete before the Company is able to recover its research and development and commercialization expenses. This could have a material adverse effect on the Company's operations, financial position and earnings.

Risks related to the Company's protection of its intellectual property rights

Patents and other intellectual property rights are key assets to the Company and therefore, the Company's current and future success is dependent on the possibilities to maintain existing patents and to obtain patent protection for pending and future patent applications for the Company's technology platform. However, the patent positions for companies within the medical device industry, including the Company, are generally uncertain and involve complex medical, legal and technical assessments that may give rise to uncertainty as to the validity, scope and priority of a particular patent.

There is a risk that the Company will fail to develop products that are patentable, that patents will not be granted under pending or future applications, that patents will not be of sufficient breadth to provide adequate protection against competitors with similar technologies or products, or that patents granted to the Company are successfully challenged. If the Company does not obtain patents in respect of its technologies or if its patents are cancelled (for example, as a result of the discovery of prior art), third parties may use the technologies without payment to the Company, if they possess the necessary know-how. Furthermore, such procedures could cause considerable legal costs, result in the diversion of management's time and efforts and require the Company to pay damages.

A third party's ability to use unpatented technologies is enhanced by the fact that the published patent application contains a detailed description of the relevant technology. In addition, the medical technology industry is characterized by a high level of innovation and rapid technology development, which is why new technologies and products could be developed by third parties, which could cause the Company's intellectual property rights to be bypassed or replaced. It should also be noted that patents are only granted for a limited time period. Additionally, if the combination of patents, trade secrets and contractual provisions that the Company relies upon to protect its intellectual property is inadequate, its ability to commercialize its products successfully will be harmed, and it may not be able to operate its business profitably.

In the event that the Company's patent or other intellectual property rights should be lost or curtailed, or if the Company is otherwise unable to maintain the requisite patent protection, this could have a material adverse effect on the Company's operations, financial position and earnings.

Risks related to infringement on third party patents or other intellectual property rights

BONESUPPORT has an extensive patent portfolio relating to its CERAMENT technology platform and products and has exclusive rights to two main families of granted patents and pending patent applications, which have been granted or are pending in major territories including the US, Europe and Asia. Nevertheless, the Company's success will depend in part on its ability to operate without infringing or misappropriating the proprietary rights of others. As the biomaterials industry expands and more patents are granted, the risk

1) Orthobiologics are products that support tissue healing and restoration by harnessing regenerative potential with the body's own cells to replace or regenerate musculoskeletal structures.

increases that any technology or product developed by the Company may give rise to third party claims of patent infringement. The Company may expend significant time and effort and may incur substantial costs if required to defend such claims or to assert its proprietary rights against third parties.

Furthermore, there is a risk that the Company's efforts to search for existing proprietary rights, so called freedom to-operate analyses, before embarking on a research and development program with respect to a particular technology or product, will not be able to uncover all relevant third party rights relating to such technology or product. As a result, competitors of the Company may have obtained or may in the future obtain patents in respect of technologies or products similar to or competitive with those of the Company. If this occurs, the Company may have to obtain appropriate licenses under such patents or cease and/or alter certain of its activities or processes, initiate proceedings to have these patents revoked or declared invalid, or develop or otherwise obtain alternative technology. The Company's inability to secure such licenses on commercially reasonable terms, to have such patents revoked or declared invalid, or to develop or otherwise obtain alternative technology may have a material adverse effect on its operations, financial position and earnings.

There is a risk that the Company's freedom-to-operate analysis has not disclosed all possible intellectual property issues relating to its activities. If the Company's freedom-to-operate analysis turns out to be incomplete, or if the Company becomes subject to infringement allegations, it could adversely affect the Company's operations, financial position and earnings.

Risks related to know-how and trade secrets

In addition to registered intellectual property rights, BONESUPPORT has developed substantial know-how which are not protected by registration in the same way as other intellectual property. There is a risk that such obligations to maintain the confidentiality of the Company's or its collaborators' trade secrets or know-how is breached, or would not be possible to enforce by courts or that such trade secrets or know-how will otherwise become known in circumstances in which the Company has no practical means of redress. Furthermore, competitors and other third parties could independently develop similar know-how, which could be damaging to BONESUPPORT's business. If any of the above-mentioned risks occur, it could have a material adverse effect on BONESUPPORT's operations, financial position and earnings.

Risks related to potential product liability claims and insurance

Since the Company develops and sells medical devices and combination products and conducts clinical trials, the Company is exposed to liability risks. These risks encompass, inter alia, product liability risks which may arise in association with manufacturing, clinical studies, improper handling and marketing and sales of products. For instance, patients participating in clinical studies may suffer unwanted adverse effects or be harmed in other ways.

Furthermore, the Company may not be able to accurately predict the possible side effects that may result from use of its products or product candidates. The Company faces the risk of substantial liability for damages if its products or product candidates were to cause that patients who participate in clinical studies or others who come in contact with the Company's products or product candidates suffer side effects that cause illness, bodily injury, death, or other damage. There is a risk that the applicable insurance policies will not provide sufficient coverage in the event of a product liability claim. There is also a risk that the Company fails to obtain or maintain adequate insurance coverage on acceptable terms in the future. Any claims relating to e.g. improper handling, storage or disposal of biological materials could be time consuming and costly, cause harm to the Company's reputation if the market perceives its products to be unsafe or ineffective due to unforeseen side effects and may limit or prevent the sales or further development or commercialization of the Company's products and products candidates. If any of these risks were to occur, it could have a material adverse effect on the Company's operations, financial position and earnings.

Risks related to currency rate fluctuations and that the Company's custumers do not fulfill their payment obligations

The Company's financial accounting and functional currency is SEK. However, an increasing part of the Company's operating costs and revenue in the future will be denominated in EUR, GBP, CHF and USD. As a result, the Company will be subject to risks related to currency exchange rates in respect of cash flows inside and outside Sweden and the Euro zone, such as fluctuating exchange rates after entering into an agreement and until payment is made pursuant to the terms of the agreement, so called transaction exposure. Moreover, the Company has financial liabilities such as loans, and financial assets such as receivables, denominated in EUR, GBP and USD which also expose the Company to currency rate fluctuations. Everything else equal, in case the currency USD would be strengthened with 5 percent against SEK, the Groups profit/loss after tax would have been impacted with minus SEK 3.5 million for the financial year 2016. Currency fluctuations could cause currency transaction losses or gains which the Company cannot predict and if the currency fluctuations are detrimental to the Company, it could have a material adverse effect on the Company's operations, financial position and earnings.

The Company is also exposed to credit risks, i.e. that the Company's customers do not fulfill their payment obligations and that the Company therefore does not receive

payments for its claims due. If the Company's customers fail to meet their payment obligations, it will affect the Company's cash flow and could have a material adverse effect on the Company's operations, financial position and earnings.

Risks related to exposure to tax claims and changes in tax regulations

The tax considerations made by BONESUPPORT are based on interpretations of the current tax laws, tax treaties and other tax regulations and the requirements of the relevant tax authorities. There is a risk that tax audits and reviews may result in BONESUPPORT having additional tax imposed or deductions denied, for example due to financings or intra group transactions. As an example, BONESUPPORT has outstanding share-based incentive programs. Share-based incentive programs often entail an inherent risk from a tax perspective since the Company's assessment of applicable tax laws and regulations could be inaccurate, which may lead to an increased future tax burden and/or fines.

In the event that BONESUPPORT's interpretation of tax laws, treaties and other tax regulations or their applicability is incorrect, if one or more governmental authorities successfully make negative tax adjustment with regard to BONESUPPORT, or if the applicable tax laws, tax treaties, regulations or governmental interpretations thereof or administrative practice in relation thereto change, including with retroactive effect, the Company's past or current tax positions may be reassessed. In the event of tax authorities succeeding with such claims, an increased tax cost could result, including tax charges and interest costs which could have a material adverse effect on the Company's operations, financial position and earnings.

Laws, treaties and other regulations on taxation have historically been subject to frequent changes and future changes could have a significant impact on BONESUPPORT's tax burden, as well as a material adverse effect on the Company's operations, financial position and earnings.

Risks related to accumulated tax losses

BONESUPPORT has accumulated tax losses that as per 31 December 2016 amount to SEK 449 million. The accumulated tax losses could in the future reduce any taxable profits that the Company makes, and thus reduce the corporate tax that would arise on future profits. Tax losses and the use thereof are subject to extensive restrictions rules. BONESUPPORT's opportunity to utilize, in full or in part, the accumulated tax losses in the future will be determined, amongst other factors, by future changes in ownership of the Company. BONESUPPORT's opportunity to utilize, in full or in part, the accumulated tax losses may also be affected by changes in the applicable tax legislation. If the tax losses carried forward cannot be used to reduce the tax on future profits, it will mean that the Company's income tax will be higher, which could have a material adverse effect on the Company's future operations, financial position and earnings.

RISKS RELATED TO THE SHARE AND THE OFFERING

Risks related to trading and the share's performance

Share ownership is always associated with risk and risk-taking. Since an investment in shares can both rise and fall in value, there is a risk that investors will not get back the capital invested. Both the general development on the stock market and the Company's share price depend on a number of factors, including the development of the Company's business and product portfolio, changes in the Company's earnings and financial position, changes in the market's expectations of future profits and dividends, as well as supply and demand for the Company's shares. The price of the Company's share may also to some extent be affected by factors which may be beyond the Company's control, such as market position and competitors' activities.

Prior to the planned listing on Nasdaq Stockholm, there has been no public market for BONESUPPORT's shares. The Company cannot predict the investors' interest in the Company, and there is therefore a risk that an active and liquid market will not develop or, if developed, that it will not be sustained after the completion of the Offering. The price of the Company's shares may from time to time be subject to significant fluctuations in the stock market in general, which may occur regardless of the Company's performance. Conditions associated with the Company's industry, such as regulatory developments and economic and political changes in relevant jurisdictions may also be impacting factors.

Furthermore, the price of the Company's share is affected by monitoring and reporting on the Company by equity and industry analysts. If one or more of these analysts ceases to follow the Company or does not publish periodic reports, the Company may become less visible in the financial markets, which in turn can lead to fluctuations in share price and/or trading volumes.

If any of the aforementioned risks would occur, it may result in a drop in the price of the Company's share.

Risks related to that potential future dividend payments from BONESUPPORT may vary or not occur at all

Investors who participate in the Offering may be eligible for future dividends that are decided after the listing on Nasdaq Stockholm. The amount of future dividends that the Company will pay, if any, will depend on a number of factors, such as future earnings, its financial condition, cash flows, working capital requirements, compliance with debt covenants, legal and financial constraints and other factors. As noted above, the current loan arrangement with Kreos Capital V (UK) Limited includes a prohibition related to dividends meaning that BONESUPPORT is not entitled to pay dividends prior to the loan having been repaid in full. The Company may also not have sufficient distributable funds and the Company's shareholders may not resolve to pay dividends in the future. Accordingly, a dividend may not be proposed or declared in any given year or at all.

Risks related to future large sales of shares

Significant sales of shares which are made by major shareholders, as well as a general market expectation that further sales will be carried out, could have a negative effect on the price of the Company's shares. Investing Shareholders, certain selected existing shareholders, board members and senior executives holding shares and other securities have undertaken not to sell their respective holdings during a period starting from the first day of trading in the Company's shares on Nasdaq Stockholm. The undertaking does not apply for shares that are acquired in the Offering or thereafter. However, for board members and senior executives holding employee stock options, the undertaking as a general rule also applies to shares received upon exercise of employee stock options. A holder of employee stock options that has exercised employee stock options may however during the lock-up period sell shares received upon exercise of employee stock options provided that such sale is strictly limited to such number of shares reasonably required to obtain funds to cover the tax amount that arises due to the exercise of employee stock options.

The lock-up period for board members and senior executives is 360 days. The lock-up period for the Investing Shareholders and the other shareholders who have undertaken not to sell shares is also 360 days, but the undertaking is gradually lowered during the lock-up period for these shareholders according to the following. During the first 180 days, the undertaking comprises all of the shareholders' shares. During the following 90 days (day 181–270), the undertaking comprises only 2/3 of all shares and thereafter (day 271–360) only 1/3 of all shares. Notwithstanding the aforementioned, the lock-up period for Arctic Funds PLC is 180 days and comprises all of the shareholder's shares.

The Joint Global Coordinators can discretionary decide to grant exemptions from the restrictions on the sale of shares during the respective lock-up period. After each lock-up period expires, the shareholders concerned are free to sell their shares in the Company. The sale of large quantities of shares of the shareholders concerned, as well as an expectation that such sales could occur, could cause BONESUPPORT's share price to fall.

Risks related to dilution due to new issues or upon utilization of warrants

If the Company decides to raise additional capital, for example through an issue of new shares or other securities, there is a risk that shareholders who cannot participate in such an issue, or choose not to participate, could have their ownership interests diluted. The same applies if an issue is directed to persons other than the Company's shareholder.

Furthermore, the Company has issued warrants, e.g. for a number of incentive programs for the Company management and employees. The utilization of such warrants, if and when that occurs, will entail a dilution for other shareholders. If the maximum possible number of warrants is exercised it would correspond to a dilution of approximately 13.1 percent of the total number of shares in the Company after the completion of the Offering assuming full subscription of the new share issue in the Offering, that the Over-allotment option is not exercised and assuming a price in the Offering corresponding to the midpoint of the price range (i.e. SEK 29).

Risks related to subscription undertakings not being secured and may therefore not be fulfilled

Swedbank Robur Fonder AB and Investing Shareholders have agreed to subscribe for shares in the Offering equivalent to SEK 236 million. Based on full subscription of the Offering, that the Over-allotment option is not exercised and assuming a price in the Offering corresponding to the midpoint in the price range (i.e. SEK 29), the commitment equates to 8,137,931 shares, which corresponds to 47.2 percent the number of shares in the Offering, and 17.6 of the total number of shares in the Company after the Offering.

Swedbank Robur Fonder AB's and Investing Shareholders' commitments are not covered by any bank guarantee, blocked funds or pledging or similar arrangement, why there is a risk that these undertakings will not be fulfilled. Swedbank Robur Fonder AB's and Investing Shareholders' commitments are also subject to conditions. In the event that any of these conditions are not met, there is a risk that Swedbank Robur Fonder AB and Investing Shareholders will not fulfil their undertakings, which could have an adverse effect on the execution of the Offering.

Risks related to currency exchange rates for shareholders outside Sweden

The Company's shares will be quoted in SEK only. Potential future dividends will be paid in SEK. If the SEK depreciates against foreign currencies, it could result in adverse consequences for the valuation of foreign investors' holdings in the Company as well as possible dividends received in the future. Furthermore, such investors could also incur transaction costs while changing SEK into another currency.

Risks related to certain US tax regulations for US shareholders

In general, if at least 75 percent of BONESUPPORT's gross income for any taxable year consists of passive income or at least 50 percent of the average quarterly value of assets attributable to assets that produce passive income or are held for the production of passive income, including cash, then BONESUPPORT will be classified as a passive foreign investment company ("**PFIC**") for federal income tax in the US. For the purposes of this provision, passive income includes dividends, interest, capital gains from the sale or exchange of investment property and rents and royalties (other than rents and royalties received from non-related parties in connection with the active operation of commerce or business). For the 2016 fiscal year, BONESUPPORT does not believe that it was categorized as a PFIC. If BONESUPPORT is classified as a PFIC for 2017 or a subsequent year, US shareholders may suffer adverse US tax consequences,

including that profit on the sale of the Company's shares can be treated as ordinary income rather than capital gains, the loss of the preferential rate applicable to dividends on shares in the Company to individuals who are US shareholders, and interest expense will be paid on dividends on the Company's shares and the shares' sales proceeds.

BONESUPPORT's status as a PFIC may partially depend on how quickly the Company processes the proceeds of the Offering in its business operations. As PFIC status depends on the Company's composition of revenue and composition of the value of its assets, much of which may be determined by the market value of BONESUPPORT's shares, which can be volatile from time to time, BONESUPPORT may be considered to be a PFIC for any given fiscal year. PFIC status is determined at the end of a fiscal year and if the Company were determined to be a PFIC, this status will generally continue for existing US shareholders for subsequent tax years. Potential US Investors should discuss the issue regarding the consequences of BONESUPPORT's possible PFIC status with their tax advisers.

Risks related to participation limitations for shareholders outside Sweden

If the Company issues new shares in a rights offering, as a general rule, the shareholders have preferential rights to subscribe for new shares in proportion to the number of shares held prior to the issue. Shareholders in certain other jurisdictions than Sweden may however be subject to limitations that prevent them from participating in such rights offerings, or that otherwise makes participation difficult or limited. For example, shareholders in the US may be prevented from exercising their rights to subscribe for new securities which are not registered under the Securities Act if no exemptions from the registration requirements are applicable. Shareholders in other jurisdictions outside of Sweden may be similarly affected if the subscription rights or the new securities are not registered with the relevant authorities in such jurisdictions. The Company has no obligation to investigate the registration requirements under the Securities Act or similar legislation in jurisdictions other than Sweden, and no obligation to apply for registration of the Company's securities or the sale of the Company's securities in accordance with such legislation outside of Sweden, and doing so in the future may be impractical and costly. The potential restrictions for shareholders in jurisdictions outside of Sweden to participate in rights issues may result in their ownership being diluted and decreased in value.

INVITATION TO SUBSCRIBE FOR SHARES IN BONESUPPORT™

In order to further finance BONESUPPORT's continued development, the Company's board of directors has resolved on a new share issue in BONESUPPORT (the "**Offering**"). The Offering is directed to the general public in Sweden[1] and to institutional investors[2]. BONESUPPORT's board of directors has applied for listing of the Company's shares for trading on Nasdaq Stockholm. On 19 May 2017, the Nasdaq Stockholm Listing Committee decided to admit the Company's shares for trading provided, among other things, that the customary dispersion requirements are met at the latest on the first day of trading, which is expected to be 21 June 2017.

Investors are hereby invited, in accordance with the terms of this Prospectus, to subscribe for between 16,129,032 and 18,518,519 new issued shares in BONESUPPORT, which will be issued pursuant to the authorization given at the Annual General Meeting on 12 April 2017. The price in the Offering is expected to be set in the range SEK 27 to 31 per share and will be determined by the Company's board of directors in consultation with the Joint Global Coordinators, based on a number of factors, including discussions with certain institutional investors, a comparison with the market capitalization of other comparable listed companies, an analysis of previous transactions carried out for companies in the same industry and development phase, current market conditions and estimations regarding the Company's commercial potential and earnings prospects. The price in the Offering to the general public will not exceed SEK 31 per share. At the Company's latest financing round, the Company was valued at a price corresponding to SEK 26.50 per share (taking into consideration the share consolidation resolved at the annual general meeting in the Company on 12 April 2017). The final offer price is expected to be announced through a press release on or around 21 June 2017.

The new share issue is expected to provide BONESUPPORT with around SEK 461 million after deduction of expenses related to the Offering.[3] The issue price shall correspond to the offer price. The right to subscribe for the new shares shall, notwithstanding the preference right of shareholders, be available to the public in Sweden as well as to institution al investors. With full subscription of the new share issue and assuming a price in the Offering corresponding to the midpoint of the price range (i.e. SEK 29), the number of shares in BONESUPPORT will increase by 17,241,379 from 29,011,221 to 46,252,600, which corresponds to a dilution of 37.3 percent of the total shares in the Company after the Offering.

In order to cover any over-allotment in connection with the Offering, the Company has committed to issue, at the request of the Joint Global Coordinators, additional shares, which corresponds to a maximum of 15 percent of the total number of shares in the Offering and up to a maximum of 5.6 percent of the total number of shares in the Company after the Offering (the "**Over-allotment option**"). If the Offering is fully subscribed, the Over-allotment option is exercised in full and assuming a price in the Offering corresponding to the midpoint of the price range (i.e. SEK 29), the Offering will include 19,827,586 shares in BONESUPPORT, representing 40.6 percent of the total number of shares in the Company after completion of the Offering.

Swedbank Robur Fonder AB has, subject to certain customary conditions[4], as Cornerstone Investor, agreed to subscribe for a total of 4,193,548 to 4,814,814 shares in the Offering, equivalent in the aggregate to SEK 130 million. If the Offering is fully subscribed, the Over-allotment option is not exercised and assuming a price in the Offering corresponding to the midpoint of the price range (i.e. SEK 29), the undertakings correspond to 26.0 percent of the number of shares in the Offering and 9.7 percent of the total number of shares in the Company after completion of the Offering.

Furthermore, the existing shareholders HealthCap V L.P., Stiftelsen Industrifonden, Lundbeckfond Invest A/S, Carl Westin Ltd, Tredje AP-fonden, Tellacq AB, OFP V Advisor AB and Arctic Funds PLC (jointly the "Investing Shareholders") have, subject to certain customary conditions[4], agreed to subscribe for a total of 3,419,356 to 3,925,926 shares in the Offering, equivalent in the aggregate to SEK 106 million. If the Offering is fully subscribed, the Over-allotment option is not exercised and assuming a price in the Offering corresponding to the midpoint of the price range (i.e. SEK 29), the under-takings correspond to 21.2 percent of the number of shares in the Offering and 7.9 percent of the total number of shares in the Company after completion of the Offering.

The total value of the Offering, based on the price range, amounts to approximately SEK 500 million and to approximately SEK 575 million if the Over-allotment option is exercised in full.

In other respects, reference is made to the full particulars of this Prospectus, which has been prepared by the board of directors of BONESUPPORT in connection with the application for admission to trading of the Company's shares on Nasdaq Stockholm and the Offering made in connection therewith.

Lund 9 June 2017

BONESUPPORT HOLDING AB (PUBL)

The Board of Directors

1) The general public includes private individuals and legal persons in Sweden who register to acquire a maximum of 25,000 shares.
2) Institutional investors include private individuals and legal persons who register to acquire more than 25,000 shares.
3) BONESUPPORT's costs for the Offering are estimated to amount to a maximum of SEK 39 million, see also under *Costs related to the Offering* in the section *Legal considerations and supplementary information*.
4) As shown under *Subscription undertakings* in the section *Legal considerations and supplementary information*, Swedbank Robur Fonder AB's and Tredje AP-fonden's respective undertaking shall be adjusted downwards if the subscription rate in the Offering would mean that their respective ownership in the Company, after the completion of the undertaking, would exceed 9,7 percent of the total number of shares in the Company after the Offering.

BACKGROUND AND REASONS

BONESUPPORT™ is a fast growing commercial-stage orthobiologics company targeting major orthopedic markets in the US and Europe. The Company specializes in innovative injectable bioceramic bone graft substitutes with targeted drug elution directly into the bone void that have been validated in clinical practice.

BONESUPPORT has developed CERAMENT™, a bioceramic bone scaffold to treat bone voids, which remodels to host bone in six to twelve months. CERAMENT is a patented and scalable technology platform that can be combined with drugs and other therapeutic agents to protect or enhance the healing effect. Three main commercial products have been developed based on the CERAMENT platform: CERAMENT BVF, CERAMENT G and CERAMENT V. CERAMENT G and CERAMENT V have all the key properties of CERAMENT BVF and in addition contain the antibiotics Gentamicin and Vancomycin respectively.

CERAMENT BVF, CERAMENT G and CERAMENT V continue to contribute to increasing sales, rapidly driven by a growing body of compelling clinical data. Based on sales data, the Company estimates that CERAMENT based products have so far been used in 30,000 procedures to date. These products generated SEK 113.8 million in the 12 month period ending 31 March 2017, a 61.5 percent increase over the 12 month period ending 31 March 2016.

CERAMENT BVF is currently marketed in the US as well as in the European Union and the rest of the world, CERAMENT G and CERAMENT V are marketed in several markets in Europe and the rest of the world but not yet approved for the US market. In August 2016, the Company received approval from the FDA to begin a Investigational Device Exemption (IDE) study with CERAMENT G in order to gain US market approval through a PMA pathway. The study (the FORTIFY study) was initiated in February 2017 and the first patient was enrolled in May 2017.

In addition to the Company's three commercialized products, BONESUPPORT has a pipeline of four additional product candidates with significant commercial potential. The product candidates are all based on the CERAMENT platform and are currently in pre-clinical development phase.

The primary focus of the Company's strategy is to continue to drive sales of current products in existing and new markets and generate further clinical data via various clinical studies, including the CERTiFy study, and HEOR data[1)] to highlight the compelling benefits that CERAMENT delivers. In parallel, BONESUPPORT is conducting the FORTIFY study to support a planned PMA filing in the US for CERAMENT G, with the aim of receiving approval by 2021. The Company will initiate CERAMENT V's US regulatory pathway process post the approval of CERAMENT G. The Company also aims to advance two of its product pipeline candidates by capitalizing on the unique drug eluting properties of the CERAMENT platform. Moreover, the Company intends to increase marketing spend and to expand its commercial infrastructure to continue its revenue growth.

The execution of BONESUPPORT's marketing initatives and strategy through to 2021 requires significant investment. BONESUPPORT estimates that the current working capital is insufficient to meet the Company's needs over the next twelve months. To secure the financing needed to deliver its growth strategy and to support the Company's working capital needs over the next twelve months, the Company has decided to carry out a new share issue in connection with the listing on Nasdaq Stockholm. Assuming that the Offering is fully subscribed, the gross proceeds will amount to SEK 500 million and SEK 461 million after issue expenses.[2)] The Company intends to use such proceeds in the following order of priority and with the approximate percentage of the issue proceeds stated.

1) Conduct the FORTIFY study to support the PMA filing in the US for CERAMENT G and initiate CERAMENT V clinical studies: approximately 25–30 percent; and support build-out of commercial infrastructure with additional employees within marketing and sales, etc.: approximately 10 percent.
2) Other clinical data and HEOR data generation: approximately 30 percent.
3) Increase marketing spend in the Company's key markets: approximately 20–25 percent.
4) Advance pipeline of two new product candidates: approximately 10 percent.

1) Health economic and outcome research data, see also the section Market Overview below.
2) The Offering is conditioned upon it generating proceeds of a minimum of SEK 250 million before issue expenses. In in the event that the required subscription rate is not achieved, the Offering will be withdrawn and the subsequent listing on Nasdaq Stockholm will not take place. See also Statement regarding working capital in the section Capital structure, indebtedness and other financial information.

The proceeds from the Offering will strengthen the Company's financial position and, assuming that the Offering is fully subscribed, are estimated to be sufficient to drive continued high growth of sales of the current product portfolio, to complete the FORTIFY study, and to potentially gain marketing approval for CERAMENT G in the US by 2021 as well as reaching a point where the Company becomes cash flow positive.

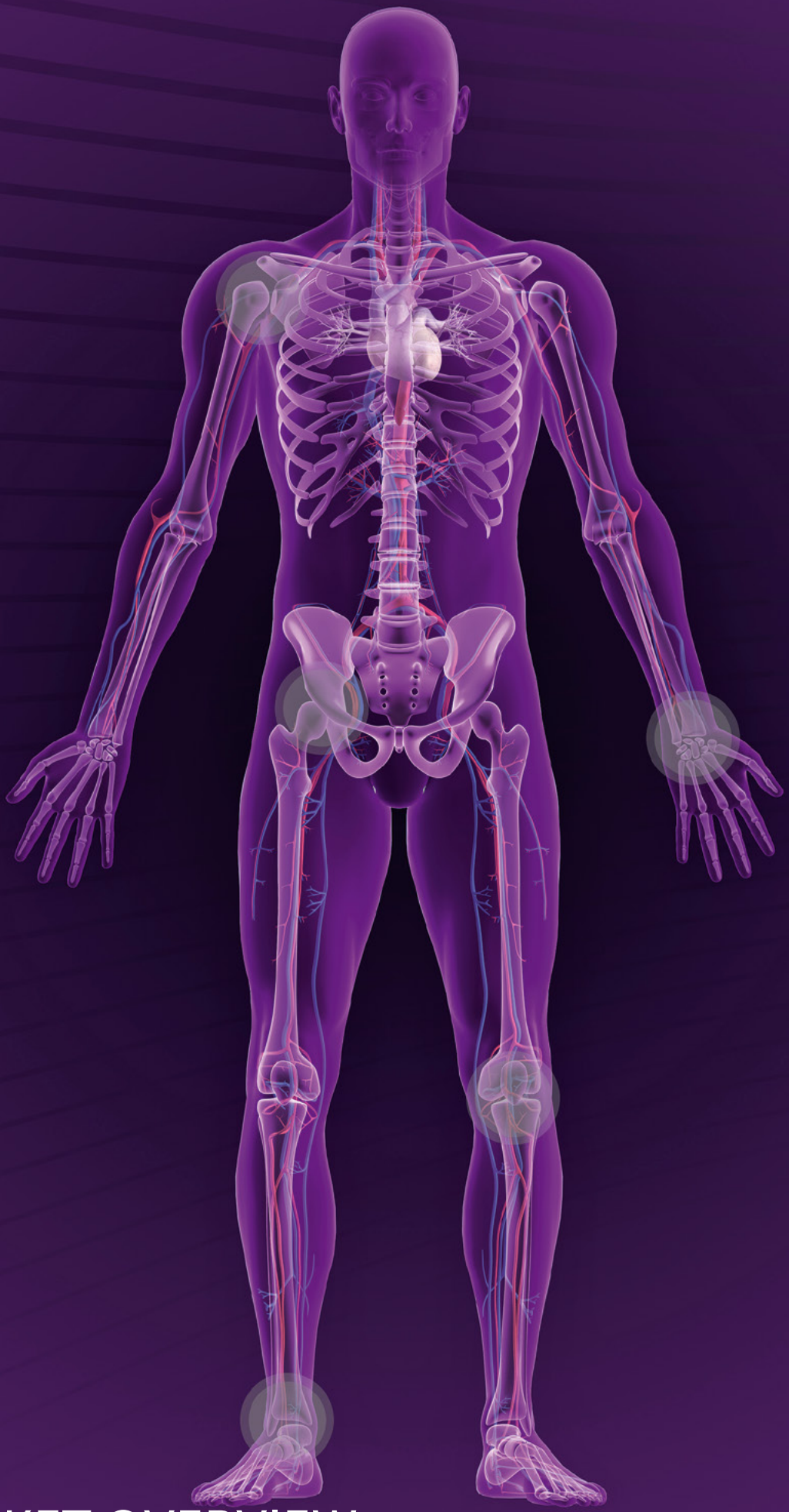
In other respects, reference is made to the full particulars of the Prospectus, which has been prepared by the board of directors of BONESUPPORT in connection with the application for listing of the Company's shares on Nasdaq Stockholm and the Offering made in connection with the listing.

The board of directors of BONESUPPORT is responsible for the contents of the Prospectus. It is hereby assured that all reasonable precautionary measures have been taken to ensure that the information contained in the Prospectus, as far as the board of directors is aware, corresponds to the facts and that nothing has been omitted that would affect its import.

Lund 9 June 2017

BONESUPPORT HOLDING AB (PUBL)

The Board of Directors



MARKET OVERVIEW

MARKET OVERVIEW

The Prospectus contains information about the Company's activities and the markets in which the Company operates. Information on market growth, market size and BONESUPPORT's market position relative to competitors listed in this Prospectus relates to BONESUPPORT's overall assessment based on both internal and external sources. Unless otherwise stated, the information in this section is based on the Company's analyses and internal market information. The sources which are the basis for BONESUPPORT's assessment include information from medical research publications and market surveys. Other sources are indicated where required. Although the information has been accurately reproduced and BONESUPPORT believes that the stated sources are reliable, BONESUPPORT has not independently verified the information, so its accuracy and completeness cannot be guaranteed. However, as far as BONESUPPORT is aware and is able to ascertain by means of comparison with other information published by these sources, no information has been omitted in a manner that would make the information reproduced incorrect or misleading. None of the Joint Global Coordinators accept liability for the accuracy of any such information and prospective investors are advised to use such information with caution.

Market and industry information contains estimates regarding future market development and other so-called forward-looking information. Forward-looking information is not a guarantee of future results or developments and actual results may differ materially from those in the forward-looking information. The content of the Company's website, the website of any member of the Group and any third-party websites referred to herein do not form any part of the Prospectus.

The section *Market Overview* and the following sections *Business Description* and *Regulatory Overview and Healthcare Reimbursement* contains many industry and business-specific terms which can be perceived as being considerably technical. The reader is therefore recommended to also read the glossary at the end of the Prospectus which contains explanations and definitions to such terms.

INTRODUCTION

BONESUPPORT™ is an orthobiologics company that develops and commercializes innovative injectable bioceramic bone graft substitutes which remodel to host bone and have the capability to elute drugs directly into the bone void. The bone graft substitutes are intended for the treatment of various types of injuries and diseases affecting bone and bone tissue. Bone voids and bone defects can occur during the whole lifetime of humans. The most common underlying causes are trauma (injuries), revision arthroplasty (the replacement of a joint prosthesis), osteomyelitis (bone infection), diabetic foot infections, benign bone tumors or bone metastases. Primarily, young adults are at risk of complex trauma causing severe bone destruction, whereas elderly persons are more prone to simple trauma, which can cause large bone defects due to weak, osteoporotic bone. Aseptic loosening of joint prosthesis and periprosthetic joint infection (infection in the surroundings of an implant) are common conditions later in life which can cause severe bone loss and normally require revision arthroplasty. Further diseases, which can cause bone defects and bone voids, are metastatic disease (in e.g. breast, prostate, and lung cancer), diabetic foot infections and benign bone tumors.

Orthopedic disorders are the second greatest cause of disability and have the fourth greatest impact on overall health of the world population.[1)] Furthermore, bone tissue is the second most transplanted tissue in the world, second only to blood.[2)] Historically, bone voids and bone defects have been, and still are, treated by adding bone, transplanted from the patient himself (autograft). Thus, autograft requires an additional surgical site and is associated with complications and risks including infection, blood loss and chronic debilitating pain. Autograft also provides only a limited amount and quality of bone. Alternatively, bone can be harvested from other human donors, including living-related donation

1) SS. Lim, et al. A comparative risk assessment of burden of disease and injury attributable to 67 risk factors and risk factor clusters in 21 regions, 1990–2010: a systematic analysis for the Global Burden of Disease Study 2010. Lancet. 2012.
2) H. Shergafi, et al. Bone transplantation and immune response. Journal of Orthopaedic Surgery. 2009.

(femoral heads obtained during hip replacement) and from deceased donors; both are called allograft. Allograft is also associated with limited availability and quality and its use carries the risk of transmission of diseases like hepatitis, HIV, tuberculosis and the risk of bacterial contamination. A modern alternative to these traditional transplantation procedures is the use of synthetic bone graft substitutes, which eliminates the need for bone harvesting from patients or donors. Synthetic bone graft substitutes are generally considered safer and easier to use and to provide a more predictable outcome than the use of autografts and allografts.

BONESUPPORT has three marketed synthetic bone graft substitutes; CERAMENT™ BVF, CERAMENT™ G (eluting antibiotic gentamicin) and CERAMENT™ V (eluting antibiotic vancomycin), all of which are based on the CERAMENT technology platform. CERAMENT BVF is used to support the generation of new bone in bone voids, whereas the drug eluting products CERAMENT G and CERAMENT V have the added property to protect the bone healing by prevention of bacterial contamination. In addition to its marketed products, BONESUPPORT has a product pipeline currently consisting of four product candidates based on the CERAMENT platform combined with drugs and other therapeutic substances.

BONESUPPORT aims to address a significant unmet clinical need by providing surgeons with a unique easy to handle product that combines the capability to remodel into host bone (the patient's own bone) and drug elution to promote and protect bone healing. The Company's strategy focuses on continuing to drive rapid sales growth of its commercialized products in existing as well as new markets and to further sharpen their competitive positioning in the trauma, chronic osteomyelitis, revision arthroplasty and infected diabetic foot markets.

CERAMENT kit with closed system mixing device.

THE MARKET FOR MANAGEMENT OF BONE VOID AND BONE DEFECTS

Several reports estimate the global market for management of bone voids as USD 2.7 to 3.4 billion excluding autograft procedures.[1)] Autograft and allograft are currently the most common forms of treatment, but BONESUPPORT believes that synthetic bone graft substitutes have many advantages over these current standards in respect of bone remodeling, enabling single-stage procedures, increased safety, ease of handling, limitless supply of materials and the ability to combine with therapeutic agents such as antibiotics and growth factors. Therefore, BONESUPPORT believes that there is a significant market opportunity since the use of CERAMENT not only addresses important clinical needs when treating bone voids, but also offers solutions to the main issues facing health care providers today, such as length of stay, hospital readmissions and repeated surgery resulting from failed bone healing and/or infections.

In terms of procedures, BONESUPPORT estimates its target market (bone graft substitute, allograft procedures, excluding the areas dental and craniomaxillofacial surgery and spine) is to approximately 3,795,000 procedures annually in the US and in the UK, Germany, France, Spain and Italy ("**EU-5**").[2)] Based on sales data, the Company estimates that 30,000 procedures with BONESUPPORT's products have been performed worldwide from 2005 to date. BONESUPPORT's products are currently available in Europe, the US, Oman, Singapore, India and Malaysia.[3)]

1) AMR & SMR Market Outlook Reports based on 2015 sales estimates.
2) Apex Global Market Study, a third-party market study conducted for BONESUPPORT. November 2016.
3) Not all products are available on all markets, for further details see the section *Business description* below.

BONE VOIDS AND BONE DEFECTS

Bone is a tissue that can completely regenerate itself and heal without leaving a scar after a fracture. This unique feature is due to the constant remodeling of bone tissue and of the bone callus after a fracture. Bone production occurs primarily through osteoblasts, cells that produce new bone tissue, and osteoclasts, cells that break down and resorb old bone tissue. However, there are instances, in which this self-healing process of bone tissue does not work:

- *Trauma*: If the bone defect is too large or the main fragments are too far apart after fractures, the bone tissue will not heal without further surgical and medical intervention.
- *Osteomyelitis*: In acute or chronic bone infections where bacterial infection leads to bone destruction.
- *Revision Arthroplasty*: In aseptic loosening of e.g. shoulder, knee and hip joint prostheses where stress shielding[1] and particles from the prosthesis material can create large bone voids and instability of the implants, or in periprosthetic joint infection where inflammation leads to bone destruction.
- *Infected diabetic foot*: When skin ulcers are established, bacteria can colonize in the soft tissue and invade joints and bones, causing osteomyelitis.
- *Benign bone tumors or tumor-like lesions*: Local tumor growth causing damage to the bone tissue.
- *Bone metastases*: Malignant bone tumors leading to bone metastases that cause the bone tissue to be destroyed.

In all the above-mentioned situations, surgical treatment is needed to achieve bone healing. In such procedures, damaged, infected and abnormal bone tissue, is surgically removed (resected), after which the resulting bone voids are filled with bone graft or bone graft substitutes to promote bone healing. The healing protects the bone from infection and fracture and the patient from pain, immobility, further major surgery and limited function of the extremity. In the following section, this is described in more detail.

COMMON UNDERLYING REASONS FOR BONE VOIDS AND BONE DEFECTS

Several underlying reasons for bone voids and bone defects are known. Some of the most common causes are trauma, osteomyelitis, revision arthroplasty, diabetic foot infections, benign bone tumors and bone metastases.

Trauma

Injuries, which can cause different types of fractures, can be divided into complex fractures caused by complex trauma and simple fractures caused by simple trauma. Complex trauma often causes severe bone destruction and bone defects. Usually multiple surgical procedures are needed to reconstruct the bone defect using bone grafts. Moreover, many of these fractures are open fractures, with a risk of infection of between 25 and 40 percent, depending on the type of fracture and rate of contamination.[2] Management of complex fractures and bone defects caused by complex trauma is usually performed in two stages:

- First stage: Damage control – reduction (re-alignment of the bone) and external fixation of the fracture.
- Second stage: Reconstruction with internal fixation and bone grafting.

Bone defects associated with simple trauma are usually due to underlying osteoporosis[3]. Management of fractures caused by simple trauma is usually performed in one stage with internal fixation with and without bone grafting depending upon the size of the resulting bone void.[4] In situations where a bone graft has not been used and subsequently, complications of fracture consolidation are experienced, a second surgery together with a bone grafting procedure is performed.

According to the American Academy of Orthopedic Surgeon and National Ambulatory Medical Care surveys, approximately 6.3 million fractures occur each year in the US. The most common fracture prior to the age of 75 is a wrist fracture. For people over the age of 75, hip fractures becomes more common. Fractures occur at an annual rate of 2,400 cases per 100,000 people. Men are more likely to experience fractures (2,800 cases per 100,000 people) than women (2,000 cases per 100,000 people).[5] According to a third-party market study conducted for the Company, the total number of estimated procedures to be performed during 2017 for the management of simple and complex trauma amount to approximately 1,195,000 in the US and 1,915,000 in the EU-5, of which approximately 17 percent and 15 percent respectively are expected to involve the use of synthetic bone graft substitutes.[6]

1) Reduced bone density as a result of lower normal stress on the bone due to an inserted implant.
2) R.B. Gustilo, et al. Prevention of infection in the treatment of one thousand and twenty-five open fractures of long bones: retrospective and prospective analyses. The Journal of bone and joint surgery, American volume. 1976.
3) A.L. Golob, et al. Osteoporosis: screening, prevention, and management. Medical Clinics of North America. 2015.
4) C.J. Gutowski, et al. Evaluation and medical management of fragility fractures of the upper extremity. Orthopedics Clinics of North America. 2014.
5) http://www. aaos.org (accessed on 9 June 2017).
6) Apex Global Market Study. November 2016.

Osteomyelitis

Osteomyelitis is a bone infection, which can result from events such as trauma or surgery if the bone is exposed to infecting bacteria. The risk of infection in open reduction and internal fixation using an implant is reported to be one to five percent of all cases.[1),2)] If infection occurs during the first or second week after surgery, a revision with dead tissue removal (debridement), irrigation, systemic antibiotic therapy and implant retention (DAIR) is often performed. In the later course of infection, a bacterial biofilm has developed on the surface of the implants and then a one-stage or two-stage exchange of the implants (e.g. plates, nails and screws) becomes necessary. In addition, antibiotic carriers such as PMMA (poly methyl methacrylate) beads or gentamicin-collagen are often used for local antibiotic treatment.

Early onset osteomyelitis can lead to long-standing chronic osteomyelitis if not treated properly. Signs of chronic osteomyelitis include pain at rest, draining sinuses from necrotic bone tissue and bone defects. The standard treatment of chronic osteomyelitis is a two-stage approach:

- First stage: Surgical removal of necrotic and infected bone tissue combined with local and systemic antibiotics.
- Second stage: Reconstruction of the bone defect, traditionally using bone graft.

From 1969 until 2009, the overall age and sex-adjusted annual incidence of osteomyelitis was 21.8 cases per 100,000 people per year.[3)] Rates increased from 11.4 to 24.4 cases per 100,000 people per year from the period between 1969 and 1979 to the period between 2000 and 2009. The incidence remained relatively stable among children and young adults but almost tripled among individuals over the age of 60. This was partly driven by a significant increase in diabetes-related osteomyelitis from 2.3 to 7.6 cases per 100,000 people per year in the period from 1969 to 1979 to the period from 2000 to 2009. The total number of estimated procedures to be performed during 2017 for the management of chronic osteomyelitis approximately 39,000 in the US and 40,500 in the EU-5, of which 22 percent and 23 percent respectively are expected to involve the use of synthetic bone graft substitutes.[4)]

Revision Arthroplasty

Arthroplasty is a surgical procedure where a joint is replaced by a joint prosthesis. Revision arthroplasty is a follow-up procedure performed to replace a joint prosthesis. More than seven million Americans are living with a prosthetic knee joint (4.7 million) or a prosthetic hip joint (2.5 million), which may have significant future implications in terms of the need for additional treatment.[5)] At least 10 percent of patients with a hip or knee prosthesis require surgery within 15 to 20 years.[6)] Revision cases are usually associated with significant bone loss and often have to be treated using bone grafts or bone graft substitutes to safely anchor the new prosthesis. In aseptic loosening, usually a one-stage revision with bone grafting is performed.

The rate of periprosthetic joint infection in primary hip and knee replacements is reported to be one to two percent in literature. Tsaras et al. found a cumulative incidence of periprosthetic joint infection of 0.5 percent, 0.8 percent and 1.4 percent after one, five and ten years following arthroplasty, respectively.[7)] In case of infection, usually a two-stage revision arthroplasty is performed:

- First stage: Removal of the contaminated prosthesis and the infected bone tissue, followed by local and systemic antibiotic treatment.
- Second stage: Reconstruction of the bone loss using bone grafting and implanting a new prosthesis.

The total number of estimated revision arthroplasty procedures to be performed during 2017 amount to approximately 113,000 in the US and 163,000 in the EU-5, of which 27 percent and 36 percent respectively are expected to involve the use of synthetic bone graft substitutes.[8)]

1) H. Boxma, et al. Randomised controlled trial of single-dose antibiotic prophylaxis in surgical treatment of closed fractures: the Dutch trauma trial. The Lancet. 1996.
2) B. Espehaug, et al. Antibiotic prophylaxis in total hip arthroplasty. Review of 10,905 primary cemented total hip replacements reported to the Norwegian arthroplasty register, 1987 to 1995. The Journal of Bone and Joint Surgery, British Volume. 1997.
3) H.M. Kremers, et al. Trends in the epidemiology of osteomyelitis: a population-based study, 1969 to 2009. The Journal of Bone and Joint Surgery, Amercian Volume. 2015.
4) Apex Global Market Study. November 2016.
5) H.M. Kremers, et al. Trends in the epidemiology of osteomyelitis: a population-based study, 1969 to 2009. The Journal of Bone and Joint Surgery, Amercian Volume. 2015.
6) American Association of hip and knee surgeons. http://www.aahks.org/care-for-hips-and-knees/do-i-need-a-joint-replacement/total-hip-replacement/ (Accessed on 9 June 2017).
7) G. Tsaras, et al. Incidence, secular trends, and outcomes of prosthetic joint infection: a population-based study, Olmsted County, Minnesota, 1969–2007. Infection Control & Hospital Epidemiology. 2012.
8) Apex Global Market Study. November 2016.

Infected diabetic foot

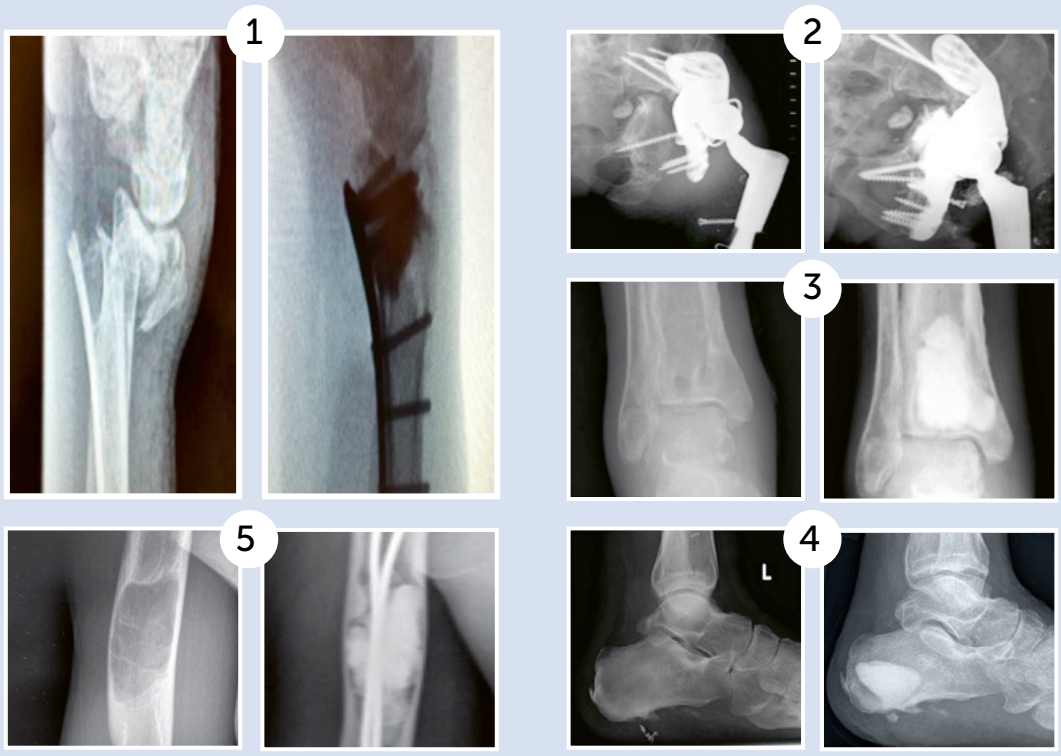
Diabetes leads to the development of a deformity of the foot, causing skin ulcers and sensory loss. Once skin ulcers are established, bacteria can colonize in the soft tissue and invade joints and bones, causing joint infections and osteomyelitis. No generally accepted surgical approach exists for this condition which is able to salvage the limb, with the result that an amputation is usually performed. The total number of estimated procedures to be performed during 2017 for the management of infected diabetic foot amount to approximately 179,000 in the US and 140,000 in the EU-5, of which 21 percent and 13 percent respectively are expected to involve the use of synthetic bone graft substitutes.[1)]

Benign bone tumors (bone cysts)

Benign local bone tumors are usually found in children and young adults.[2)] The management of benign bone tumors includes the tumors being removed and the remaining voids filled with bone grafts or bone graft substitutes to increase bone healing of the lesions and prevent fractures, pain and further major invasive interventions.

Cancer – bone metastases

Bone metastases are found in clinical and radiographic examinations in about 15 percent of all cancer patients.[3)] To reduce pain and risk of fracture, bone metastases are treated with internal stabilization and sometimes through bone void filling (e.g. with PMMA) in order to provide stability and mobility for the last months of the patient's life. Only solitary bone metastasis can be treated with a curative intension. This is possible in about one quarter of all patients presenting metastatic disease.[4)]



X-rays showing bone defects and voids, before and after filled with CERAMENT.

1) Trauma: Distal radius fracture with bone defect
2) Revision Arthroplasty: Loose prosthesis with bone loss
3) Bone infection: Chronic osteomyelitis of the distal tibia with bone void
4) Infected diabetic foot: Chronic osteomyelitis of the calcaneus with bone void
5) Bone cysts: Simple bone cyst with bone void

1) Apex Global Market Study. November 2016.
2) D. N. Hakim, et al. Benign tumours of the bone: a review. Journal of Bone Oncology. 2015.
3) M. Campanacci, et al. Anonymous bone and soft tissue tumors – In: Bone metastases from carcinomas. Springer. 1990.
4) H.R. Dürr, et al. Surgical treatment of bone metastases in patients with breast cancer. Clinical Orthopaedics and Related Research ©. 2002.

THE CHALLENGES AND MANAGEMENT OF BONE HEALING

Introduction

In all diseases and conditions mentioned above, the main problems and challenges of managing bone voids and bone (defects) to facilitate bone healing are similar:

Challenge	General approach
Mechanical instability of bone defects that inhibits or delays bone healing	Provide stability by internal or external fixation together with either bone grafts, injectable and setting bone graft substitutes or other materials that can provide stability.
Formation of hematoma in the bone void, which can cause infection	Adequate dead space management by filling the bone void with either bone grafts, injectable and setting bone graft substitutes or other materials.
Infection spreading into the bone and recurrence of osteomyelitis	Prevent infection by delivering antibiotics locally through the use of carrier materials or antibiotic eluting bone graft substitutes.
Absence of bone formation, in which case a fracture or bone defect will not heal	Support bone regeneration by providing a scaffold for bone growth using osteoconductive bone grafts or bone graft substitutes.

There are many different techniques and products that can be used for managing one or several of the challenges related to bone healing. The current standards of managing bone healing include surgical procedures using traditional bone grafts such as autografts and allografts[1], as well as more recently developed synthetic bone graft substitutes, which the CERAMENT technology is an example of.

There are three biological mechanisms that are central to the bone healing process:

- Osteoconduction – the property of bone graft material serving as a scaffold for new bone growth;
- Osteoinduction – the property to recruit and stimulate undifferentiated cells to develop into new bone producing cells, so called osteoblasts; and
- Osteogenesis – the production of new bone tissue by osteoblasts.

These properties occur to various degrees in the bone grafts and synthetic materials used for treating bone voids and bone defects. The common treatment methods and products are described in the following section.

Traditional bone grafts

Autografts

An autograft is autologous bone, i.e. bone harvested from the patient, primarily from the iliac crest. The majority of all bone grafting procedures that are performed each year are autografts. An alternative method used for autograft procedures, is the use of a special reamer, i.e. collecting cancellous bone inside the medullary canal (innermost part) of the femur. In rare cases, the patient's own femoral head can be used for the reconstruction of an acetabular (part of the pelvis) defect in primary hip arthroplasty surgery.

Autograft procedures are historically considered the "gold standard" for bone regeneration, since the autograft is osteoconductive, osteoinductive and osteogenic. However, the harvesting procedure requires an additional surgical site and is associated with complications including the risk of infection and chronic debilitating pain.[2] The main disadvantage of autograft procedures is the donor site pain. Other complications that can occur at the donor site are nerve injury and sensory loss, hematoma and infections.[3] Autograft is also associated with a prolonged operation time and the quantity and quality of the graft is limited, especially in older patients or patients with co-morbidities.[4]

1) Xenografts (tissues from another species) are also used as a bone grafts, although less commonly in the US and Europe where autografts and allografts are the preferred treatment option.
2) J.S. Silber, et al. Donor site morbidity after anterior iliac crest bone harvest for single-level anterior cervical discectomy and fusion. Spine. 2003; B.J. Loeffler, et al. Prospective observational study of donor-site morbidity following anterior iliac crest bone-grafting in orthopaedic trauma reconstruction patients. The Journal of Bone and Joint Surgery, Amercian Volume. 2012; L.T. Kurz, et al. Harvesting autogenous iliac bone grafts – A review of complications and techniques. Spine. 1989.
3) EM Younger, et al. Morbidity at bone graft donor sites. Journal of Orthopedic Trauma. 1989.
4) J. J. Park, et al. Updates in the Use of Bone Grafts in the Lumbar Spine. Bulletin of the Hospital for Joint Diseases. 2013.

Allografts

Procedures using allografts are an alternative to autografts, where bone tissue is harvested from donors. Allografts can be taken from deceased donors, but it is also possible to use the femoral heads taken from primary hip arthroplasty of living donors, stored in a bone bank. Allografts are osteoconductive, and there is an ongoing discussion relating to whether allografts, after freezing and further processing remain osteoinductive and osteogenic.

Some of the issues associated with allografts are limited supply, bone banks with rising regulatory concerns, inherent cost issues for processing, denaturing of proteins and osteoinductive factors caused by the sterilization and production process. In addition, the use of allografts carry the potential risk of transmitting diseases such as Hepatitis B and C, HIV, tuberculosis and further prion infections (e.g. Creutzfeldt–Jakob disease) as well as bacterial contamination.[1)]

Demineralized bone matrix is a processed form of allograft. Demineralized bone matrix retains much of the proteinaceous components native to bone, with small amounts of calcium-based solids, inorganic phosphates and some trace of cell debris. Many of the protein components that occur in demineralized bone matrix, e.g., growth factors, are known to be potent osteogenic agents. Demineralized bone matrix provides a degradable matrix facilitating release of these osteogenic compounds to the bone void where it has been surgically placed to fill bone defects, inducing new bone formation and accelerating healing.[2)] However, DBM provides no structural stability since is not self-setting or hardening. Demineralized bone matrix is commercially sourced as putty, paste, sheets or flexible pieces. The same issues mentioned for allografts also impact determineralized bone matrix.

Synthetic bone graft substitutes

BONESUPPORT operates in the segment of synthetic bone graft substitutes, which are synthetic materials used as alternatives to traditional bone grafting. They are designed to address the potential issues related to the use of autografts and allografts. The use of synthetic bone graft substitutes eliminates the need for bone harvesting procedures for autografts and subsequently the risk of donor site morbidity. Synthetic bone graft substitutes have the advantage that they can be manufactured in unlimited amounts when compared to autografts and allografts. Synthetic materials can be developed to have specific sets of properties in order to make their use more predictable than allografts and autografts, whose properties may vary from case to case. Synthetic bone graft substitutes have been estimated to account for approximately 23 percent of all bone graft procedures performed in the US and approximately 32 percent of the bone graft procedures performed in the EU 5. Synthetic bone graft substitutes are expected to gain market share from autografts and allografts due to their properties.[3)]

Ceramic synthetics

There are many types of synthetic bone graft substitutes made of various material. The most common form of synthetics are ceramic bone graft substitutes, which are based on various forms of calcium sulfate, calcium phosphate or combinations thereof.

Calcium sulfate has been used as bone graft substitutes for more than a century and is considered to be highly biocompatible, but is resorbed quickly.[4)] A bone graft substitute based only on calcium sulfate is dissolved and completely resorbed within six to eight weeks, which is too short a time to provide a scaffold for bone regeneration. Calcium sulfate is therefore only minimally osteoconductive and also lacks osteoinductive and osteogenic properties. Bone graft substitutes based on calcium sulfate can therefore be used for temporary dead space management, but not for improving stability by generating bone tissue or prevention of infection.

Synthetics based on calcium phosphates were developed in the 1980's and 1990's, when it was recognized that calcium sulfate is resorbed too quickly to support sufficient bone regeneration. Products based on calcium phosphate have a much slower rate of resorption and degradation. Products based on calcium phosphate alone have a good primary stability and are osteoconductive, but are not osteoinductive nor osteogenic. They can thus be used for dead space management and for improving stability, but not for supporting rapid generation of bone.

To overcome the limitations of products based only on calcium sulfate or calcium phosphate, different combinations of these materials and variants thereof, for example di and tricalcium phosphate or hydroxyapatite, have been developed during the last two decades, sometimes in combination with other materials, so called biocomposites. Combinations of calcium sulfate and calcium phosphate have an improved resorption pattern, but the difficulty in this approach is to find the right structure and ratio of each component. BONESUPPORT's CERAMENT BVF is a synthetic bone graft substitute, based on a combination of 60 percent α-calcium sulfate hemihydrate and 40 percent hydroxyapatite. CERAMENT BVF has been clinically proven to have a balanced resorption rate in combination with bone remodeling and osteoconductive properties.[5)]

1) A. Traore, et al. Risk of virus transmission through femoral head allografts: A Belgian appraisal. Journal of Clinical Orthopaedics and Trauma. 2013 and Centers for Disease Control and Prevention (CDC). Hepatitis C virus transmission from an antibody-negative organ and tissue donor–United States, 2000–2002. Morbidity and Mortality Weekly Report. 2003.
2) V. Campana et al. Bone substitutes in orthopaedic surgery: from basic science to clinical practice. Journal of Materials Science: Materials in Medicine. 2014.
3) I-data for US market penetration in 2014 (based on procedures).
4) Y. Kumar C, et al. Calcium Sulfate as Bone Graft Substitute in the Treatment of Osseous Bone Defects, A Prospective Study. Journal of Clinical and Diagnostic Research. 2013.
5) H.P Jr. Hatten, et al. Bone healing using a bi-phasic ceramic bone substitute demonstrated in human vertebroplasty and with histology in a rabbit cancellous bone defect model. Neuroradiology. 2012.

Bioglass and other synthetics

Bioglass is a biomaterial that bonds with human tissue and was developed as a bone graft substitute. Human hydroxyapatite chemically binds to the surface of the bioglass particles and creates a scaffold around the bioglass. However, the bioglass itself is not resorbed and cannot remodel to new bone. The manufacturers of bioglass claim that it inhibits bacteria by an increase of the pH levels and osmolar pressure changes.[1] Bioglass is osteoconductive, not osteoinductive and not osteogenic. Bioglass can be used for dead space management and for protection against infection. It cannot be used for improving stability as it is not injectable or self-setting, and not to support the generation of bone. Other synthetics include degradable and non-degradable polymers as well as various other biomaterials.

Managing the risk of infection related to bone diseases and fractures

In addition to filling bone voids to promote bone regeneration, there is a need for managing the risk of infections occurring in bone voids and bone defects. Although major advantages in aseptic and antiseptic (bacterial free and bacterial killing) routines have been achieved, approximately 30 percent of open fractures and two to five percent of closed fractures treated with fixation devices still become infected. The burden of bone infection is severe for the patient, including persistent drainage with foul-smelling discharge, need for wound dressings and constant pain and immobility as well as poor quality of life. This burden has socioeconomic implications as they lead to the need for repeated surgery, constant need of medical treatment, potential decrease of physical capacity, social isolation and depression. As a result, there is still a significant need for preventing infection in bone disease and fracture treatment by delivering antibiotics in a controlled and sustained fashion.

Traditional "carriers" for local antibiotics

Various materials can be used as 'carriers' of antibiotics for the management of bone infections. Examples include non-biodegradable polymers such as antibiotic impregnated poly methyl methacrylate ("**PMMA**") in the form of blocks or beads, biodegradable collagen impregnated with antibiotics as well as calcium sulfate-based bone graft substitutes combined with antibiotics. Carriers are inserted into the bone and enable local delivery of antibiotics, which allows high local concentrations of antibiotics in the bone void without systemic toxicity.[2]

The first "carrier" used was PMMA beads impregnated with gentamicin.[3] However, PMMA is not resorbable and elutes gentamicin for up to five years at a very low, subinhibitory concentration. This can cause bacterial antibiotic resistance.[4] Therefore, the blocks or beads should be removed after approximately six weeks, which requires additional surgery. PMMA beads can be used for dead space management, but not for improving stability nor for generating bone tissue as it provides no scaffold.

These limitations of PMMA led to the development of a biodegradable collagen carrier. Collagen impregnated with gentamicin has been used for treatment of chronic osteomyelitis.[5] The resorption pattern of gentamicin-collagen shows a large variance with an antibiotic elution of only ten days. Gentamicin-collagen cannot be used for dead space management since it is not able to fill a void, and not for improving stability nor for supporting the generation of bone tissue as it provides no scaffold.

For the further improvement of local delivery systems, the combination of a calcium sulfate bone graft substitute with an antibiotic was investigated. The first bone graft substitute combined with an antibiotic was Osteoset T (Wright Medical)[6], which combines calcium sulfate with the antibiotic tobramycin, and provides effective dead space management as well as prevention of infection. However, calcium sulfate is only minimally osteoconductive and lacks osteoinductive and osteogenic properties. Therefore, Osteoset T can be used for dead space management and for prevention of infection, but not for improving stability as it is not injectable and setting, and not for supporting the generation of bone due to its quick resorption.

Next generation of bone graft substitutes eluting antibiotics

To overcome the limitations of pure calcium sulfate carriers, BONESUPPORT introduced the combination of an injectable, osteoconductive bone graft substitute with an antibiotic agent. CERAMENT G and CERAMENT V are based on the CERAMENT platform and have the same bone remodeling properties as CERAMENT BVF, with the added capability of eluting the antibiotics gentamicin or vancomycin respectively to protect the bone healing process. Bone remodeling eliminates the need for additional surgery and their injectability allows for effective bone filling, addressing the limitation of traditional carriers of antibiotics. The combination of bone remodeling and antibiotic elution facilitates bone healing as well as providing infection control which, to the

1) J.C. Aurégan, et al. Bioactive glass for long bone infection: a systematic review. Injury. 2015.
2) J. Ferguson, et al. Ceramic Biocomposites as Biodegradable Antibiotic Carriers in the Treatment of Bone Infections. J Bone Joint Infect. 2017.
3) K. Klemm. Gentamicin-PMMA-beads in treating bone and soft tissue infections. Zentralbl Chir. 1979.
4) D. Neut. Residual gentamicin-release from antibiotic-loaded polymethylmethacrylate beads after 5 years of implantation. Biomaterials. 2003.
5) R. Ascherl, et al. Treatment of chronic osteomyelitis with a collagen-antibiotic compound--preliminary report. Unfall-chirurgie. 1986.
6) MD McKee. A prospective, randomized clinical trial comparing an antibiotic-impregnated bioabsorbable bone substitute with standard antibiotic-impregnated cement beads in the treatment of chronic osteomyelitis and infected nonunion. J Orthop Trauma. 2010.

Company's knowledge, makes CERAMENT G and CERAMENT V the first and currently only injectable CE marked products available in this category, at the date of the Prospectus. CERAMENT G has been clinically proven to reduce the risk of infection recurrence and the risk of repeat fracture.[1] CERAMENT V has demonstrated reduction of infection recurrence in patient case studies.[2]

Growth factors and cell therapy

Bone morphogenetic proteins stimulate differentiation of pluripotent mesenchymal stem cells[3] to bone producing osteoblasts. There are two types of bone morphogenetic proteins used in orthopedic surgery, BMP-2 and BMP-7. Both have been approved for clinical use. BMP-2 was cleared for accelerating spinal fusion in 2000 and for the management of open tibial fractures in 2001.[4] BMP-7 has been used for the management of established non-union of the tibia.[5] Bone morphogenetic proteins have so far been used in unnaturally high doses, since an adequate carrier has not yet been found.

One way to provide osteogenic capacity is to increase the number of osteogenic cells, i.e. increasing the number of osteoblasts. This can be made by collecting pluripotent mesenchymal cells from the bone marrow, which are then injected in the bone void or bone defect. The transplanted cells can then develop to osteoblasts to form new bone tissue.

Transplanted stem cells can be used alone or in combination with bone grafts which can provide an advantageous environment for bone growth. Studies in animal models have shown that mesenchymal stem cells can remodel critical bone defects when used in combination with bone grafts.[6] Research on adult stem cells is focused on mesenchymal sources and has, in many cases been concentrated to autologous bone marrow. Stem cells are pluripotent, so there is a possibility that future stem cell products will have overlapping applications in different injuries and disease indications. So far, no conclusive evidence has been provided to show significant improvement of bone healing in humans.

TRENDS

BONESUPPORT believes that the demand for bone void and bone defect treatment will increase in the future, and further believes that a technology shift towards an increased use of synthetic bone substitutes will occur. The Company considers that the main trends driving the market include:

- **General demographic trends:** an increasing elderly population and an increase of arthritis and other degenerative diseases as well as demanding lifestyles with the desire to remain active for a longer time will increase the demand for treatment of bone voids and bone defects. Increasing obesity and the risk of associated diabetes is also an important factor.[7]
- **Trends in health economics:** Health care systems are attempting to more actively manage cost growth by introducing a range of systematic changes in order to better relate treatment outcome and product benefit to the cost of care – these include assessment mechanisms for introducing new technologies, i.e. the NICE system in the UK and changes in payments methods, e.g. Bundle Payment for Care Improvement Initiative launched in 2013 by the US government. Private healthcare payers are also introducing mechanisms to lower payments, reduce variation in treatments and shift procurement and product selection decisions from individual clinicians and patients to governments and large private payers. Their decisions are generally based on a combination of input from managers, administrative rules and formal or informal clinical input as part of the decision making process.
- **Development in bone graft treatments:** the demand for bone graft substitutes is increasing, driven by an interest in minimally invasive intervention, alleviating the need for traditional bone graft harvesting. The supply of allografts is limited and increased regulation makes this option more cost prohibitive. Furthermore, patients are becoming more aware of synthetics and new technology development leading to a higher demand for "state-of-the-art" treatment. In addition, the global market for synthetic bone graft substitutes includes many market players but very little differentiation in available products which creates a demand for innovative products.

1) M.A. McNally, et al. Single-stage treatment of chronic osteomyelitis with a new absorbable, gentamicin-loaded, calcium sulphate/hydroxyapatite biocomposite – A prospective series of 100 cases. The Bone & Joint Journal. 2016.
2) Glombitza, et al. Treatment of chronic osteomyelitis of the lower limb with a new injectable, vancomycin-loaded, calcium sulfate/hydroxyapatite composite. Abstracts EBJIS 35th Annual conference. 2016; D Papadia. Prophylactic effect of an injectable hydroxyapatite/calcium sulphate biocomposite eluting antibiotic in the treatment of open fractures with plate. EBJIS 35th Annual conference. 2016.
3) Stamceller som kan utvecklas till ett flertal celltyper och som kan isoleras från ett flertal vävnadstyper.
4) J.K. Burkus, et al. Clinical and radiographic outcomes of anterior lumbar interbody fusion using recombinant human bone morphogenic protein-2. Spine (Philadelphia Pa 1976). 2002.; S. Govender, et al. Recombinant human bone morphogenic protein-2 for treatment of open tibial fractures: a prospec-tive, controlled, randomized study of four hundred and fifty patients. The Journal of Bone and Joint Surgery, Amercian Volume. 2002.
5) G.E. Friedlaender, et al. Osteogenic protein-1 (bone morphogenic protein-7) in the treatment of tibial nonunions. The Journal of Bone and Joint Sur-gery, Amercian Volume. 2001.
6) D. Kok lJ, et al. Evaluation of mesenchymal stem cells following implantation in alveolar sockets: a canine safety study. The International journal of oral & maxillofacial implants. 2005; D. Dallardi, et al. *In vivo* study on the healing of bone defects treated with bone marrow stromal cells, platelet-rich plasma, and freeze-dried bone allografts, alone and in combination. Journal of orthopaedic research: official publication of the Orthopaedic Research Society. 2006.
7) The International Diabetes Federation has estimated that 415 million people worldwide between the age of 20 and 79 have diabetes, and that it will increase to 642 million by 2040. IDF Diabetes Atlas 7th edition. http://www. diabetesatlas.org/ (accessed on 9 June 2017).

- **Synthetic bone graft substitutes gaining market shares:** synthetic bone graft substitutes are seen as safer than allografts and is the fastest growing segment gaining market shares from both allografts and demineralized bone matrix segments. The ability to combine synthetic bone graft substitutes with growth factors is also seen as a strength and although it leads to increased costs, it is still lower than e.g. stem cell therapy. Being readily available and easy to use, with a broad scope of indications makes synthetic bone graft substitutes attractive to surgeons as well as patients.

CURRENT MARKET PLAYERS

The market for bone graft substitutes

BONESUPPORT has identified multiple synthetic products in the bone graft substitute market, where CERAMENT BVF is viewed as an innovative product in a poorly differentiated market. CERAMENT BVF differentiates itself from all competing products through its clinically proven ability to remodel to host bone within six to twelve months, and the Company therefore considers that there are no competing products with the same properties on the market. The table below shows some of the companies that are present in the bone graft substitute market (the list is not complete).

Product	Company	Description
ChronOS®	DePuy Synthes	Beta tricalcium phosphate + brushite, available as injectable and putty, self-setting (not FDA approved).
DBX	DePuy Synthes	Demineralized bone matrix, sodium hyaluronate. Putty, not self-setting.
Equivabone	Zimmer Biomet	Demineralized bone matrix, calcium phosphate (Nanocrystalline HA), hydrating fluid. Flowabale & moldable, self-setting.
Hydroset	Stryker	Dicalcium phosphate, tetracalcium phosphate, trisodium citrate, sodium phosphate, polyvinylpyrrolidone, and water. Injectable, self-setting.
Norian	DePuy Synthes	Alpha-tricalcium phosphate, CaCO3, MCPM, solution water & Na2HPO4, available as injectable and putty, self-setting.
ProDense	Wright Medical	CaSO4, CaPO4, solution neutralized glycolic acid. Injectable, self-setting.
Vitoss	Stryker	A foam consisting of beta-tricalcium phosphate, bioactive glass and bovine collagen matrix. Not injectable or self-setting.

The market for bone infection management

Within the bone infection market there is a limited number of potential competitors. Bone graft substitutes within this segment are viewed as either simple 'carriers' of the antibiotic or, as with CERAMENT G and CERAMENT V, as materials that elute antibiotics as well as promote bone healing.

The category carriers are further differentiated into those that are co-packed with an antibiotic, and those that are approved only for use in an infected environment. Carriers that are not co-packed with an antibiotic can be used by surgeons by adding antibiotics "off the shelf" during surgery, which implies that the producers have limited or no control over the elution profile and the performance of their products in combination with a specific antibiotic. All competitor products in this segment are either in bead or pellet form and do therefore not offer optimum void filling. The use of such products may result in potential residual dead space which may lead to an unpredictable or uncontrolled release and efficacy of the antibiotic used with the risk of recurring infection.

BONESUPPORT is not aware of any other products on the market than CERAMENT G and CERAMENT V that are CE marked injectable bone graft substitutes with the property of eluting antibiotics. Hence, BONESUPPORT considers that the Company is currently developing this market segment through CERAMENT G and CERAMENT V. The products listed below contain antibiotics or have been used in combination with antibiotics but do not have the same properties as CERAMENT G and CERAMENT V. The table below shows some of the companies that are present in the bone infection management market (the list is not complete).

Product	Company	Description
BonAlive	BonAlive Biomaterial Ltd	Bioactive glass granules, no antibiotic elution.
Septocoll Jason G	Zimmer Biomet aap Implantate AG	Animal sourced collagen fleece eluting gentamicin.
Septopal Kette G	Zimmer Biomet Heraeus Medical	PMMA (poly methyl methacrylate) beads eluting gentamicin.
Osteoset T	Wright Medical	Calcium sulfate beads eluting tobramycin.
Herafill	Heraeus Medical	Calcium sulfate and calcium carbonate beads eluting gentamicin.
PerOssal	aap Implantate AG	Hydroxyapatite and calcium sulfate beads – not co packed with an antibiotic, IFU ref to mix with off the shelf antibiotic.
Simulan	Biocomposites	Calcium sulfate + bead mold – not co-packed with an antibiotic, IFU ref to mix with off the shelf antibiotic.

BUSINESS DESCRIPTION

BUSINESS DESCRIPTION

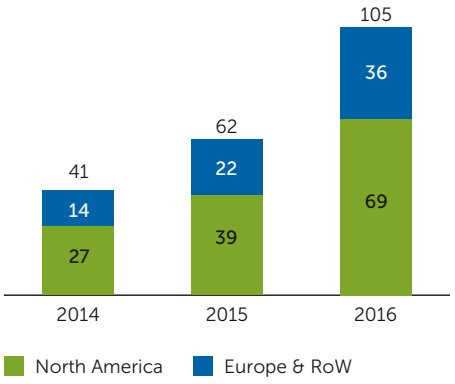
OVERVIEW

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

BONESUPPORT's products are based on an innovative technology backed by an intellectual property portfolio of approximately 100 registered and/or pending patents. BONESUPPORT has a nine year track record of safety and efficacy in treating patients with an estimated number of 30,000 procedures performed to date with its products worldwide based on sales data.[1] BONESUPPORT's products are targeting a large addressable market opportunity across trauma, chronic osteomyelitis, revision arthroplasty and infected diabetic foot. The Company's research focuses on continuing to further develop and refine its current technology to extend its use into additional indications by the elution of other drugs and therapeutic agents.

CERAMENT BVF is currently commercially available in Europe[2] and the US as well as in India, Malaysia, Oman and Singapore. CERAMENT G is available in the same European markets as well as in India, Malaysia and Oman whereas CERAMENT V is available in the same markets as CERAMENT G except for India. Between 2014 and 2016, BONESUPPORT's total sales increased from SEK 41 million to SEK 105 million, representing a compound annual growth rate of 60 percent.

BONESUPPORT's sales development 2014–2016 per segment (SEK million)



BONESUPPORT's products are sold to healthcare providers such as hospitals and clinics, which are normally financed through various forms of national and regional healthcare reimbursement systems. Available reimbursement system and the categorization of the Company's products within such systems are key factors which the Company must consider in its sales and development strategy.

The use of CERAMENT BVF is reimbursed through hospital budgets in a majority of key markets, such as the UK, Scandinavia and Switzerland and via diagnosis-related groups ("**DRG**")[3] in Germany and the US. BONESUPPORT has reviewed DRG systems and found that existing coding and payments are insufficient and do not recognize or reward the innovation that the Company considers CERAMENT G and CERAMENT V to be. BONESUPPORT is therefore aiming to gather HEOR data to demonstrate positive clinical outcomes and benefits of using the products compared to other available options for prevention of infection, such as reduced length of hospital stay and reduced risk of further hospital interventions. This is carried out in order to have sufficient clinical and HEOR data to obtain specific high-value coding and payment within relevant reimbursement systems on different markets. However, in the near term, the Company believes that further modelling of savings by using CERAMENT G and CERAMENT V in one stage procedures can be used to justify increased spending on each product.

The Company's head office is in Lund, Sweden and the Company had 58 employees as per 31 March 2017.

1) Based on the Company's own figures.
2) UK, Germany, Switzerland, Sweden and Denmark (direct sales) and Italy, Poland, Spain, Benelux, Finland, Norway and Austria (through distributors).
3) A form of system for categorization and reimbursement of healthcare, which is common in many countries. This is further described under the section *Regulatory and healthcare reimbursement*.

STRENGTHS AND COMPETITIVE ADVANTAGES

BONESUPPORT is a rapidly growing orthobiologics company targeting major orthopedic applications

BONESUPPORT is a fast growing commercial stage orthobiologics company targeting major orthopedic markets in the US and Europe. Between 2014 and 2016, BONESUPPORT achieved a compound annual growth rate of 60 percent, and 40 percent during January to March 2017 compared to the same period 2016. The strong sales growth has been driven by an increased presence of BONESUPPORT's own sales representatives in key European markets together with a focus on 63 independent distributors in the US within the network of the distribution partner Zimmer Biomet.

BONESUPPORT's current addressable markets comprise the applications trauma (simple and complex), chronic osteomyelitis, revision arthroplasty and infected diabetic foot, which together are estimated to constitute approximately 640,000 procedures annually using synthetic bone graft substitutes in the US and EU-5[1]. The use of synthetic bone graft substitutes has the potential to penetrate the allograft and autograft markets, currently constituting the majority of procedures in bone void filling, as surgeons and patients see the benefits synthetic bone graft substitutes offer.

The proprietary and patented CERAMENT innovation is a bioceramic bone scaffold that rapidly remodels to host bone. BONESUPPORT has already delivered three main commercial products: CERAMENT BVF, CERAMENT G and CERAMENT V

The patented CERAMENT technology platform is based on a unique composition of calcium sulfate, hydroxyapatite and a liquid phase, which enables remodeling to host bone, in combination with drug elution to promote and protect the bone healing process. The platform allows for ease of handling, predictable drug delivery and can be combined with an array of therapeutic agents.

The key benefits of CERAMENT BVF are the ability to remodel to host bone in six to twelve months[2], the provision of structure for the bone during healing, ease of mixing and handling, predictable performance during surgery, and the ability to fill bone voids resulting from surgery or trauma in a wide range of orthopedic applications.

CERAMENT G and CERAMENT V have all the key properties of CERAMENT BVF, but also protect the healing process by reducing the infection risk through targeted local delivery of antibiotics (CERAMENT G with gentamicin and CERAMENT V with vancomycin). Both CERAMENT G and CERAMENT V have been demonstrated to elute antibiotics above minimum inhibitory concentration for at least 28 days in *in-vitro* studies.[3]

BONESUPPORT addresses a significant unmet clinical need, providing surgeons with a unique easy to handle product that combines remodeling into host bone and drug elution to promote and protect bone healing

Two main issues related to treatment of bone diseases and disorders are the risk of incorrect healing and the risk of bone infection. BONESUPPORT provides surgeons with a solution to both these issues through the CERAMENT products.

When a bone void occurs and is not filled, there is a risk of fracture. A fracture requires additional medical and/or surgical treatment and could prolong the time in hospital for the patient, as well as increasing pain and suffering. If the bone void is filled with CERAMENT, remodeling of the bone defect into healthy host bone occurs within six to twelve months[4], which shortens the healing process and time for the patient to return to normal life.

The risk of infection is high across bone defects and disorders. If an infection occurs, there is a risk that the disease will continue for a period of years, requiring frequent and prolonged treatment and repeated surgery. Prophylactic delivery of an antibiotic with CERAMENT G or CERAMENT V protects the bone healing which reduces the risk of infection during the healing process.[5] When a patient is suffering from osteomyelitis, i.e. bone infection, management entails debridement of dead bone and the filling of the resulting dead space with CERAMENT G or CERAMENT V which both protects the healing and enables remodeling into host bone.

BONESUPPORT has a growing direct commercial footprint and is driving rapid revenue growth by developing an increasing level of commercial infrastructure in the EU and US

The fact that the European market is divided into several smaller geographical markets allow BONESUPPORT to efficiently focus its direct sales efforts towards key markets. During recent years, BONESUPPORT's commercial transition from an indirect to a direct sales approach has had a positive impact on sales growth. Like for like sales for direct markets grew by 69.5 percent in 2016, compared to 55.0 percent for distributor markets within the Europe & Rest of the World segment. In 2016, BONESUPPORT grew sales by 59.4 percent in the segment Europe & Rest of the World, from SEK 22.4 million in 2015, to SEK 35.7 million in 2016. In

1) Apex Global Market Study. November 2016.
2) Abramo et al. Osteotomy of distal radius fracture malunion using a fast remodeling bone substitute consisting of calcium sulphate and calcium phosphate. Journal of Biomedical Materials. 2009; T. Nusselt, et al. The injectable biphasic calcium sulphate/hydroxyapatite bone substitute Cerament™ possesses reliable remodeling activity in metaphyseal fracture defects (Abstract). Department of Orthopedics and Traumatology, University Medical Center, Johannes Gutenberg University, Mainz, Germany. 14th European Congress of Trauma and Emergency Surgery (ECTES). 2013.
3) See heading *CERAMENT* G and CERAMENT V below.
4) Abramo et al. Osteotomy of distal radius fracture malunion using a fast remodeling bone substitute consisting of calcium sulphate and calcium phosphate. Journal of Biomedical Materials. 2010.
5) See heading *CERAMENT* G and *CERAMENT* V below.

Europe & Rest of the World, BONESUPPORT aims to expand its current sales force of 20 sales representative and regional managers to 25 by the end of 2017. This is expected to improve market penetration in existing direct markets, as well as support expansion into France where the Company intends to market its products directly.

In the US, BONESUPPORT markets CERAMENT BVF through Zimmer Biomet's sales channel of 63 independent distributors supported by BONESUPPORT's eleven local representatives (eight regional managers and three product specialists). This allows the Company to effectively target the full US market by leveraging the sales forces of the independent distributors with limited resources. In 2016, BONESUPPORT grew sales by 74.9 percent in the North America segment, from SEK 39.4 million in 2015, to SEK 68.9 million in 2016. A number of initiatives are currently being introduced to further expand the Company's commercial presence in the US, to grow near term sales. The Company's local sales organization is crucial to improving product awareness among the sales forces of the 63 independent distributors and as a result driving CERAMENT BVF sales.

CERAMENT BVF, CERAMENT G and CERAMENT V have strong support from key opinion leaders and numerous publications in Europe, which highlight the clinical benefits of CERAMENT in comparison to other bone graft substitutes

To the knowledge of the Company, BONESUPPORT's CERAMENT technology is, at the date of the Prospectus, the only commercialized synthetic bone graft substitute that is clinically proven to remodel into host bone within six to twelve months and to effectively elute antibiotics. The clinical benefits of CERAMENT, compared to alternative bone graft substitutes, have been highlighted through numerous publications in Europe. CERAMENT's ability to remodel into host bone was proven in a study by Abramo et al in 2010[1]. In 2016, McNally et al published a large study show-casing CERAMENT G as an integral part of enabling single stage procedures for chronic osteomyelitis, successfully eradicating infection recurrence in 94 percent of the patients in the study. In the study, McNally et al concludes that a single-stage surgical treatment of chronic osteomyelitis with CERAMENT G, which has been proven to perform without additional surgery, is a more patient-friendly treatment compared to other available options.[2] The clinical data supporting the benefits of CERAMENT differentiates BONESUPPORT's products against competitors and has according to the Company created strong support among key opinion leaders. The Company believes that this clinical data is key in driving adaptation among surgeons.

BONESUPPORT sees a significant near-term opportunity to capture a larger market share of the synthetic bone graft substitute market and to expand into the allograft and autograft market following the completion of CERTiFy study in 2018 and through the expected launch in of CERAMENT G in the US in2021 following FDA approval

BONESUPPORT currently supports two major ongoing clinical studies; the CERTiFy study, an investigator initiated study which is expected to be completed in 2018, and the Company sponsored FORTIFY study, a clinical IDE-study which is being conducted with the aim of gaining FDA approval for CERAMENT G in the US during 2021.

CERTiFy aims to generate conclusive evidence of the patient and economic benefits of using CERAMENT BVF instead of using autograft, utilizing the patient's own bone. Upon completion of the CERTiFy study, CERAMENT BVF will be the only synthetic bone graft substitute with level one randomized clinical study data.[3] A successful outcome would also be expected to drive market penetration within the synthetic bone graft substitute market and support reimbursement in Germany and other geographies.

FORTIFY aims to develop a body of clinical evidence for the safety and effectiveness of CERAMENT G compared to current standard methods of care. The purpose of the study is to provide the clinical data needed to potentially obtain US market approval and a broad indication for use of the product in the US.

The Company expects that successful outcomes from the CERTiFy and FORTIFY studies will significantly expand the opportunity for BONESUPPORT's products in the synthetic bone graft substitutes market. An increased market share of the synthetic bone graft substitute market will demonstrate proof of concept of the utility of the CERAMENT platform, and improve its ability to expand into the allograft and autograft market.

There is a potential to leverage the CERAMENT innovation to deliver an exciting and valuable pipeline of new products focused on enhancing bone healing in a range of bone diseases

In addition to the products already on the market, BONESUPPORT has a pipeline of products with significant commercial potential. The Company currently has four pipeline product candidates which are based on the CERAMENT platform. All four product candidates, which are in pre-clinical development phase, are expected to enhance bone healing and could be used in multiple applications. The CERAMENT platform can be combined with approved therapeutic agents, which CERAMENT G and CERAMENT V are examples of, hence expanding the current product portfolio and showing the scalability of the platform.

1) Abramo et al. Osteotomy of distal radius fracture malunion using a fast remodeling bone substitute consisting of calcium sulphate and calcium phosphate. Journal of Biomedical Materials. 2010.
2) M.A. McNally, et al. Single-stage treatment of chronic osteomyelitis with a new absorbable, gentamicin-loaded, calcium sulphate/hydroxyapatite biocomposite – A prospective series of 100 cases. The Bone & Joint Journal. 2016.
3) High quality randomized trial or prospective study data.

BONESUPPORT has an experienced management team and board of directors with distinguished commercial background and track record of value creation

BONESUPPORT has an experienced management team with distinguished commercial background and a solid track record of driving commercialization. Management has extensive experience from the pharmaceutical and medical devices industries. BONESUPPORT's management and board of directors comprise well-renowned executives and key personnel holding titles from prominent companies as well as senior positions within academia.

In 2016, Richard Davies, with over 25 years of experience in the industry, joined the Company as CEO. Richard Davies was previously at Hospira, where he served as Chief Commercial Officer, driving growth and globalization across the business. During this time, Hospira experienced an average revenue growth rate of 12 percent per year. Hospira was acquired by Pfizer at the end of 2015. At the beginning of 2017, Björn Westberg joined the Company as CFO, joining from Recipharm, where he served as CFO from 2007. He was previously CFO at the software company Jeeves as well as holding senior roles at AstraZeneca. In 2016, Patrick O'Donnell joined BONESUPPORT as General Manager and Executive Vice President of Commercial Operations US, after serving as CEO of three companies focused on innovative orthopedic regenerative technologies. Dr. Michael Diefenbeck is the Chief Medical Officer of BONESUPPORT and joined the Company in April 2017, having served as medical consultant for the Company since 2014. Dr. Diefenbeck has extensive experience within orthopedics through several years in medical practice and is the author of more than 30 published articles. The Company's chairman of the board, Håkan Björklund's experience includes serving as chairman of Swedish Orphan Biovitrum AB (publ), Industry Executive at Avista Capital Partners, former CEO of Nycomed, regional director at Astra (now AstraZeneca). He holds a PhD from Karolinska Institutet in Stockholm.

FINANCIAL TARGETS

Prior to the Listing, BONESUPPORT's board of directors adopted the following financial targets:

Sales

The long-term growth target is to achieve revenue exceeding SEK 500 million in the financial year 2020.

Gross margin

The gross margin target for the financial year 2020 is to continue to have a gross margin exceeding 85 percent.

Operating profit

The Company's target is to be profit making at an operating profit level for the financial year 2020.

The financial targets described above represent forward-looking statements. These forward-looking statements are no guarantees of the Company's future financial or operational performance and BONESUPPORT's actual results could differ materially from those expressed or implied by these forward-looking statements as a result of many factors, including but not limited to those described under the section *Risk factors*. Investors are urged not to place undue reliance on any of the statements set forth above.

VISION

BONESUPPORT's vision is to be the world leader in the development and commercialization of injectable bioceramic composites that have both first-in-class bone remodeling and drug-eluting capabilities, for the management of bone voids and associated complications.

MISSION STATEMENT

To improve the lives of patients suffering from bone disorders that cause bone voids, lead to injury, breakage, pain, and reduced quality of life.

STRATEGY

Additional investments in commercial infrastructure

In addition to developing clinical and HEOR data and increasing marketing spend, near term revenue growth will be driven by investment in BONESUPPORT's commercial infrastructure in its key markets Europe and the US.

In Europe, BONESUPPORT aims to expand its current sales force of 20 sales representatives and regional managers to 25 by the end of 2017. These additions will support further market penetration in existing direct markets (United Kingdom Germany Switzerland Sweden and Denmark), as well as an expansion into France where the Company intends to market directly. Commercial efforts will be targeted towards top trauma centers to increase adoption of BONESUPPORT's products, predominantly CERAMENT G and CERAMENT V.

A number of initiatives are currently being actioned to expand the Company's commercial presence in the US and drive near-term revenue growth. In November 2016, the Company appointed Patrick O'Donnell as General Manager and Executive Vice President of Commercial Operations US, strengthening BONESUPPORT's executive presence in the US. Other near-term initiatives include increased joint marketing initiatives with the distribution partner Zimmer Biomet as well as additional investment in regional sales management personnel to concentrate on new account penetration and sales growth. Under the current growth plan utilizing Zimmer Biomet's distribution channel, BONESUPPORT aims to expand its current sales and marketing organization from 11 to 14 representatives by the end of 2017. The Company's US sales and marketing organization is key in driving product education and sales focus among the Zimmer Biomet sales force of the 63 independent distributors and Commercialization Managers driving CERAMENT BVF sales.

Develop additional compelling clinical and HEOR data for CERAMENT BVF, CERAMENT G and CERAMENT V to further strengthen competitive positioning in the trauma, revision arthroplasty, chronic osteomyelitis and infected diabetic foot markets

BONESUPPORT aims to strengthen its market position in its targeted applications by continued development of additional clinical and HEOR data for CERAMENT BVF, CERAMENT G and CERAMENT V through the completion of the ongoing clinical studies, and expansion of the CERAMENT G EU patient registry. Data from the growing CERAMENT G EU patient registry aims to increase evidence of the health economic benefits CERAMENT G delivers in complex trauma and chronic osteomyelitis and to achieve EU expert consensus statements for the use of CERAMENT G in infected diabetic foot. The CERAMENT G EU patient registry is designed to support strong clinical value proposition for third-party payers and healthcare providers in terms of reduced treatment episodes due to repeated infection. With CERAMENT G and CERAMENT V having demonstrated significantly improved clinical outcomes and reduction of length of stay in hospitals, BONESUPPORT is well positioned to capitalize on the growing focus on health economic value in both the EU and the US health markets. The changes in the US hospital reimbursement landscape, e.g. introduction of bundled payments represents a unique market opportunity for CERAMENT G's clinical value proposition which is based on expected reduced length of stay, readmissions and overall cost.

Gain approval for CERAMENT G and CERAMENT V in the US

To gain approval for CERAMENT G in the US, BONESUPPORT will continue to develop a body of clinical evidence supporting the safety and effectiveness of the product. BONESUPPORT intends to complete the ongoing FORTIFY study, designed to demonstrate safety and superior efficacy of CERAMENT G in the treatment of a challenging orthopedic condition, and to support a broad label indication. BONESUPPORT has been transparent to the FDA in its intention to seek a broad label indication, and the proposed label has been accepted within the IDE (Investigational Device Exemption) study approval. It should be noted however, that the final label will be negotiated with the FDA based on the study results and other data submitted. After CERAMENT G has gained FDA approval, BONESUPPORT intends to initiate the regulatory approval process of CERAMENT V. The Company expects rapid adoption of CERAMENT G in the US based on the reception of the products among physicians and patients in Europe.

Leverage the scalability of the CERAMENT platform to develop new products by combining CERAMENT with additional therapeutic agents and growth factors

To date, CERAMENT has been combined with the two antibiotics gentamicin and vancomycin, resulting in the products CERAMENT G and CERAMENT V. However, CERAMENT can be combined with other, both commercialized and non-commercialized, therapeutic agents, creating a valuable product platform for the development of new products. BONESUPPORT currently has four pipeline product candidates in pre-clinical phase which are based on the CERAMENT platform combined with other therapeutic agents and growth factors, see the section *Research and development – Ongoing research and development of product candidates* for additional information. By combining CERAMENT with therapeutic agents already registered by key regulators and commercially used, BONESUPPORT believes it reduces the overall development risk of new products.

All product candidates are connected to enhanced bone healing, e.g. by combining CERAMENT with bone growth factors, which could be used for multiple indications with high unmet medical need such as osteoporotic fractures, and complex trauma. Based on the outcome of pre-clinical studies of its four product candidates, the Company intends to focus on the two with the greatest potential.

HISTORY

BONESUPPORT was founded in 1999 by Lars Lidgren, professor of orthopedics at Lund University in Sweden, based on research that Prof. Lidgren had initiated a few years earlier. Prof. Lidgren holds a Ph.D. for studies on bone and joint infections. He is an internationally respected scientist who has been president of various musculoskeletal societies, and an initiator of the Bone and Joint Decade global network. Prof. Lidgren combines his medical profession with a strong technology and entrepreneurial background with around 100 patents. He was also the founder of Scandimed, a company specializing in bone cement mixing systems and technical instruments for joint replacements, sold to Biomet in 1999.

A brief company history comprising a few milestones in BONESUPPORT's history is presented below:

Year	Event
2017	FORTIFY study initiated (CERAMENT G)
2016	Financial year 2016 sales of SEK 105m (increase of 70 percent compared to 2015)
2016	Pivotal US IDE study for CERAMENT G approved by the FDA in the US
2016	Richard Davies appointed as CEO
2015	PMA device pathway for CERAMENT G approved by the FDA in the US
2015	CERAMENT V is CE marked as the first vancomycin antibiotic eluting injectable ceramic bone graft substitute
2013	CERAMENT G is CE marked as the first gentamicin antibiotic eluting injectable ceramic bone graft substitute
2012	Decision to de-prioritize CERAMENT SPINE SUPPORT
2012	Distribution agreement with Biomet, Inc. for North America – Now Zimmer Biomet
2009	CERAMENT BVF is CE marked
2008	CERAMENT SPINE SUPPORT is CE marked
2005	CERAMENT BVF is cleared to be marketed and sold in the US
1999	BONESUPPORT is founded by internationally renowned surgeon and scientist Dr. Lars Lidgren, Professor in orthopedic surgery at Lund University

TECHNOLOGY AND PRODUCTS

CERAMENT is a synthetic bone graft substitute that consists of a powder component and a liquid component, which are mixed to form an injectable paste. The powder component is a mix of 60 percent calcium sulfate and 40 percent hydroxyapatite, and the liquid component contains the radiocontrast agent iohexol (CERAMENT BVF and CERAMENT V) or saline (CERAMENT G).

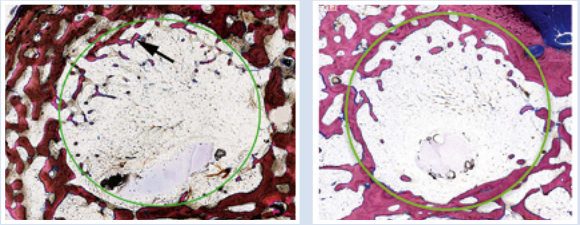
The calcium sulfate compound allows the delivery of large amounts of hydroxyapatite into the bone void and immediately stabilizes the fracture. Inside the bone void, the hydroxyapatite forms a scaffold to which osteoblasts attach to form new bone. A layer of endogenous hydroxyapatite forms on the surface of CERAMENT which enables close contact with bone since bone cells recognize the apatite layer as natural bone mineral. Hydroxyapatite has a slow resorption rate with high osteoconductivity, promoting rapid bone growth, and giving long term structural support to the newly formed bone. The resorption of the calcium sulfate facilitates controlled bone ingrowth and after full resorption, new bone will completely surround and embed the hydroxyapatite particles. During the remodeling process, early vascularity and invasion of osteoblasts enable multiple site formation of new bone.

The CERAMENT platform's key properties include:

- Fully remodeling into host bone within six to twelve months, with rapid bone remodeling reducing the risk of fracture, non-union and reinfection.[1)]
- Good injectability, which allows CERAMENT to fully fill the void and be injected through narrow needles, making it ideal for minimally invasive procedures without the need for high pressure.
- Radiopacity allowing precise application of CERAMENT as it is easy to visualize under fluoroscopy (x-ray procedure). The naturally radiopaque hydroxyapatite is enhanced by the radiocontrast agent iohexol in CERAMENT BVF and CERAMENT V ensuring high visibility.
- No temperature sensitivity enabling storage in normal room temperature and allowing for consistent and predictable handling irrespective of operating room temperature.
- No generation of excessive heat, avoiding risk of thermal injuries to tissues surrounding the bone.

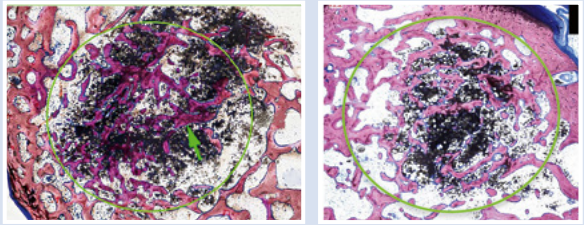
Bone growth with and without the use of CERAMENT

Without CERAMENT



Images showing a cavity left empty (green circle is representative of the bone cavity). At 12 weeks minor amounts of newly formed bone has established along the rim the cavity. Objective magnification x 4.

With CERAMENT



The images showing a bone void filled with CERAMENT (green circle is representative of the bone cavity). At 12 weeks, the cavity is filled with newly formed bone. Residual CERAMENT is black and mixed with marrow fat. Objective magnification x 4.

BONESUPPORT's product portfolio includes three main marketed products which are based on the CERAMENT platform; CERAMENT BVF, CERAMENT G and CERAMENT V, as well as a pipeline of product candidates designed to enhance bone healing. The marketed products are further described in detail in the following product sections and the product candidates are described in the section *Research and development* below.

BONESUPPORT's product portfolio

	Product	Pre-Clinical	Clinical	Reulatory review	Approved for market
ZIMMER BIOMET / BONESUPPORT	CERAMENT™ BVF (EU and US)	CE marked and FDA 510 (k) cleared			
BONESUPPORT	CERAMENT G &V (EU)	CE marked			
BONESUPPORT	CERAMENT G (US)	PMA			
BONESUPPORT	CERAMENT V (US)*)				

*) PMA pathway, not yet initiated.

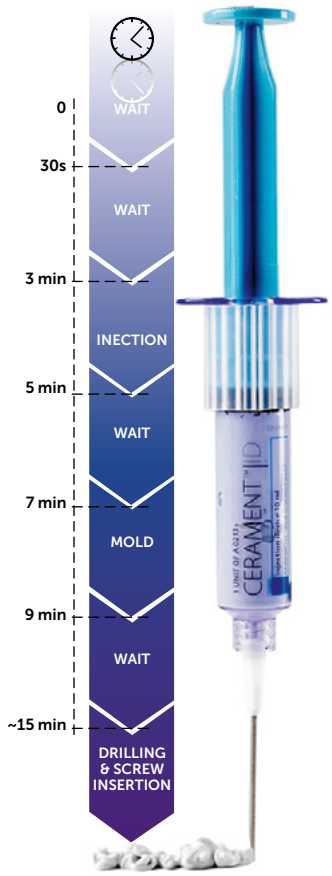
1) Abramo et al. Osteotomy of distal radius fracture malunion using a fast remodeling bone substitute consisting of calcium sulphate and calcium phosphate. Journal of Biomedical Materials. 2009; A. Hofmann, MD, et al. A Prospective Case Series on CERAMENT™|BONE VOID FILLER: Preliminary Results of a Highly Injectable Biphasic Bone Substitute in Acute Trauma Surgery. Centre for orthopedic and trauma surgery, University Medical Centre, Johannes Gutenberg University, Mainz, Germany. BONESUPPORT™ White Paper.

CERAMENT BVF

CERAMENT BVF is intended for orthopedic applications as a bone graft substitute for filling of bone voids and defects that are not intrinsic to the stability of the bone structure, for example in extremities, spine (only during open surgery) or pelvis, caused by trauma and benign bone tumors. These defects may be surgically created osseous defects or osseous defects from traumatic injury to the bone. The Company is not aware of any injectable and moldable synthetic bone substitute that remodels to host bone within six to twelve months currently on the market other than CERAMENT BVF. CERAMENT BVF can be used to augment hardware during surgery, and the material combination resists crack formation and propagation when drilled.

CERAMENT BVF is easy to mix and handle using the ready-to-use closed mixing system. It takes 30 seconds to mix the product and it is injectable up to 5 minutes and moldable from 7 to 9 minutes. It sets within 10 minutes and is drillable after 15 minutes.

The use of CERAMENT BVF enables the patient to quickly return to a normal life without the need for revision surgery and further treatment, which is why CERAMENT BVF provides an attractive option for major orthopedic applications such as trauma and revision arthroplasty, and managing bone voids resulting from benign bone tumors and tumor-like lesions.



Instruction for use for CERAMENT BVF. Taken from the Company's product and promotion material

Regulatory status

The product is CE marked for the EU market and has received 510(k) clearance by the FDA for the US market to be injected or placed into voids or defects in the skeletal system that are not intrinsic to the stability of the bone structure. The table below shows regulatory milestones for CERAMENT BVF.

2005	CERAMENT BVF (not co-packed with liquid) 510(k) clearance by the FDA
2008	CERAMENT BVF (co-packed with liquid) 510(k) clearance by the FDA
2009	CERAMENT BVF CE marked in the EEA
2011	CERAMENT BVF cleared and approved for sale in Canada
2015	CERAMENT BVF cleared and approved for sale in India
2015	CERAMENT BVF cleared and approved for sale to private hospitals in Oman
2016	CERAMENT BVF cleared and approved for sale in Singapore and Malaysia
2016	CERAMENT BVF clearance pending in Colombia

Pre-clinical and clinical studies

In the beginning of the 2000's, biomaterial studies of the mix of calcium sulfate and hydroxyapatite, evaluating its characteristics as a bone substitute, were performed.[1] The key results of these studies showed that hydroxyapatite particles (100 micron) were embedded in the calcium sulfate matrix permitting gradual porosity in the material when resorbed. The compressive strength of CERAMENT BVF was shown to be in the range of cancellous bone and a good tissue response was observed in both the rat muscles and rabbit tibiae without inflammatory reactions or the presence of fibrous tissue. Ageing in simulated body fluid showed that during the first week, hydroxyapatite precipitated on the surfaces of the material which may enhance bone ingrowth. This research data became the basis for the further development of the CERAMENT platform.

Following the registration and marketing approval of CERAMENT BVF in the EEA and the US, clinical cohort studies (studies involving a group of patients with common characteristics such as age and/or diagnosis) were conducted and published by various practitioners and medical academic research centers. The unique bone remodeling capacity of CERAMENT BVF was first demonstrated in a study involving 15 patients with distal radius fractures that had not healed properly (malunion).[2] Following this study, various clinical cohort studies in tibia plateau fractures, unicameral (simple) bone cysts and enchondroma (cartilage cysts in the bone marrow) provided information on the use of CERAMENT BVF in trauma, benign bone tumors and hand surgery indications.[3] The outcome of these studies showed satisfactory clinical results with CERAMENT BVF in various indications and that the mix of calcium sulfate and hydroxyapatite could offer an alternative to regular bone grafting.

Based on the fact that several cohort studies have demonstrated positive outcomes for patients treated with CERAMENT BVF, BONESUPPORT is looking to provide further supporting data and is therefore supporting the investigator initiated, prospective, multicenter, randomized, controlled clinical study CERTiFy.[4] Through this clinical study, BONESUPPORT is developing further clinical data to support expanded use of CERAMENT BVF in trauma indications.

The purpose of the CERTiFy study is to compare quality of life, pain and cost of care of the use of CERAMENT BVF to the current gold standard of iliac crest autografting in the treatment of tibial plateau fractures by internal fixation and void reconstruction. The Company believes that a positive outcome of the CERTiFy study would provide CERAMENT BVF with strong marketing arguments , which in the long term would allow it to challenge the use of current treatment methods within relevant indications.

The study has been designed as a comparative study to show that CERAMENT BVF is an alternative to autologous bone grafting in the treatment of tibial plateau fractures with statistical certainty. The study includes 136 patients allocated to two different patient groups. In one patient group, bone defects after tibia plateau fractures are filled with autograft (control group) and in the other patient group the bone defects are filled with CERAMENT BVF. The study is being carried out at fourteen orthopedic centers in Germany. The first patient was enrolled in April 2013 and the planned date for the last patient to be enrolled is December 2017. As per 30 April 2017, more than 75 percent of all planned patients have been enrolled. BONESUPPORT expects the study results to be published at the end of 2018.

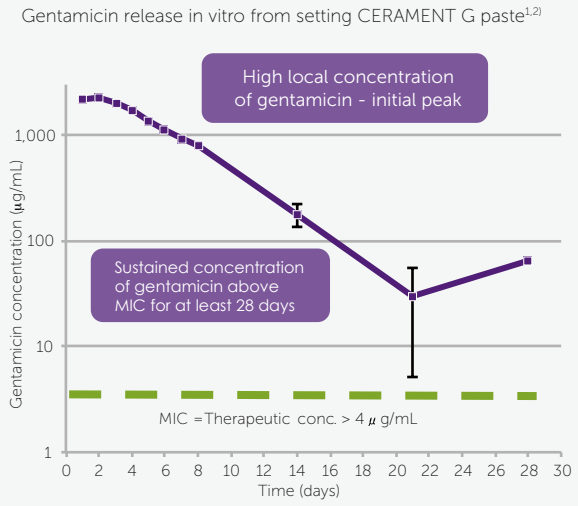
1) M. Nilsson, et al. Biodegradation and biocompatibility of a CaS-hydroxyapatite bone substitute. The Journal of Bone and Joint Surgery, British Volume. 2004; M. Nilsson, et al. Characterization of a novel calcium phosphate/sulphate bone cement. Journal of Biomedical Materials Research. 2002; M. Nilsson, et al. Factors influencing the compressive strength of an injectable calcium sulfate-hydroxyapatite cement. Journal of Materials Science: Materials in Medicine. 2003.
2) A. Abramo, et al. Osteotomy of distal radius fracture malunion using a fast remodeling bone substitute consisting of CaS and calcium phosphate. Journal of Biomedical Materials Research Part B: Applied Biomaterials. 2010.
3) R. Iundusi, et al. Augmentation of tibial plateau fractures with an injectable bone substitute: CERAMENT™ – Three year follow-up from a prospective study. BMC Musculoskelet Disorders. 2015; J. Kaczmarczyk, et al. Complete twelve months bone remodeling with a bi-phasic injectable bone substitute in benign bone tumors: a prospective pilot study. BMC Musculoskelet Disorders. 2015; E. Liodaki, et al. The Use of Bone Graft Substitute in Hand Surgery: A Prospective Observational Study. Medicine. 2016.
4) T. Nusselt, et al. CERAMENT treatment of fracture defects (CERTiFy): protocol for a prospective, multicentre, randomized study investigating the use of CERAMENT™ BONE VOID FILLER in tibial plateau fractures. Trials 2014 15:75.

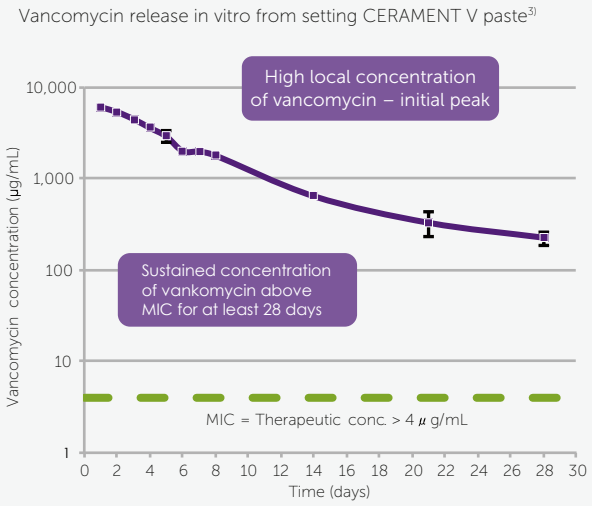
CERAMENT G and CERAMENT V

As with CERAMENT BVF, CERAMENT G (eluting the antibiotic gentamicin) and CERAMENT V (eluting the antibiotic vancomycin) are based on the CERAMENT platform and have thus similar key properties as CERAMENT BVF, i.e. they allow dead space management, provide stability, are injectable, self-setting and remodel into host bone within six to twelve months.[1)] In addition, CERAMENT G and CERAMENT V have the added capability of eluting the antibiotics gentamicin or vancomycin to protect the bone healing process, thus facilitating bone healing as well as providing protection against infections. As with CERAMENT BVF, CERAMENT G and CERAMENT V are indicated to be placed into bone voids or gaps in the skeletal system that are not intrinsic to the stability of the bony structure, in particular for use in indications where infection may be present or of concern.

CERAMENT G and CERAMENT V allow predictable, controlled and sustainable release which delivers the antibiotic locally into the bone void, initially in high burst concentration, followed by sustained delivery above minimum inhibitory concentrations (MICs)[2)] for at least 28 days to protect bone remodeling. The antibiotic elution levels of CERAMENT G and CERAMENT V have been demonstrated *in vitro*, as illustrated in the figure below, and with regards to CERAMENT G similar elution patterns have been reported *in vivo*.[3)] CERAMENT G has been clinically proven to reduce the risk of infection recurrence and the risk of repeat fracture.[4)] CERAMENT V has demonstrated reduction of infection recurrence in patient case studies.[5)]

Antibiotic elution levels of CERAMENT G and CERAMENT V





MIC = Minimum inhibitory concentration (> 4 µg/ml)

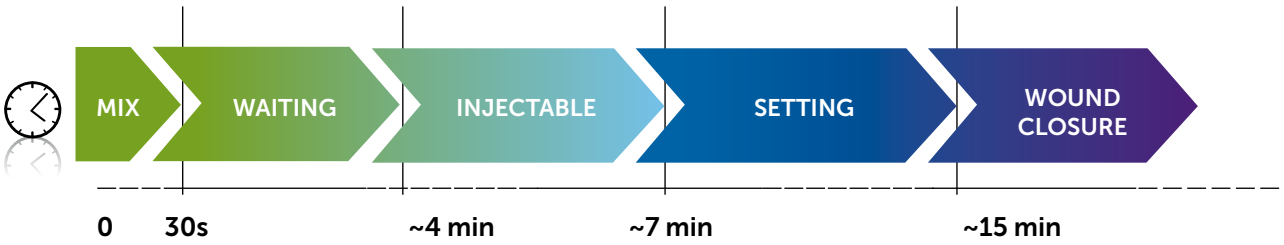
Charts produced by the Company based on study data and data on file.

1) S009/2012, data on file, BONESUPPORT.
2) M. Stravinskas, et al. Pharmacokinetics of gentamicin eluted from a regenerating bone graft substitute: In vitro and clinical release studies. Bone & Joint Research. 2016.
3) S038/2013, data on file, BONESUPPORT.

1) Currently, there is only clinical data regarding the remodeling capacity available for CERAMENT™ BVF, see the heading *CERAMENT™ BVF – Pre-clinical and clinical studies above*.
2) The lowest level of concentration that inhibits bacterial growth.
3) See under the heading *Pre-clinical and clinical studies below*.
4) M.A. McNally, et al. Single-stage treatment of chronic osteomyelitis with a new absorbable, gentamicin-loaded, calcium sulphate/hydroxyapatite biocomposite – A prospective series of 100 cases. The Bone & Joint Journal. 2016.
5) Glombitza, et al. Treatment of chronic osteomyelitis of the lower limb with a new injectable, vancomycin-loaded, calcium sulfate/hydroxyapatite composite. Abstracts EBJIS 35th Annual conference. 2016; D Papadia. Prophylactic effect of an injectable hydroxyapatite/calcium sulphate biocomposite eluting antibiotic in the treatment of open fractures with plate. EBJIS 35th Annual conference. 2016.

As with CERAMENT BVF, CERAMENT G and CERAMENT V are supplied sterile and the closed system mixing device simplifies handling and preparation. Mixing and preparation is similar to that of CERAMENT BVF.

The process of use of CERAMENT G



Instruction for use for CERAMENT G, based on the Company's product and promotion material.

Regulatory status

To the knowledge of the Company, CERAMENT G and CERAMENT V are currently the only CE marked injectable antibiotic eluting bone substitutes. An IDE-study, FORTIFY, is currently underway to support the future regulatory modular PMA submission process to obtain market approval in US. The Company is executing against a plan that would drive a final regulatory submission module including clinical data to the FDA in 2020 with an anticipated approval by 2021, provided that the filing timeline follows the current prescribed performance time and is not subject to an advisory committee[1] review. Any advisory committee review could lengthen the anticipated regulatory review timeline, typically by a three month period. The Company is not aware of any other antibiotic eluting bone graft substitute approved on the US market. The table below show regulatory milestones for CERAMENT G and CERAMENT V.

2013	CERAMENT G CE marked in the EEA
2014	FDA confirmed PMA to be regulatory pathway for CERAMENT G in the US
2015	CERAMENT V CE marked in the EEA
2015	CERAMENT G registered and approved for sale in India
2015	CERAMENT G and CERAMENT V registered and approved for sale to private hospitals in Oman
2016	CERAMENT G FDA approval for IDE clinical study (FORTIFY)
2016	CERAMENT G and CERAMENT V registered and approved for sale in Malaysia
2016	CERAMENT G clearance pending in Singapore and Colombia

1) Committee of external experts who review and advise the FDA in matters of e.g. medical devices and pharmaceuticals.

Clinical studies

The clinical benefit of CERAMENT G has been demonstrated in a clinical cohort study of 100 patients with chronic osteomyelitis performed at Nuffield Orthopaedic Centre at Oxford University Hospitals. The study was published in 2016 and the key result demonstrated a recurrence rate of the infection of only four percent after one year and all recurrence cases were successfully managed with repeat surgery. The result can be compared to a previous study result, referenced in the publication, using calcium sulfate pellets with the antibiotic tobramycin in 195 patients, which showed an infection recurrence rate of approximately nine percent.[1)]

During 2016 another study was published by an international group from Lithuania, United Kingdom, Denmark and Sweden, comparing the elution profile of CERAMENT G *in vitro* and clinically in patients treated for trochanteric hip fractures (fracture below the femoral neck) or uncemented hip revision, patients treated with a bone tumor resection and patients treated surgically for chronic osteomyelitis. The outcome of the study showed that release patterns *in vitro* were comparable with the obtained release in the patient studies. The study further demonstrated that CERAMENT G prevented the occurrence of bone infections in a range of clinical situations.[2)]

Building on the successful outcome of CERAMENT G in the abovementioned studies, the use of CERAMENT G in two-stage septic hip and knee arthroplasty revisions was analyzed in a further clinical cohort study. 19 of the 20 patients in the study showed no recurrence of infection and no signs of radiographic loosening of the stem at the twelve months follow-up, which was a very encouraging and promising result for CERAMENT G.[3)]

In February 2017, BONESUPPORT initiated the pivotal clinical study called FORTIFY. FORTIFY has been initiated in order to gain FDA approval of CERAMENT G in the US. BONESUPPORT has received an IDE study approval and the FDA has accepted a broad label within the IDE study approval. It should be noted however, that the final label will be negotiated with the FDA and based on the study results and other data submitted. The study has been designed as a multicenter prospective randomized controlled trial comparing the use of CERAMENT G in combination with current standard of care surgical treatment of open tibial diaphyseal fractures (fractures in the mid shaft of the lower leg) compared to current standard of care surgical treatment alone. The study will include 230 patients at 30 study sites in the US and in Europe. Currently, several sites have been initiated and enrollment is underway with the first patient enrolled in May 2017.

The study aims to show the prophylactic effect of CERAMENT G to prevent infection in open tibia mid shaft fractures and to demonstrate superior effectiveness and comparable safety of CERAMENT G compared to current standard of care. The Company expects that the outcome of the study will generate clinical efficacy and safety data as well as HEOR data. Under the current time plan, the planned date for the last patient out is by the end of 2019 and FDA approval of CERAMENT G is targeted for 2021.

CERAMENT SPINE SUPPORT

CERAMENT SPINE SUPPORT is a fully injectable biological material for the treatment of vertebral compression fractures. The product provides structure and is capable of remodeling to bone. Like BONESUPPORT's other products, it is easy to use since the mixing, handling and delivery is simplified by specifically designed mixing and injection devices. CERAMENT SPINE SUPPORT was CE marked in 2008 in the EEA and received clearance and approval for sale in Canada in 2011. However, the Company is currently not prioritizing further development or commercialization of this product since 2012 after a decision by the Company to focus on its other product segments where the Company sees greater opportunities. Today, sales from CERAMENT SPINE SUPPORT comprise less than 1 percent of the Company's net sales.

1) M.A. McNally, et al. Single-stage treatment of chronic osteomyelitis with a new absorbable, gentamicin-loaded, CaS/hydroxyapatite biocomposite: a prospective series of 100 cases. The Bone and Joint Journal. 2016.
2) M. Stravinskas, et al. Pharmacokinetics of gentamicin eluted from a regenerating bone graft substitute: In vitro and clinical release studies. Bone & Joint Research. 2016.
3) N. Logoluso, et al. Calcium-Based, Antibiotic-Loaded Bone Substitute as an Implant Coating: A Pilot Clinical Study. Journal of Bone and Joint Infection. 2016.

RESEARCH AND DEVELOPMENT

Introduction

BONESUPPORT has a staff of 14 people (including consultants) working in research and development. Significant pre-clinical work is carried out in-house, but the Company engages external parties for certain work such as biocompability studies and laboratory analysis. Clinical studies are performed by third party contractors but planned, managed and supervised by the Company. Research and development activities also engage sales and marketing, quality assurance and regulatory staff as required. The activities include design, planning, procurement and project management of pre-clinical and clinical studies, as well as managing quality assurance and regulatory activities. BONESUPPORT has developed extensive know-how within the area of powder technology which is and will continue to be crucial for further development of more advanced products. Currently, three of the employees in research and development have Ph.D.'s in the area of ceramic materials/calcium phosphates.

Pre-clinical work mainly focuses on the development of the ceramic composition of CERAMENT, i.e. the combination of solid and liquid components which can elute therapeutic agents. With regards to the ceramic composition of CERAMENT, it is crucial that the performance of the paste fulfils surgeons' needs regarding injectability and setting. The paste must also be robust, maintain stability over time and not be sensitive to differences in handling and mixing. Adding antibiotics or other therapeutic agents to CERAMENT provide additional challenges, as most additives will prolong the setting time. There were many years of research behind the development of CERAMENT G and CERAMENT V, whose composition has the desired injectability, performance and setting *in vivo* within acceptable time for effective use. The work regarding eluting other therapeutic agents focuses on the combination of CERAMENT with growth factors and stem cells.

The research and development of the Company's product candidates is focused on potentially new clinical conditions. These are explained below.

Non-union, implant failure and osteoporosis

The three currently available products CERAMENT BVF, CERAMENT G and CERAMENT V are a strong support for surgeons in the treatment of fractures and bone voids and are beneficial for the outcome of the patients, as mentioned above. However, there are diseases and severe conditions, which cannot be properly addressed yet.

The treatment of non-unions, critical size bone defects and osteoporotic fractures represents three of the most challenging problems for orthopedic and trauma surgeons.[1)] A non-union is defined as the permanent failure of a bone to heal following a fracture. In general, if a non-union is still evident at six months post injury it will remain unhealed without specific treatment, i.e. surgery. In a publication by M. Bhandari et al, 37 of 200 patients (18.5 percent) developed a non-union after surgical treatment of a tibia shaft fracture.[2)] Critical size bone voids are the subsequence of complex fractures, prosthetic loosening, periprosthetic infections and after tumor surgery. Critical size bone voids are closely connected to implant failure, since orthopedic implants (screws, nails, and prosthesis) cannot be safely anchored in poor quality bone.

Osteoporosis is a progressive, age-related systemic skeletal disease characterized by reduced bone mass. Osteoporotic (or fragility) fractures result from low energy trauma that would not ordinarily result in fracture and primarily occur in vertebras, forearm, hip and the shoulders. However, low energy trauma does not always cause an easy-to-treat simple fracture, but often create a huge bone defect due to the minor resistance of the weak osteoporotic bone. Due to a demographic shift towards an older population all three problems will even increase in the future.

Risk of fracture non-union

The risk of delayed fracture healing or failure of fracture healing is increased in patients with complex fractures, diabetes, limited blood supply due to arteriosclerosis, older age, immunosuppression, rheumatoid arthritis and alcohol or drug abuse.[3)] Failure of fractures to heal occurs in five to ten percent of patients in the general population, peaking in the older population, and in this group dominated by humeral, femoral and pelvis non-unions.[4)]

Risk of critical sized bone voids and implant failure

A common clinical issue when using screws is screw loosening or migration in poor quality bone. For example, cut-out of hip screws in hip fracture treatment ranges from two to eight percent whilst in proximal humeral locking plates screw cut-out ranges from 15 to 40 percent.[5)] In general, implants and prosthesis would benefit greatly from rapid stabilization with good quality bone to reduce the risk of failure.

1) CW. Schlickewei, et al. Bone augmentation using a new injectable bone graft substitute by combining calcium phosphate and bisphosphonate as composite – an animal model. Journal of Orthopaedic Surgery and Research. 2015.
2) K. Fong, et al. Predictors of nonunion and reoperation in patients with fractures of the tibia: an observational study, BMC Musculoskelet Disord. 2013.
3) K. Fong, et al. Predictors of nonunion and reoperation in patients with fractures of the tibia: an observational study, BMC Musculoskelet Disord. 2013.
4) L. A. Mills, et al. The relative incidence of fracture non-union in the Scottish population (5.17 million): a 5-year epidemiological Study. BMJ Open. 2013.
5) P. Procter, et al. Enhancing screw fixation in poor bone quality, an unmet clinical need. Combined Bath Biomechanics and Regenerative Medicine Symposium 2016. Bath, United Kingdom.

Risk of osteoporotic fractures

Osteoporosis is the most common metabolic bone disease, and is seen in up to 40 percent of postmenopausal women (200 million women worldwide).[1] For the year 2000, there were an estimated 9 million new osteoporotic fractures, of which 1.6 million were at the hip, 1.7 million were at the forearm and 1.4 million were clinical vertebral fractures.[2] A study has shown that out of 33 patients with implant failures, 25 (76 percent) occurred in patients with osteoporosis.[3]

Replacement of poor quality bone – an unmet clinical need

Rapid and reliable replacement of poor quality bone in non-unions, critical sized bone voids and osteoporotic fractures is an unmet clinical need. The current standard of care using autograft, allograft or bone-graft substitutes is not sufficient to achieve satisfactory clinical results. Therefore, new treatment options are necessary to bridge the gap from osteoconductive to osteoinductive procedures. Osteoinduction is the process by which osteogenesis is induced, i.e. mesenchymal stem cells are transformed in bone producing osteoblasts.

To achieve the goal of osteoinduction, the "Enhanced Bone Healing" research and development project was started by BONESUPPORT in 2016. The Companys believes that an increasing demand and the absence of a viable solution for replacing large volumes of poor quality bone means that there is a clear need for new innovative, osteoinductive bone graft solutions.

Bone morphogenetic proteins are well known osteoinductive agents that have been approved for clinical use. In 2014, bone morphogenetic proteins were used in six percent (10,898) of all bone grafting procedures in Europe and seven percent (77,308) of all bone grafting procedures in the US. At the moment, the only approved and available product containing bone morphogenetic proteins is Infuse from Medtronic (containing BMP-2). The global bone morphogenetic protein market size was valued at USD 504.2 million in 2015.[4]

Systemic bisphosphonate therapy is the standard treatment of osteoporosis. The local elution of bisphosphonates from the CERAMENT platform could counteract osteoporotic bone loss and support reconstruction of osteoporotic bone defects.[5] Current research suggests that some bisphosphonates not only counter the osteoresorptive effect of osteoclasts, but also produce an osteoinductive effect.

Ongoing research and development of product candidates

The Company currently has four pipeline product candidates in pre-clinical stage. Three of the Company's four focus areas are to add bone active drugs, e.g. bisphosphonates and bone morphogenetic proteins to CERAMENT. The fourth area of focus is to combine CERAMENT with bone marrow aspirate, i.e. stem cells. The development of these product candidates and related research results are described below.

BONESUPPORT's product candidates

	Product candidate	Pre-clinical	Clinical	Regulatory review	Approved for market
BONESUPPORT	CERAMENT + bisphosphonate	→			
BONESUPPORT	CERAMENT + bisphosphonate + bone morphogenic protein	→			
BONESUPPORT	CERAMENT + bone morphogenic protein	→			
BONESUPPORT	CERAMENT + bone marrow aspirate / stem cells	→			

1) NF Ray, et al. 3rd Medical expenditures for the treatment of osteoporotic fractures in the United States in 1995: report from the National Osteoporosis Foundation. J Bone Miner Res. 1997.
2) O. Johnell, et al. An estimate of the worldwide prevalence and disability associated with osteoporotic fractures. Osteoporos Int. 2006.
3) C. Barrios, et al. Healing complications after internal fixation of trochanteric hip fractures: the prognostic value of osteoporosis. J Orthop Trauma. 1993.
4) http://www.grandviewresearch.com/industry-analysis/bone-morphogenetic-proteins-market (accessed on 9 June 2017)
5) L. Lidgren, et al. Unstable trochanteric hip fractures treated with CERAMENTTM, unpublished data.

CERAMENT and bisphosphonates

Bisphosphonates are a group of drugs that regulate bone mineralization and are used systemically in the treatment of osteoporosis, as bisphosphonates inhibit bone resorption by osteoclasts.[1] One of the most potent bisphosphonates is zoledronic acid. Zoledronic acid has a high affinity for calcium, binds directly to mineralized bone and has a powerful inhibitory effect on osteoclast-mediated bone resorption through suppressing osteoclast function, inhibiting osteoclast differentiation, and promoting osteoclast apoptosis (programmed cell death).

Several external pre-clinical studies have been performed at Lund University in cooperation with universities in Copenhagen, Glasgow, Kanpur and Kaunas on the combination of CERAMENT and zoledronic acid. These studies have shown that zoledronic acid is strongly absorbed by CERAMENT.[2] In a recent animal study run by the Company, the addition of zoledronic acid led to enhanced bone healing with increased bone mineral density and mineralized tissue volume.[3]

Since 2015, BONESUPPORT has worked intensively in the area of CERAMENT combined with zoledronic acid. This work has included investigation of different types of zoledronic acid and the characterization and optimization of the properties of the CERAMENT and zoledronic acid combinations. An additional animal study with CERAMENT and zoledronic acid was started in December 2016 with the goal to investigate the optimal dosage of zoledronic acid, potential toxicity effects and to facilitate a comparison between systemic and local administration of the drug.

CERAMENT and bone morphogenetic proteins

Osteoinduction can be enhanced by combining bone graft or bone graft substitute scaffolds with bone morphogenetic proteins. Bone morphogenetic proteins are potent growth factors affecting skeletal development and regeneration of bone tissue. Results from animal models of critical-sized defects have shown that bone regeneration induced by bone morphogenetic proteins is at least equivalent to bone regeneration from autografts.[4] Two forms of bone morphogenetic proteins, BMP-2 and BMP-7 are currently approved for clinical use. Bone morphogenetic proteins have been shown to significantly increase the healing rate by influencing the osteoblast proliferation and differentiation.

Although bone morphogenetic proteins are primarily regarded as effective stimulators of bone growth, the potential for bone morphogenetic proteins to stimulate osteogenesis and induce premature bone and/or bone graft substitute resorption has also been documented. An animal study has shown that the addition of BMP-2 to CERAMENT leads to improved bone healing and an increase in mineralized tissue volume.[5]

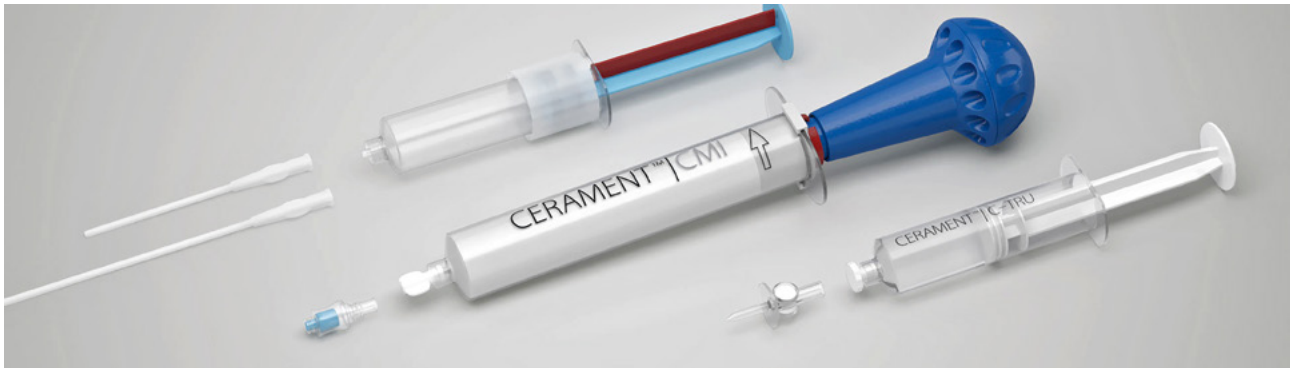
CERAMENT and Bisphosphonates combined with bone morphogenetic proteins – synergistic effects

Bone morphogenetic proteins induce both osteoblasts, which stimulate the production of new bone tissue, and osteoclasts, which cause bone resorption. Therefore, bisphosphonates can be used as an adjunct to bone morphogenetic proteins to suppress the resorption effect. Results from various studies suggest that a graft combined with bone morphogenetic proteins and zoledronic acid can improve bone growth and bone healing very efficiently, even more efficient than autograft alone.[6] By adding zoledronic acid, the resorptive effect of the bone morphogenetic proteins is prevented while the osteoinductive effect is retained. Animal studies performed at Lund University have shown that CERAMENT can be used as an efficient product for this combination, which leads to superior bone healing, better than bone morphogenetic proteins or zoledronic acid alone combined with CERAMENT.[7]

CERAMENT and bone marrow aspirate/stem cells

Stem cells, harvested by bone marrow aspiration (removing a sample of bone marrow tissue) are utilized for tissue repair applications such as bone regeneration. For bone healing, adult mesenchymal stem cells are primarily used in research. These stem cells can differentiate into osteoprogenitor cells and then into mature osteoblasts. Several studies have shown that bone marrow aspirate alone or bone marrow aspirate used in combination with autograft, allograft or synthetic materials can influence new bone formation.[8] When bone marrow aspirate was combined with a bone substitute material, bone regeneration was enhanced. This combination provides the bone void with a scaffold as well

1) R. S. Weinstein, et al. Giant Osteoclast Formation and Long-Term Oral Bisphosphonate Therapy. New England Journal of Medicine. 2009.
2) D.B. Raina, et al. A Biphasic Calcium Sulphate/Hydroxyapatite Carrier Containing Bone Morphogenetic Protein-2 and Zoledronic Acid Generates Bone. Scientific Reports. 2016.
3) Horstmann et al. A Biphasic Biomaterial as Carrier for Bone Active Substances: Tibial Bone Defect Reconstruction in Rats. Submitted to Journal of Tissue Engineering and Regenerative Medicine.
4) H. Cheng, et al. Osteogenic activity of the fourteen types of human bone morphogenetic proteins (BMPs). J Bone Joint Surg. 2003.
5) D.B. Raina, et al. A Biphasic Calcium Sulphate/Hydroxyapatite Carrier Containing Bone Morphogenetic Protein-2 and Zoledronic Acid Generates Bone. Scientific Reports. 2016.
6) D.B. Raina, et al. A Biphasic Calcium Sulphate/Hydroxyapatite Carrier Containing Bone Morphogenetic Protein-2 and Zoledronic Acid Generates Bone. Scientific Reports. 2016; Horstmann et al. A Biphasic Biomaterial as Carrier for Bone Active Substances: Tibial Bone Defect Reconstruction in Rats. Submitted to Journal of Tissue Engineering and Regenerative Medicine.
7) Horstmann et al. A Biphasic Biomaterial as Carrier for Bone Active Substances: Tibial Bone Defect Reconstruction in Rats. Submitted to Journal of Tissue Engineering and Regenerative Medicine. D.B. Raina, et al. A Biphasic Calcium Sulphate/Hydroxyapatite Carrier Containing Bone Morphogenetic Protein-2 and Zoledronic Acid Generates Bone. Scientific Reports. 2016.
8) J.J. Tiedeman et al., The role of a composite, demineralized bone matrix and bone marrow in the treatment of osseous defects. Orthopedics. 1995; G.F. Muschler et al., Selective retention of bone marrow-derived cells to enhance spinal fusion. Clinical Orthopaedics and Related Research. 2005.; Da Costa CE, Pelegrine AA, Fagundes DJ, Simoes Mde J, Taha MO, Use of corticocancellous allogeneic bone blocks impregnated with BMA: a clinical, tomographic, and histomorphometric study, General Dentistry, 59(5): e200-5, 2011.



as cells with osteogenic effect required for successful bone healing. So far, only one animal study has been performed with CERAMENT in combination with mesenchymal stem cells. The results from the study show that of combining CERAMENT with stem cells is feasible.[1)]

Advantages with BONESUPPORT's product pipeline

BONESUPPORT considers this approach to the pipeline to confer many advantages for the Company. As described above, there are many clinical challenges and risks associated with reduced bone healing and poor quality bone which represent a potentially significant market for the Company. The Company's technology platform also opens up the opportunity to look at previously unexplored segments such as dental and craniomaxillofacial surgery, spinal fusion, malignant disease and veterinary applications. The pipeline offers BONESUPPORT the potential to develop an even a stronger product portfolio that can offer additional benefits to the patient, surgeon and healthcare payers by reducing the risk of surgical failure and repeat surgery as well as enabling reduced hospital stay and a quicker return to normal life for the patient. The Company believes that there are the following opportunities for the product candidates it is developing:

- Known market trends show an increase in bone-related disorders and an aging demographic, which indicates that there is and will be a greater need for new types of bone graft substitutes that promote bone healing;
- Adding additional products into the drug eluting portfolio compliments the current range and also provides the Company with the potential to enter other high value segments such as spinal fusion and the osteoinductive market segment;
- Potential customers for future products (e.g. surgeons) are already familiar with BONESUPPORT's current product line and associated benefits of the CERAMENT platform;
- A synthetic bone graft substitute with osteoinductive properties would be the first approved product of its kind allowing orthopedic and trauma surgeons to address a key unmet need, i.e. the possibility to replace and support poor quality bone;
- Products capable of directed and local delivery of bisphosphonates offer clear benefits in terms of lower morbidity associated with long term systemic delivery of bone active drugs, such as skeletal weakness and treatment-related fractures;
- The additives which are included in BONESUPPORT's product candidates are familiar to surgeons in the target indications and are approved for clinical use[2)];
- Additional products would offer further differentiation for BONESUPPORT and CERAMENT from the current bone graft substitute competitor products – 'a new generation' in an established and growing market;
- Synthetic products with osteoinductive properties could achieve higher levels of reimbursement and could provide improved global market access for synthetic bone graft substitutes. For example, fracture non-union stated as costing the UK National Health Service between GBP 7,000 and GBP 79,000 per patient.[3)] One analysis of fracture non-unions in the US for all categories of care (except emergency room costs) were more expensive in non-union patients than in those without non-union; median total cost of care of USD 11,686 compared to USD 25,556[4)];

1) R. Al-Fotawei, et al. Assessment of cellular viability on calcium sulphate/hydroxyapatite injectable scaffolds. Journal of Tissue Engineering. 2013.
2) A. K. Harding, et al. Manipulating the Anabolic and Catabolic Response in Bone Graft Remodeling: Synergism by a Combination of Local BMP-7 and a Single Systemic Dosis of Zoledronate. Journal of Orthopaedic Research. 2008.
3) L. A. Mills, et al. The relative incidence of fracture non-union in the Scottish population (5.17 million): a 5-year epidemiological Study. BMJ Open 2013.
4) E. Antonova, et al. Tibia shaft fractures: costly burden of nonunions. BMC Musculoskeletal Disorders. 2013.

INTELLECTUAL PROPERTY

BONESUPPORT has an active intellectual property strategy to protect key technical characteristics of the versatile CERAMENT platform with approximately 100 patents and patent applications. The Company's strategy includes evaluating which countries to apply for patent protection in, which is made on a case-by-case basis for each new patent. The current patent portfolio includes protection in key markets in Europe, the US and the rest of the world.

BONESUPPORT's core active patents connected to existing products can be divided into two patent families, mechanical patents (B310) for the device and chemical patents (Case 3) for the ceramic bone substitute. The patent family B310 protects the combined mixing and injection device, which constitutes an important part of the CERAMENT technology, as well as the distributor and separate injection syringes. B310 is protected by granted and pending patents in 15 countries the Company considers to be of importance for patent protection. The patent family Case 3 protects the ceramic bone substitute paste of CERAMENT SPINE SUPPORT, CERAMENT BVF and the antibiotic loaded product CERAMENT V, which all have an iohexol solution as liquid phase used as a radio-opacification enhancer. The injectable paste is protected by granted patents in 11 countries the Company considers to be of importance for patent protection.

BONESUPPORT also has three pending patent applications for core patents, i.e. patents connected to existing products and product candidates, referred to as Case 8, Case 12 and Case 13. All are chemical patents. Case 8 relates to hardenable ceramic bone substitute compositions having improved setting, powders for such compositions and methods for their manufacture and use in medical treatment. Case 8 covers CERAMENT G as well as the aforementioned products. Case 12 relates to a composition of a synthetic bone substitute containing an antibiotic, for use in an implant for the treatment of a musculoskeletal disorder, as well as a method for use of the composition in the treatment of mammals. Case 12 covers CERAMENT V. Case 13 relates to synthetic bone substitutes and their use in bone regeneration with a combination of a bone active protein (as bone morphogenetic proteins) and an anticatabolic agent (as bisphosphonate) added to the calcium sulfate-hydroxyapatite material.

Below is an overview of BONESUPPORT's most important patents and patent applications.

		Patent status in the largest markets			
Mechanical patents (the device)	Products	Europe (EPO & national)	US	Rest of the world	Expiration date
B310	SS / BVF / G / V	23 patents / 1 European patent application	3 patents	7 patents	2025 (US 2027)

		Patent status in the largest markets			
Chemical patents (the ceramic)	Produkter	Europe (EPO & national)	US	Rest of the world	Expiration date
Case 3	SS / BVF / V	15 patents	1 patent	4 patents	2022
Case 8	SS / BVF / G / V	1 European patent application	1 patent application	7 patent applications	Potential protection to 2034
Case 12	V	1 European patent application	1 patent application	7 patent applications	Potential protection to 2034
Case 13	CERAMENT with zoledronic acid and bone morphogenetic proteins	1 international patent application			Potential protection to 2035

BONESUPPORT also holds several patents for strategic defense. In addition to the above mentioned patents and patent applications, CERAMENT is protected by production know-how regarding the formulation and manufacturing as well as by know-how and data from clinical studies which would take competitors several years of development in order to reach the same position BONESUPPORT holds today. Moreover, BONESUPPORT has a number of trademark registrations and applications for the word "CERAMENT" as well as the logo BONESUPPORT in several countries relevant for the Company.

BONESUPPORT has a well-established relationship with leading intellectual property firms in order to identify and discuss potential new intellectual property rights and to file new applications, but also to defend and uphold its current portfolio to maintain the commercial value of the products in accordance with BONESUPPORT's commercial purposes.

PRODUCTION AND SUPPLY CHAIN

BONESUPPORT has established a full supply chain for all components and materials, with key subcontractors and suppliers that are certified according to relevant ISO standards and holds relevant Good Manufacturing Practice/Quality System Regulation certifications. BONESUPPORT's strategy is to outsource all production to external parties and the Company strives to use standard components to the furthest extent possible. However, key components such as calcium sulfate and hydroxyapatite are supplied by certain specialized manufacturers which have been selected by the Company to ensure high production quality standards. The Company's strategy also includes maintaining sufficient quantities of key components in storage for current and planned production. The current supplier arrangements provide BONESUPPORT with a basis for further expansion and a scalable manufacturing process to meet the future planned expansion.

The production steps include mixing, gamma irradiation sterilization, steam sterilization, ethylene oxide sterilization, aseptic filling and kit assembly. Manufacturing of the key components of the CERAMENT products, e.g. antibiotics, liquids and the mixing system, is performed by contracted manufacturers in Poland, France, Sweden and Denmark. Finished products are shipped to BONESUPPORT in Sweden for quality control and release. Materials and components are stored in Poland and Sweden whereas finished product is stored in Sweden.

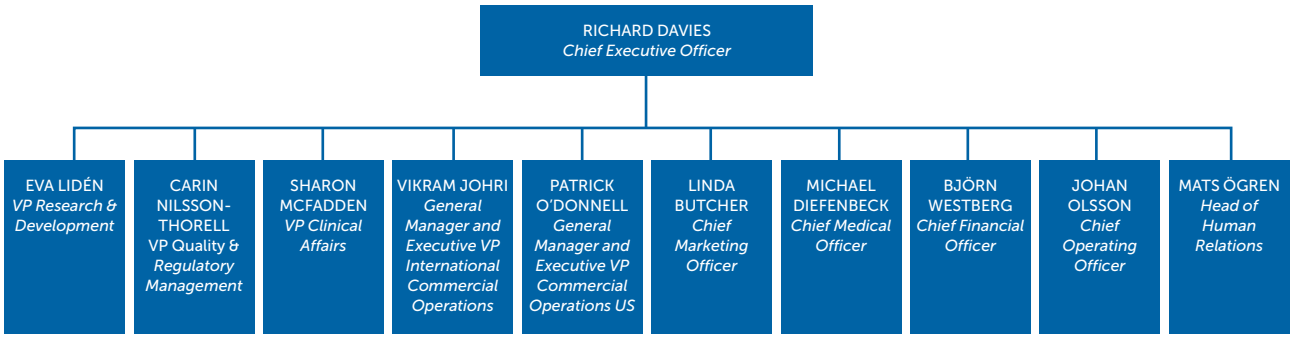
Supply chain overview

SALES, DISTRIBUTION AND MARKETING

In the US, CERAMENT BVF is distributed through Zimmer Biomet's channel of independent distributors. BONESUPPORT supports Zimmer Biomet's efforts through its directly employed specialty trained US sales and marketing team, consisting of eight regional managers and three product specialists, directed by the EVP Commercial Operations in North America and the VP of Marketing North America. The regional managers' duties include maintaining and developing customer relations both with the distributors as well as surgeons and establishing new sales channels, whereas the product specialists support the sales team and customers with technical product expertise.

In Europe, BONESUPPORT currently commercializes its products directly in the UK, Germany, Switzerland, Sweden and Denmark and is currently working on gaining market access in France. In Italy, Poland, Spain, Benelux, Finland, Norway and Austria, BONESUPPORT sells through distributors. Distributors are also used in Oman, Singapore, India and Malaysia. BONESUPPORT has retained the rights to sell to all other countries in the rest of the world. In 2016, BONESUPPORT had 20 directly employed sales representatives and regional managers in Europe and aims to increase this number to 25 by the end of 2017.

ORGANIZATIONAL OVERVIEW



As per 31 March 2017, BONESUPPORT had 58 employees of whom 33 are women and 25 are men. As per the same date, the organization consisted of 52 FTE of which 32 worked within sales and marketing, 14 within research and development and 6 centrally within the administration. The table below shows the average number of employees during the financial years 2014–2016.

	2016	2015	2014
Average number of employees during the period	46	31	25
Of whom men	21	17	14

REGULATORY OVERVIEW AND HEALTH CARE REIMBURSEMENT

REGULATORY OVERVIEW AND HEALTH CARE REIMBURSEMENT

INTRODUCTION

Medical devices have to comply with comprehensive regulations with certain standards before gaining market access. The regulatory framework for medical devices contains different requirements than that for pharmaceuticals and is, in general, considerably shorter and less stringent. Combination products, i.e. products that combine two regulated components, such as a pharmaceutical and a medical device, have to comply with the regulations that cover the product's primary mode of action. CERAMENT™ BVF, CERAMENT G and CERAMENT V are combination products because they are comprised of two regulated components; a drug substance (such as gentamicin, vancomycin and iohexol) and a medical device. To date, all of BONESUPPORT™'s marketed products have undergone the medical device approval process on the market they are currently available and CERAMENT G will be reviewed as a medical device by the FDA in the US. If any of the Company's product candidates were to be considered as pharmaceuticals from a regulatory perspective, the approval process would be more extensive than the process for medical devices.

GAINING MARKET ACCESS

Placing drug/device combination products on the market

It can be difficult to define which regulatory framework is applicable on a combination product containing both a pharmaceutical and a medical device. In order to decide whether a product is considered as a medical device or a drug from a regulatory perspective, the following shall be considered:

- The intended purpose of the product
- The method by which the primary mode of action is achieved

The EU Commission has issued non-binding policy guidelines on determining which framework that will be applied. The guidelines contain a non-exhaustive list of product examples and how they are classified, such as:

- Drug-delivery products presented as an integral combination with a medicinal product are regulated as pharmaceutical products
- Drug-delivery products presented separately from the pharmaceutical products are regulated as medical devices

The product will also be regulated as a medical device if the substance incorporated in the device meets the following conditions: the substance, if used separately, may be considered to be a medicinal product or a human blood derivative, and the substance is liable to act upon the human body and the action of this substance is ancillary to that of the device.

Market access for a medical device on the US market

Before a medical device may be sold and marketed in the US, the medical device manufacturer must either obtain clearance under Section 510(k) of the Federal Food, Drug, and Cosmetic Act ("**FDCA**") through a premarket notification ("**PMN**"), so called 510(k) clearance, or a premarket approval ("**PMA**") according to Section 515 of the FDCA, unless the device is specifically exempt from premarket review. The clearance or approval that is required will depend upon how the product is classified by the FDA. The FDA divides medical devices into class I, class II or class III, depending on the level of control that is required to assure that the medical device is safe and effective.

Class III medical devices are subject to the most stringent regulatory process for market access. This category of medical devices includes products that support or sustain human life, are of substantial importance in preventing impairment of human health or which present a potential, unreasonable risk of illness or injury. Class III devices have to be approved by the FDA through the PMA approval process. To gain approval the process requires that scientific evidence shows that possible benefits of using the product outweigh the possible risks. Furthermore, the approval requires that the product will prove to be of considerable help to a large segment of the target population.

Devices deemed to pose low to moderate risk are either categorized as Class I or Class II, which, absent an exemption, requires the manufacturer to submit a PMN to the FDA requesting permission for commercial distribution, which is known as a 510(k) clearance. The manufacturer can market the medical device immediately, if the FDA approves that the device is "substantially equivalent" to a previously approved device for which PMA was not required.

In order to obtain a PMA and, in some cases, a 510(k) clearance, the applicant must conduct well controlled clinical studies designed to test the safety and effectiveness of the product. Conducting clinical studies generally entails a long, expensive and uncertain process. In order to conduct clinical studies in the US, the sponsor of the trial has to obtain a specific authorization (Investigational Device Exemption,

"**IDE**"). An IDE allows the device to be used in a clinical study in order to collect safety and effectiveness data. The sponsor shall submit an IDE application to the FDA for review and may not begin an investigation before an approval has been obtained from the FDA. The IDE application shall contain the investigational plan and results of pre-clinical studies and potential prior studies, device description, manufacturing information and labeling. The investigational plan shall also be submitted to the investigational review board at each institution where the investigation is to be conducted for review and approval.

The FDA's 510(k) clearance process for each device usually takes from three to twelve months, but may last longer. The process of obtaining a PMA is much more costly than the 510(k) clearance process and generally takes more than six months (modular PMA application) from the time the application is submitted to the FDA until an approval is obtained. If the application covers a first-of-a-kind device it generally becomes subject to an appropriate advisory panel for review and recommendations. The advisory panel consists of recognized experts within the field invited by the FDA. These meetings extend the length of the process of obtaining a PMA.

CERAMENT BVF has a 510(k) clearance as a Class II device. Since it is a Class II device, BONESUPPORT's marketing of the device is subject to special control guidance for resorbable calcium salt bone void filler device and general control provisions which include requirements for annual registration, listing of devices, good manufacture practice, labeling, and prohibition against misbranding and adulteration.

The regulatory pathway for CERAMENT G and CERAMENT V is a PMA. The Center for Devices and Radiological Health (CDRH) will act as the lead advisory panel reviewer but will also consult the Center for Drug Evaluation and Research with regards to the gentamicin substance (for CERAMENT G) during the review of the PMA submission. The FDA has recently approved the IDE application for CERAMENT G.

Market access for a medical device in the EEA

Within the European Economic Area (the "**EEA**"), products that are defined in the medical device directive (Directive 93/42/EEC with amendments) as medical devices must be CE marked to indicate their conformity with the medical device directive and follow a conformity assessment procedure to certify that the requirements are met to before the products are placed on the market.

Similar to the US regulatory framework, medical devices, the EEA has different product classes. The classification rules are based on the safety of using the product taking into account the potential risks associated with the technical design and manufacture of the device.

The conformity assessment procedures for Class I devices can be carried out, as a general rule, under the sole responsibility of the manufacturers in view of the low level of safety concerns associated with these products. In the procedure

for Class IIa devices, the intervention of a notified body is compulsory at the production stage. The notified body is an independent organization whose competence and objectivity is monitored by the authorities in each country. Decisions taken by the notified body to demonstrate that devices comply with the requirements are valid for a maximum of five years and may be extended on application for further periods of five years. As part of the conformity assessment process, depending on the type of device, the notified body will review the manufacturer's clinical evaluation process, assess the clinical evaluation data of a representative sample of the device, or assess all the clinical evaluation data. It is sufficient for the manufacturer to carry out a conformity assessment by a notified body on his devices in one EEA country in order to gain access to the entire EEA market.

Devices falling within Classes IIb and III constitute a high risk potential and inspection by a notified body is required with regard to the design and manufacture of the devices. Class III contains the most critical devices for which explicit prior authorization with regard to conformity is required for them to be placed on the market.

In the CE marking process, a medical device manufacturer must carry out a clinical evaluation of its medical device to demonstrate conformity with the relevant essential requirements. This clinical evaluation is part of the product's technical file. A clinical evaluation includes an assessment of whether a medical device's performance is in accordance with its intended use, that the known and foreseeable risks linked to the use of the device under normal conditions are minimized and acceptable when weighed against the benefits of its intended purpose. The clinical evaluation conducted by the manufacturer must also address any clinical claims, the adequacy of the device labeling and information (particularly claims, contraindications, precautions and warnings) and the suitability of related instructions for use. This assessment must be based on clinical data, which can be obtained from clinical studies conducted on the device being assessed, scientific literature from similar devices whose equivalence with the assessed device can be demonstrated or both clinical studies and scientific literature. With respect to devices classified as Class III in the EEA, the manufacturer must conduct clinical studies to obtain the required clinical data, unless reliance on existing clinical data from similar devices can be justified.

For devices incorporating, as an integral part, an ancillary medicinal substance, the notified body must consult EMA or competent authority on the quality and safety of the medicinal substance including the clinical benefit/risk profile of the incorporation of the substance into the medical device.

A notable aspect is that the European regulatory framework for medical devices is undergoing certain changes. A new EU medical device regulation, directly applicable in all EU member states, was recently published. A transition period of three years will apply. The key changes of the new regulation are product scope expansion, more stringent clinical evidence and increased postmarket surveillance authority for the notified bodies.

CERAMENT BVF, CERAMENT G and CERAMENT V have been classified as Class III products in the EEA due to being partly resorbable and incorporating ancillary medicinal substances.

HEALTH CARE REIMBURSEMENT

Introduction

Healthcare service is delivered by providers, such as hospitals, and in most cases financed by insurance companies or government payers through national and regional reimbursement systems. A medical service is provided to patients and then the healthcare provider files for reimbursement for the service with the insurance company or government agency. There are various types of reimbursement systems used in the different countries where BONESUPPORT's products are marketed. Different systems within one country can also be applicable to BONESUPPORT's products and the Company must therefore undertake a variety of activities in order to meet the demands from every country.

One category of reimbursement systems, which is increasingly used as the basis for paying healthcare providers, is a system based on diagnosis-related groups ("**DRG**"). A DRG-based system classifies inpatient medical activity into groups based on diagnosis type for classification and payment of the activity. DRGs group individual patient's treatments into a number of clinically meaningful and economically homogeneous categories. DRGs define hospital activity facilitating comparisons of hospital costs, quality and efficiency, and contribute to increased transparency of hospitals.

Under a DRG-based reimbursement system, a hospital is reimbursed a fixed amount for specific activity within the scope of that group based on resource use, and duration of stay. The specific DRG is usually based on an assessment of the average costs of performing a service, and adjusted for complexity and location of services –i.e. complex patients with multiple morbidities or tertiary and teaching hospitals are usually awarded higher payments than the national average.

DRG-based hospital payment systems are a mechanism that provides incentives for health care providers to treat patients in need of care and to deliver an adequate number of necessary services (level of activity), while taking into account the appropriateness of the services and patient outcomes (i.e. quality). The move towards DRG-based hospital payment systems is thus aiming for more efficiency in treating patients and reducing the likelihood of over-treatment and excessive resource use.

Reimbursement systems in the US

In the US, where DRG's were first introduced for inpatient care, providers are paid by a range of public and private third-party payers (the "**payers**"), principally federal Medicare (funded through the Hospital Insurance Trust Fund and the Supplementary Medical Insurance Trust Fund), state Medicaid (a social health care program for families and individuals with limited resources) and private health insurance plans. The healthcare provider submits a reimbursement request for funding for the services performed.

To establish the categories for new treatments within the DRG system, and the related compensation levels, the payers are increasingly undertaking an evaluation of health resources used; a comparative assessment of the alternative treatments; and new commercial arrangements. A new treatment/method is compared with the present standard of care taking into consideration the costs, clinical results and resulting quality of life. Payers are pushing manufacturers of innovative products like BONESUPPORT to substantiate patient outcomes and clinical claims.

More recently, the US hospital landscape has moved towards bundled payments including in orthopedics. Multiple individual procedures are bundled into a single payment that covers all of the services involved in a patient's care and distributed among the providers. An example is the Comprehensive Care for Joint Replacement's (CJR) which introduced a mandatory bundled payment program from 1 April 2016 for Medicare patients. Initially it included two DRGs, hip and knee replacement and revision. There is a proposal to add three further DRGs (hip and femur procedures – fractures) from 1 July 2017. The purpose of the program is to ensure that there is one payment from admission to 90 days post discharge in order to drive costs to a pre-set payment target.

In addition, alternative payment models are being adopted by newly created Accountable Care Organizations. Accountable Care Organizations are groups of healthcare organizations that come together voluntarily to give coordinated high quality care to patients. The goal of coordinated care is to ensure that patients get the right care at the right time, while avoiding unnecessary duplication of services and preventing medical errors.

Changes in the US hospital reimbursement landscape such as bundled payments and Accountable Care Organization may be advantageous for BONESUPPORT's products since one payment covers multiple episodes of care, such as post procedure readmissions. The number one reason for a readmission within 30 days of hip / knee replacement is surgical site infections. There is a huge advantage for companies that develop innovative bone grafting products that reduce infections, such as BONESUPPORT's products, when the incentives are focused on reductions in readmissions, rather than hospital throughput. CERAMENT G and CERAMENT V have shown to result in reduced bone infection rates and therefore a reduced readmission rate.

Reimbursement systems in the EEA countries

Similar to the US market, countries such as Germany, Switzerland, France and the UK use versions of DRGs for payment of orthopedic procedures. Germany and the UK combine DRG systems with additional payments for high cost devices. France has a similar positive exclusion list that includes bone substitutes, called the LPP system. The Nordics use DRGs for coding and reporting, but do not consistently use them for payment. Each system is unique and has established its own system for the creation of, and requirements of listing products for reimbursement. As such, BONESUPPORT must undertake a variety of activities in order to meet the demands from every country.

Health Economics and Outcomes Research

All countries are focused on maximizing the benefit to patients of introducing new technologies, and as such have established processes to assess and determine what technologies should be deployed. As explained, in DRG type systems, and also in other health care systems, governments and payers are demanding that the manufacturers of innovative technologies like BONESUPPORT demonstrate the clinical advantage and associated value of the technology.

Health Economics and Outcomes Research ("**HEOR**") is a scientific discipline that quantifies the economic and clinical outcomes of medical technology and thus a central component for demonstrating product value, encompassing aspects such as clinical efficacy, real-world data, patient quality of life reports, opportunity cost of various treatment mixes, budget impact, and cost-effectiveness models. All of which eventually supports the allocation of resources for the listing, pricing and reimbursement of new products. BONESUPPORT's strategy includes generating HEOR data to support reimbursement and to highlight the health economic benefits that BONESUPPORT's products deliver, for example through the currently conducted CERTiFy study.

Reimbursement of BONESUPPORT's products

BONESUPPORT has reviewed relevant DRG systems and found that existing coding and payments do not recognize or reward the innovation of CERAMENT G and CERAMENT V. These two innovative products offer substantial advantages and savings to health systems via improved bone healing and infection prevention. As a result, BONESUPPORT is focused on meeting the specific requirements of governments and payers to gain specific coding and premium pricing in the key markets for CERAMENT G and CERAMENT V. In the near term CERAMENT G and CERAMENT V can be funded via hospital budgets.

Furthermore, changes in the US hospital reimbursement landscape are opening up a unique possibility for market penetration for CERAMENT G and CERAMENT V.

The average end-selling price for CERAMENT BVF is 822 USD in available markets in Europe and 3,100 USD in the US. The average end-selling price for both CERAMENT G and CERAMENT V is 1,800 USD in available markets in Europe.[1)]

The table below highlights the target countries and the aims to achieve specific coding and recognition for the innovative CERAMENT G and CERAMENT V.

CERAMENT Reimbursement landscape

COUNTRY	CERAMENT™ BVF	CERAMENT G/V
United States	DRG	Add-on DRG
United Kingdom	HRG	NICE Guidance
Germany	DRG	OPS Code
Scandinavia	Hospital budget	Hospital budget
Switzerland	DRG	CHOP Code
France	DRG	LPP

DRG = Diagnosis Related Group
HRG = Healthcare Resource Related Group
OPS = Operationen- und Prozedurenschlüssel Procedure classification codes
NICE = National Institute for Care and Health Excellence
CHOP = Schweizerischer Operationen und Prozeduren Kode, Swiss procedure code
LPP = List of products and services qualifying for reimbursement in France

1) Average selling price for 10 ml as per 2016.

SELECTED HISTORICAL FINANCIAL INFORMATION

The following summarized financial information presented in this section regarding the full year is taken from BONESUPPORT's complete financial information for the financial years 2014, 2015 and 2016, which has been made especially for the Prospectus and prepared in accordance with the Swedish Annual Accounts Act, IFRS and RFR 1 Supplementary Accounting Rules for Groups, and has been audited by the Company's auditor according to RevR 5 Review of financial information in prospectuses. The information regarding the period January–March 2016 and January–March 2017 has been taken from BONESUPPORT's interim report for the period January–March 2017, which has been prepared in accordance with IAS 34 Interim Financial Reporting and the Swedish Annual Accounts Act. The interim report has been reviewed by the Company's auditor. For further information on applied accounting policies, refer to Note 1 ("Accounting principles") in the section "Historical financial information".

The Prospectus contains certain financial performance measures that are not defined under IFRS. The Company believes that these performance measures are an important complement because they allow for a better evaluation of the Company's economic trends. BONESUPPORT consider that these alternative performance measures provide a better understanding of the Company's financial trends when read together with (but not instead of) other measures defined by IFRS and that they, to a great extent, are used by the Company's management, investors, stock market analysts and other interested parties, as a supplemental measure of the Company's financial performance. These financial performance measures should not be viewed in isolation or be considered to replace the performance indicators that have been prepared in accordance with IFRS. In addition, such performance measures as BONESUPPORT has defined them, should not be compared with other performance measures with similar names used by other companies. This is because the above-mentioned performance measures are not always defined in the same manner, and other companies may calculate them differently than BONESUPPORT.

The information below should be read together with the Company's complete financial information for the financial years 2014, 2015 and 2016, and accompanying notes, and the interim report for the period January – March 2017 (see section "Historical financial information").

CONDENSED CONSOLIDATED INCOME STATEMENT

	Un-audited		Audited		
SEK million	Jan – Mar 2017	Jan – Mar 2016	2016	2015	2014
Net Sales	32.5	23.3	104.6	61.8	41.0
Cost of sales	–3.6	–3.7	–16.3	–9.5	–6.4
Gross profit	**28.8**	**19.6**	**88.3**	**52.2**	**34.6**
Selling expenses	–24.8	–17.7	–79.8	–56.2	–37.4
Research and development expenses	–9.4	–5.5	–38.2	–19.0	–17.0
Administrative expenses	–21.7	–9.1	–60.7	–31.7	–23.5
Other operating income	0.8	0.7	7.3	3.3	5.0
Other operating expenses	–1.3	–1.6	–5.7	–2.6	–1.0
Operating loss	**–27.4**	**–13.7**	**–88.7**	**–53.9**	**–39.3**
Net financial items	–3.7	–3.6	–20.8	–5.5	–11.8
Loss before income tax	**–31.1**	**–17.3**	**–109.6**	**–59.4**	**–51.1**
Income tax	0.0	–0.2	–0.6	–0.1	0.0
Loss of the period	**–31.1**	**–17.4**	**–110.2**	**–59.6**	**–51.1**

EARNINGS PER SHARE

	Un-audited		Audited		
	Jan – Mar 2017	Jan – Mar 2016	2016	2015	2014
Loss attributable to:					
Parent company's shareholders (SEK thousand)	–31,088	–17,450	–110,190	–59,555	–51,065
Earnings per share before and after dilution (SEK)[1]	–1.07	–0.70	–4.26	–2.53	–30.30[2]

1) For all periods based on the number of Shares in the company after the consolidation 5:1 resolved at the annual general meeting on 12 April 2017. Earnings per share after dilution is the same as before dilution, as dilution effects for negative earnings per share should not be adjusted for.
2) Earnings per share adjusted for preferential share interest.

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

	Un-audited		Audited		
SEK million	Jan – Mar 2017	Jan – Mar 2016	2016	2015	2014
Loss for the period	–31.1	–17.4	–110.2	–59.6	–51.1
Other comprehensive income					
Translation differences	0.0	0.0	–0.1	–0.1	–0.4
Other comprehensive income for the period	**–31.1**	**–17.4**	**–110.3**	**–59.6**	**–51.4**

CONDENSED CONSOLIDATED BALANCE SHEET

	Un-audited		Audited		
SEK million	31 March 2017	31 March 2016	31 December 2016	31 December 2015	31 December 2014
ASSETS					
Intangible assets	4.6	4.8	4.5	4.9	5.1
Tangible assets	0.6	0.6	0.4	0.6	0.4
Other receivables	0.2	0.5	0.2	0.4	0.3
Total non-current assets	**5.4**	**5.9**	**5.1**	**5.9**	**5.8**
Inventories	15.0	14.6	14.5	15.0	9.3
Trade receivables	26.6	16.0	20.2	17.6	9.0
Other operating receivables	6.8	4.4	7.5	4.2	3.2
Cash and cash equivalents	103.3	52.9	141.5	68.9	18.4
Total current assets	**151.8**	**87.9**	**183.7**	**105.7**	**39.9**
TOTAL ASSETS	**157.2**	**93.8**	**188.8**	**111.6**	**45.6**
EQUITY AND LIABILITIES					
Equity attributable to equity holders of the parent company	9.1	6.4	34.3	20.3	–43.5
Non-controlling interests	0.0	0.0	0.0	0.0	0.0
Total Equity	**9.1**	**6.4**	**34.3**	**20.3**	**–43.5**
Non-current borrowings	77.8	0.0	84.6	0.0	62.6
Provisions	0.2	0.0	0.2	0.0	0.0
Total non-current liabilities	**77.9**	**0.0**	**84.8**	**0.0**	**62.6**
Current borrowings	25.8	60.3	25.1	62.9	4.2
Trade payables	7.8	2.9	11.8	4.7	3.8
Other operating liabilities	36.5	24.1	32.8	23.7	18.5
Total Current liabilities	**70.2**	**87.4**	**69.7**	**91.3**	**26.5**
TOTAL LIABILITES	**148.1**	**87.4**	**154.5**	**91.3**	**89.1**
TOTAL EQUITY AND LIABILITIES	**157.2**	**93.8**	**188.8**	**111.6**	**45.6**

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOW

	Un-audited		Audited		
SEK million	Jan – Mar 2017	Jan – Mar 2016	2016	2015	2014
Operating loss	–27.4	–13.7	–88.7	–53.9	–39.3
Non-cash adjustments	4.6	4.1	17.6	4.9	0.4
Interests received	0.0	0.0	0.0	0.0	0.0
Interests paid	–3.2	–2.6	–11.6	–6.3	–4.7
Other financial expenses paid	0.0	0.0	–9.9	0.0	0.0
Income tax paid	0.0	–0.2	–0.1	0.0	–0.1
Net cash flows from operating activities before changes in working capital	**–26.1**	**–12.4**	**–92.8**	**–55.4**	**–43.6**
Changes in working capital	–6.0	1.0	10.8	–9.9	–2.3
Net cash flows from operating activities	**–32.1**	**–11.4**	**–81.9**	**–65.3**	**–45.9**
Net cash flows from investing activities	–0.6	–0.3	–1.4	–1.3	–0.8
Net cash flows from financing activities	–5.0	–3.9	155.1	116.8	35.1
Cash flow for the period	**37.7**	**–15.7**	**71.8**	**50.2**	**–11.6**
Cash and cash equivalents at the beginning of the period	141.5	68.9	68.9	18.4	27.7
Translation difference on cash and cash equivalents	–0.5	–0.3	0.8	0.3	2.3
Cash and cash equivalents at the end of the period	**103.3**	**52.9**	**141.5**	**68.9**	**18.4**

KEY FINANCIAL MEASURES

SEK million	Jan – Mar 2017	Jan – Mar 2016	2016	2015	2014
Net Sales, SEK million	32.5	23.3	104.6	61.8	41.0
Sales growth, %[1]	39.6	59.9	69.4	50.7	28.8
Gross profit, SEK million[1]	28.8	19.6	88.3	52.2	34.6
Gross margin, %[1]	88.8	84.2	84.4	84.6	84.4
Operating loss, SEK million[1]	–27.4	–13.7	–88.7	–53.9	–39.3
Loss of the period, SEK million	–31.1	–17.4	–110.2	–59.6	–51.1
Equity at the end of the period, SEK million	9.1	6.4	34.3	20.3	–43.5
Net debt, SEK million[1]	0.3	7.5	–31.8	–6.0	48.4
Net operating cash flow, SEK million	–32.1	–11.4	–81.9	–65.3	–45.9
Cash and cash equivalents at the end of the period, SEK million	103.3	52.9	141.5	68.9	18.4
Earnings per share, SEK[2]	–1.07	–0.70	–4.26	–2.53	–30.30[3]

1) Alternative performance measure, not defined according to IFRS.
2) For all periods based on the number of Shares in the company after the consolidation 5:1 resolved at the annual general meeting on 12 April 2017. Earnings per share after dilution is the same as before dilution, as dilution effects for negative earnings per share should not be adjusted for.
3) Earnings per share adjusted for preferential share interest.

DEFINITIONS OF ALTERNATIVE PERFORMANCE MEASURES

Key financial measure	Definition	Reason for usage
Sales growth, %	Difference in net sales between periods in relation to the same period previous year	Management uses this measure to monitor the sales performance of the business
Gross profit	Net sales minus costs of sales	Management uses this measure to monitor the profit needed to cover other costs and profit margin
Gross margin, %	Net sales minus cost of sales divided by net sales	Management uses this measure to monitor the profit in relation to net sales, which indicates the margin to cover other costs and profit margin
Operating loss	Operating loss including depreciation	Management uses this measure for external comparisons
Net debt	Interest bearing debts (borrowings) minus cash and cash equivalents	Management uses this measure to monitor the Company's debt ratio and future financing needs

RECONCILIATIONS OF ALTERNATIVE PERFORMANCE MEASURES

The table set out below contains derivations of the alternative performance measure Net debt, showing the different component of the performance measure.

SEK million	Jan – Mar 2017	Jan – Mar 2016	2016	2015	2014
Non-current borrowings	77.8	0.0	84.6	0.0	62.6
Current borrowings	25.8	60.3	25.1	62.9	4.2
Cash and cash equivalents	103.3	52.9	141.5	68.9	18.4
Net debt	**0.3**	**7.5**	**–31.8**	**–6.0**	**48.4**

OPERATING AND FINANCIAL REVIEW

The information presented below should be read together with sections "Selected historical financial information" and "Historical financial information". The reader should note the information regarding the segments "North America" and "Europe & Rest of the World" including contributions from these segments and is referred to note 4 in the section "Historical financial information" for further information.

The information below contains forward-looking statements which are subject to various risks and uncertainties. The Company's actual results could differ materially from those anticipated in these forward-looking statements for a variety of factors, including but not limited to, those described in the section entitled "Risk Factors".

OVERVIEW

BONESUPPORT™ is an orthobiologics company that develops and commercializes innovative injectable bioceramic bone graft substitutes which remodel to host bone and have the capability to elute drugs directly into the bone void. BONESUPPORT's main marketed products are CERAMENT™ BVF, CERAMTENT™ G and CERAMENT™ V, all of which are based on the novel and proprietary CERAMENT technology platform. To date, all of BONESUPPORT's marketed products have undergone the regulatory marketing process for medical devices on the markets where they are currently available. To the Company's knowledge, CERAMENT G and CERAMENT V are, per the date of the Prospectus, the only CE-marked injectable antibiotic eluting bone graft substitutes with proven rapid remodeling into host bone.

The products represent an innovative technology backed by an intellectual property portfolio of over 100 granted and/or pending patents. BONESUPPORT has a nine year track record of safety and efficacy in treating patients and based on sales data, the Company estimates that 30,000 procedures with BONESUPPORT's products have been performed to date worldwide. There is a large addressable market opportunity across trauma, chronic osteomyelitis, revision arthroplasty and infected diabetic foot, and the Company's research focuses on continuing to further develop and refine the present technology to extend into additional indications by the elution of other drugs and therapeutic agents.

CERAMENT BVF is currently commercially available in Europe[1)] and the US as well as in India, Malaysia, Oman and Singapore. CERAMENT G is available in the same European markets as well as in India, Malaysia and Oman whereas CERAMENT V is available in the same markets as CERAMENT G except for India. Between 2014 and 2016, BONESUPPORT's total sales increased from SEK 41 million to SEK 105 million, representing a compound annual growth rate of 60 percent.

KEY FACTORS AFFECTING THE RESULTS OF THE BUSINESS OPERATIONS

The financial results for BONESUPPORT has been, and will most likely continue to be, affected by a number of factors of which some lie outside of the Company's control, both currently and in the future. In this section, key factors which BONESUPPORT view as having had effect on the Company's operating profits and financial results are included, for the period that is included in the historical financial information in the Prospectus and factors which may come to affect the Company in the future. The factors that BONESUPPORT assess as having had the greatest effect on the Company's profit / loss are listed below.

Revenue

BONESUPPORT will mainly seek to generate revenues from sales of its existing products. A large portion of the Company's revenue to date has been generated from CERAMENT BVF sales in the US through the Zimmer Biomet distribution channel of independent distributors. Since August 2012, BONESUPPORT has recognized total revenue of approximately SEK 160 million through the Zimmer Biomet distribution channel, which is increasing rapidly.

In Europe & Rest of the World BONESUPPORT commercializes all of its products, but focuses on its antibiotic eluting products CERAMENT G and CERAMENT V.

To the extent the Company is able to successfully complete the ongoing clinical studies FORTIFY and CERTiFy will have a significant effect on the Company's future revenue growth. A successful outcome of FORTIFY is expected to lead to market approval for CERAMENT G as well as a broad indication for use in the US. With CERTiFy, CERAMENT BVF will be the only synthetic bone graft substitute with randomized clinical data on level one which will facilitate market penetration on the synthetic bone graft market and enable future expansion into the allograft and autograft markets.

1) UK, Germany, Switzerland, Sweden and Denmark (direct sales) and Italy, Poland, Spain, Benelux, Finland, Norway and Austria (through distributors).

Research and development expenses

The Company's research and development expenses reflects costs incurred for research and development projects, including salaries of research personnel as well as pre-clinical and clinical studies. It also includes the costs of maintaining and overseeing the Company's intellectual property portfolio, including the costs of legal counsel and associated filing and maintenance fees.

The Company expects that the research and development expenditures for the ongoing clinical study FORTIFY will increase substantially during 2017 and continue to increase substantially in 2018 as the Company progresses into later stages of the clinical study. The expected increase will primarily relate to higher personnel costs and expenses related to the study. The costs for research and development corresponded to 18 and 22 percent of the operating expenses for the years 2015 and 2016 respectively.

The total expenditure for the completion of FORTIFY and CERTiFy depends on a number of factors including, but not limited to, the Company's ability to take the studies forward according to plan and to obtain necessary approvals from relevant regulatory authorities. The estimated expenses for the studies may be unevenly distributed over time, and the actual expenses may come to exceed the estimated expenses. It is not unusual for clinical studies to be affected by delays and that budgets are exceeded.

Sales and marketing expenses

The principal components of marketing and distribution expenses include staff costs (30 employees as at 31 December 2016), and costs for subcontracting, business development, travel, training, office and other costs. Historically, the costs for sales and marketing have been stable in terms of percentage of operating expenses and the Company expects that this ratio will remain at similar levels in the coming three years.

Marketing and distribution expenses increased in 2015 and 2016 as a result of an increased local sales force, including in the US, the UK and Switzerland. BONESUPPORT's strategy in coming years is to strengthen its operations in the US by increasing sales reach through the Zimmer Biomet distribution channel and by recruiting additional sales representatives in Europe. Recruitments are already under way and will be announced in 2017. BONESUPPORT expects to increase its marketing and distribution staff from 30 at the year-end 2016 to approximately 42 by the end of 2017. The Company considers the development of the commercialization strategy in the US an essential step in the run towards commercialization of CERAMENT G.

General and administrative expenses

The Company's general and administrative expenses consist primarily of salaries and other related costs for personnel in executive, finance, accounting, business development, quality, IT and human resources functions. Patent expenses, leased premises and depreciation are also part of general and administrative expenses. Administrative expenses also include expenses for the Company's employee stock option schemes. General and administrative expenses have increased in line with the increased efforts in the commercialization of the Company's products and the start of the CERTiFy and FORTIFY studies. BONESUPPORT expects to increase its administrative staff, from 8 at the year-end 2016 to approximately 10 by the end of 2017.

Taxes

BONESUPPORT has been generating operating losses since its formation. These losses have been accumulated tax losses which amounted to approximately SEK 449 million as per 31 December 2016. However, it is uncertain when these losses carried forward will be able to be utilized to offset against taxable profits. A deferred tax asset attributable to the loss carried forward is therefore of no value in the consolidated statement of financial position. As stated in the section *Risk factors*, BONESUPPORT's opportunities to utilize losses carried forward is affected by certain applicable limitations rules and any future changes in applicable tax law.

Exposure to currency risks

The Company prepares its financial statements in SEK and SEK is the Group's functional currency. However, an increasing part of the Company's future operating income and expenses will be in EUR, GBP, CHF and USD. The development costs for the clinical studies FORTIFY and CERTiFy are paid mainly in USD and EUR. Depending on how these currencies develops vis-à-vis each other, it may have a positive or negative impact on the Company's result. In accordance with the Company's policy for financial risk, the Company may hedge currency flows. However, no hedging is presently undertaken.

SEGMENTS

BONESUPPORT's operations are broken down into two operating segments; *North America* and *Europe & Rest of the World* based on the internal organization structure, as implemented in consultation with the board of directors, and which is used as a basis for allocating resources and evaluating results.

North America

Within the North America segment, the Company sells CERAMENT BVF via the distribution partner Zimmer Biomet . To date, revenue is mainly generated in the US. In 2016, North America accounted for about 66 percent of the Company's total revenue.

Europe & Rest of the World

Within Europe & Rest of the World segment, the Company sells CERAMENT BVF, CERAMENT G and CERAMENT V to certain markets in Europe and other markets. Revenue is mainly generated in Europe. In 2016, Europe & Rest of the

World accounted for about 34 percent of the Company's total revenue.

ITEMS IN THE INCOME STATEMENT

Net sales

Net sales mainly comprise the Company's revenues from CERAMENT BVF in the operating segment North America and CERAMENT BVF, CERAMENT G and CERAMENT V in the operating segment Europe & Rest of the World.

Costs and other revenues

Selling expenses

The Company's marketing and distribution costs mainly consist of costs for the CERAMENT BVF, CERAMENT G and CERAMENT V sales organization as well as markering costs, which mainly comprises costs relating to staff, marketing tools, trade fairs and exhibitions.

Research and development expenses

Research and development costs mainly comprise personnel expenses, costs for research, preclinical and clinical studies and regulatory development.

Administrative expenses

Administrative expenses include costs for the finance function, IT and the portion of wages and other costs that are not directly attributable to selling expenses or research and development operations, as well as costs for employee stock option schemes.

Other operating income and expenses

Other operating income and expenses mainly consist of the Company's foreign exchange gains and losses on operating assets and liabilities.

Operating profit/loss

Operating profit is calculated by deducting the cost of sales, marketing and distribution costs, administrative expenses, research and development costs and other operating expenses from net sales.

Net financial items

Financial income on cash and cash equivalents and financial costs connected to outstanding liabilities.

Profit / loss for the period before and after income tax

The profit or loss before and after tax expenses that is attributable to the Company's shareholders.

Income tax

Income tax consists of current and deferred income tax for the period.

COMPARISON OF THE PERIOD JANUARY – MARCH 2017 TO JANUARY – MARCH 2016

Net sales

BONESUPPORT's net sales increased by SEK 9.2 million, or 40 percent, from SEK 23.3 million during the period January to March 2016 to SEK 32.5 million during the same period in 2017. The increase in net sales was primarily attributable to increase in sales in the two segments North America and Europe & Rest of the World, and is further explained below.

North America

In the operating segment North America, net sales increased by SEK 5.1 million, or 33 percent, from SEK 15.4 million during the period January to March 2016 to SEK 20.5 million during the same period in 2017. The increase in net sales was primarily attributable to an increasing acceptance of the clinical benefits of CERAMENT BVF by surgeons and healthcare providers as well as an increase in marketing activities such as attendance at conferences and similar activities.

Europe & Rest of the World

In the operating segment Europe & Rest of the World, net sales increased by SEK 4.2 million, or 54 percent, from SEK 7.8 million during the period January to March 2016 to SEK 12.0 million during the same period in 2017. The increase in net sales was primarily attributable to increasing acceptance of the clinical benefits of CERAMENT BVF by surgeons and healthcare providers.

Costs and other revenue

BONESUPPORT's cost of sales decreased by SEK 0.1 million, from SEK 3.7 million, or 16 percent of net sales, during the period January to March 2016 to SEK 3.6 million, or 11 percent of net sales, during the same period in 2017. Selling expenses increased by SEK 7.1 million, from SEK 17.7 million, or 76 percent of net sales, during the period January to March 2016 to SEK 24.8 million, or 76 percent of net sales, during the same period in 2017. The increase was primarily attributable to increased personnel costs. Administrative expenses increased by SEK 12.6 million, from SEK 9.1 million, or 39 percent of net sales, during the period January to March 2016 to SEK 21.7 million, or 67 percent of net sales, during the same period in 2017. The increase was primarily attributable to costs related to the Company's employee stock option programs, an increase in external services in connection with IPO preparations amounting to SEK 5.3 million and other costs such as hired staff, recruitment costs and IT costs. Research and development expenses increased by SEK 3.9 million, from SEK 5.5 million, or 24 percent of net sales, during the period January to March 2016 to SEK 9.4 million, or 29 percent of net sales, during the same period in 2017. The increase was primarily attributable to increased personnel costs and increased activity. Other operating income, which is mainly related to

currency exchange rate gains, increased by SEK 0.1 million, from SEK 0.7 million during the period January to March 2016 to SEK 0.8 million during the same period in 2017. Other operating expenses, which is mainly related to currency exchange rate losses, decreased by SEK 0.3 million, from SEK 1.6 million during the period January to March 2016 to SEK 1.3 million during the same period in 2017.

Operating loss

BONESUPPORT's operating loss increased by SEK –13.7 million, from SEK –13.7 million during the period January to March 2016 to SEK –27.4 million during the same period in 2017. The increase was primarily attributable to the changes described under *Net sales* and *Costs and other revenue* above.

Contribution

North America

The contribution from the operating segment North America increased by SEK 1.5 million, from SEK 7.3 million during the period January to March 2016 to SEK 8.8 million during the same period in 2017. The increase was primarily attributable to increased sales.

Europe & Rest of the World

The contribution from the operating segment Europe & Rest of the World increased by SEK 0.3 million, from SEK –2.3 million during the period January to March 2016 to SEK –2.0 million during the same period in 2017. The increase was primarily attributable to increased sales, which were greater than the increased costs for personnel and marketing.

Results from financial items

Net financial items decreased by SEK –0.1 million, from SEK –3.6 million during the period January to March 2016 to SEK –3.7 million during the same period in 2017.

Loss before and after income tax

BONESUPPORT's pre-tax loss increased by SEK 13.8 million, from SEK –17.3 million during the period January to March 2016 to SEK –31.1 million during the same period in 2017. The increase was primarily attributable to the changes described under *Operating Loss* and *Results from financial items* above. Loss after tax increased by SEK 13.6 million, from SEK –17.5 million during the period January to March 2016 to SEK –31.1 million during the same period in 2017. The increase was primarily attributable to the lowered results.

Income tax

BONESUPPORT's tax expense decreased by SEK 0.2 million, from SEK 0.2 million during the period January to March 2016 to SEK 0.0 million during the same period in 2017.

Cash flow

Cash flow from operating activities amounted to SEK –32.1 million for the period January to March 2017, compared to SEK –11.4 million for the same period in 2016. The SEK 20.7 million decrease in cash flow from operating activities during the period January to March 2017 was primarily due to the Company's increased operating loss as well as a negative change in the Company's working capital. Cash flow from investing activities amounted to SEK –0.6 million for the period January to March 2017, compared to SEK –0.3 million for the same period in 2016. Cash flow from financing activities amounted to SEK –5.0 million for the period January to March 2017, compared to SEK –3.9 million for the same period in 2016. Total cash flow amounted to SEK –37.7 million for the period January to March 2017, compared to SEK –15.7 million for the same period in 2016, a decrease of SEK 22.0 million.

Liquidity and financial position

Per 31 March 2017, total equity amounted to SEK 9.1 million, compared to SEK 6.4 million per 31 March 2016. The SEK 2.7 million increase was primarily attributable to the new share issue of SEK 99.2 million during 2016, which balanced the Company's (total) loss for the period. Per 31 March 2017, BONESUPPORT had cash and cash equivalents of SEK 103.3 million, compared to SEK 52.9 million at 31 March 2016. The SEK 50.4 million increase was primarily attributable to the refinancing of the Company's debt.

COMPARISON OF THE FINANCIAL YEAR 2016 TO 2015

Net sales

BONESUPPORT's net sales increased by SEK 42.8 million, or 69 percent, from SEK 61.8 million in 2015 to SEK 104.6 million in 2016. The increase in net sales was primarily attributable to sales growth in the two segments North America and Europe & Rest of the World, and is explained in more detail below.

North America

In the operating segment North America, net sales increased by SEK 29.5 million, or 75 percent, from SEK 39.4 million in 2015 to SEK 68.9 million in 2016. The increase in net sales was primarily attributable to the continued investment in marketing and sales resources in the US, which are driving a wider adoption of the Company's products by US surgeons and healthcare providers.

Europe & Rest of the World

In the operating segment Europe & Rest of the World, net sales increased by SEK 13.3 million, or 59 percent, from SEK 22.4 million in 2015 to SEK 35.7 million in 2016. The increase in net sales was primarily attributable to increased use in the markets where BONESUPPORT has its own sales forces, UK, Germany, Switzerland, Sweden and Denmark.

Costs and other revenues

In line with the increase of the net sales BONESUPPORT's cost of sales increased by SEK 6.8 million from SEK 9.5 million, corresponding to 15 percent of net sales in 2015, to SEK 16.3 million, corresponding to 16 percent of net sales, in 2016. Selling expenses increased by SEK 23.6 million, from SEK 56.2 million, or 91 percent of net sales, in 2015 to SEK 79.8 million, or 76 percent of net sales, in 2016. The increase was primarily attributable to increased sales and increases marketing and selling efforts in the US, UK, Germany, Switzerland and Scandinavia. Administrative expenses increased by SEK 29.0 million, from SEK 31.7 million, or 51 percent of net sales, in 2015 to SEK 60.7 million, or 58 percent of net sales, in 2016. The increase was partly due to costs associated with the recruitment of the new CEO, the listing preparations as well as cost related to the Company's employee stock option programs. Research and development expenses increased by SEK 19.2 million, from SEK 19.0 million, or 31 percent of net sales, in 2015 to SEK 38.2 million, or 37 percent of net sales, in 2016. The increase was primarily attributable to increased clinical and medical resources as well as trial expenses related to the FORTIFY study to approve CERAMENT G in the US. Other operating income, which is mainly related to foreign currency gains, increased by SEK 4.0 million, from SEK 3.3 million in 2015 to SEK 7.3 million in 2016. Other operating expenses, which is mainly related to foreign currency losses, increased by SEK 3.1 million, from SEK 2.6 million in 2015 to SEK 5.7 million in 2016.

Operating loss

BONESUPPORT's operating loss increased by SEK 34.8 million, from SEK 53.9 million in 2015 to SEK 88.7 million in 2016. The increased operating loss was attributable to the changes described under *Net sales and Costs and other revenues* above.

Contribution

North America

The contribution from the operating segment North America increased by SEK 8.0 million, from SEK 14.5 million in 2015 to SEK 22.5 million in 2016. The increase was primarily attributable to increased sales.

Europe & Rest of the World

The contribution from the operating segment Europe & Rest of the World decreased by SEK 5.0 million, from SEK –7.2 million in 2015 to SEK –12.2 million in 2016. The decrease was primarily attributable to the increase in local sales resources in the direct markets Germany, UK and Switzerland as well as the distributor markets in India, Italy & Spain.

Results from financial items

Net financial items decreased by SEK 15.3 million, from SEK –5.5 million in 2015 to SEK –20.8 million in 2016. The decrease was primarily attributable to the refinancing of the Company's debt.

Loss before and after income tax

BONESUPPORT's pre-tax loss increased by SEK 50.2 million, from SEK –59.4 million in 2015 to SEK –109.6 million in 2016. The increase was precisely attributable to the changes as disclosed under *Operating loss* and *Results from financial items*. Loss after tax increased by SEK 50.6 million, from SEK –59.6 million in 2015 to SEK –110.2 million in 2016. The increase was attributable to the reasons as explained above and under *Income tax below*.

Income tax

BONESUPPORT's tax expense increased by SEK 0.5 million, from SEK 0.1 million in 2015 to SEK 0.6 million in 2016. The increase was primarily attributable to the income tax paid as a result of the global tax structures and the increasing revenue in the subsidiaries of the Group.

Cash flow

Cash flow from operating activities amounted to SEK –81.9 million in 2016, compared to SEK –65.3 million in 2015. The SEK 16.6 million decrease in cash flow from operating activities in 2016 was primarily due to the increase in the operating loss of the Company. Cash flow from investing activities amounted to SEK –1.4 million for 2016, compared to SEK –1.3 million in 2015. The SEK 0.1 million decrease in cash flow from investing activities in 2016 was primarily due to investments in patents in 2015. Cash flow from financing activities amounted to SEK 155.1 million in 2016, compared to SEK 116.8 million in 2015. The SEK 38.3 million increase in cash flow from financing activities in 2016 was primarily due to the refinancing of the Company's debt in addition to a new share issue amounting to SEK 99.2 million. Total cash flow amounted to SEK 71.8 million in 2016, compared to SEK 50.2 million in 2015, resulted in an increase of SEK 21.6 million.

Liquidity and financial position

At 31 December 2016, total equity amounted to SEK 34.3 million, compared to SEK 20.3 million at 31 December 2015. The SEK 14.0 million increase was primarily attributable to a new share issue of SEK 99.2 million primarily offset by the comprehensive income for the period. At 31 December 2016, BONESUPPORT had cash and cash equivalents of SEK 141.5 million, compared to SEK 68.9 million at 31 December 2015. The SEK 72.6 million increase was primarily due to the refinancing of the Company's debt as well as the new share issue mentioned under *Cash flow* above.

COMPARISON OF THE FINANCIAL YEAR 2015 TO 2014

Net sales

BONESUPPORT's net sales increased by SEK 20.8 million, or 51 percent, from SEK 41.0 million in 2014 to SEK 61.8 million in 2015. The increase in net sales was primarily attributable to sales growth in the two segments North America and Europe & Rest of the World, and is explained in more detail below.

North America

In the operating segment North America, net sales increased by SEK 12.5 million, or 47 percent, from SEK 26.9 million in 2014 to SEK 39.4 million in 2015. The increase in net sales was primarily attributable to the Company's investment in local marketing and sales capabilities targeted to drive adoption of the Company's products by US surgeons and healthcare providers.

Europe & Rest of the World

In the operating segment Europe & Rest of the World, net sales increased by SEK 8.3 million, or 59 percent, from SEK 14.1 million in 2014 to SEK 22.4 million in 2015. The increase in net sales was primarily to increased adoption of the Company's products by surgeons and healthcare providers.

Costs and other revenues

BONESUPPORT's cost of sales increased by SEK 3.1 million, from SEK 6.4 million, or 16 percent of net sales, in 2014 to SEK 9.5 million, or 15 percent of net sales, in 2015. Selling expenses increased by SEK 18.8 million, from SEK 37.4 million, or 91 percent of net sales, in 2014 to SEK 56.2 million, or 91 percent of net sales, in 2015. The increase was primarily attributable to the sales infrastructure that was increased especially in the US, UK, Germany and Switzerland. Administrative expenses increased by SEK 8.2 million, from SEK 23.5 million, or 57 percent of net sales, in 2014 to SEK 31.7 million, or 51 percent of net sales, in 2015. The increase was mainly due to an increase in finance and IT resources. Research and development expenses increased by SEK 2.0 million, from SEK 17.0 million, or 42 percent of net sales, in 2014 to SEK 19.0 million, or 31 percent of net sales, in 2015. The increase was primarily attributable to building up clinical and regulatory resources for the FORTIFY study. Other operating income, which is mainly related to foreign currency gains, decreased by SEK 1.7 million, from SEK 5.0 million in 2014 to SEK 3.3 million in 2015. Other operating expenses, which is mainly related to foreign currency losses, increased by SEK 1.6 million, from SEK 1.0 million in 2014 to SEK 2.6 million in 2015.

Operating loss

BONESUPPORT's operating loss increased by SEK 14.6 million, from SEK 39.3 million in 2014 to SEK 53.9 million in 2015. The increased operating loss was attributable to the changes outlined under "*Net sales*" and "*Costs and other revenues*" above.

Contribution

North America

The contribution from the operating segment North America decreased by SEK 3.2 million, from SEK 17.7 million in 2014 to SEK 14.5 million in 2015. The decrease was primarily attributable to investments in local marketing and sales presence.

Europe & Rest of the World

The contribution from the operating segment Europe & Rest of the World increased by SEK 0.9 million, from SEK –8.1 million in 2014 to SEK –7.2 million in 2015. The increase was primarily attributable to the increase in local field sales presence in Germany, UK and Switzerland.

Results from financial items

Net financial items increased by SEK 6.3 million, from SEK –11.8 million in 2014 to SEK –5.5 million in 2015. The increase was attributable to reduced costs of BONESUPPORT's debt.

Loss before and after income tax

BONESUPPORT's pre-tax loss increased by SEK 8.3 million, from SEK –51.1 million in 2014 to SEK –59.4 million in 2015. The increase was precisely attributable to the changes disclosed in the frame of the *Operating loss* and *Results from financial items*. Loss after tax increased by SEK 8.5 million, from SEK –51.1 million in 2014 to SEK –59.6 million in 2015. The increase was attributable to the reasons as explained above and under *Income tax* below.

Income tax

BONESUPPORT's tax expense increased by SEK 0.1 million from SEK 0.0 million in 2014 to SEK 0.1 million in 2015. The increase was primarily attributable to income tax paid due to the increasing revenue recorded in the Company's subsidiaries.

Cash flow

Cash flow from operating activities amounted to SEK –65.3 million in 2015, compared to SEK –45.9 million in 2014. The SEK 19.4 million decrease in cash flow from operating activities in 2015 was primarily due to the increase of the Company's operating loss. Cash flow from investing activities amounted to SEK –1.3 million for 2015, compared to SEK –0.8 million in 2014. The SEK 0.5 million decrease in cash flow from investing activities in 2015 was primarily due to an acquired patent. Cash flow from financing activities amounted to SEK 116.8 million in 2015, compared to SEK 35.1 million in 2015. The SEK 81.7 million in cash flow from financing activities in 2015 was primarily due to a share issue of SEK 120 million. Total cash flow amounted to SEK 50.2 million in 2015, compared to SEK –11.6 million in 2014, an increase of SEK 61.8 million.

Liquidity and financial position

At 31 December 2015, total equity amounted to SEK 20.3 million, compared to SEK –43.5 million at 31 December 2014. The SEK 63.8 million increase was primarily attributable to a new share issue raising SEK 120 million in 2015. At 31 December 2015, BONESUPPORT had cash and cash equivalents of SEK 68.9 million, compared to SEK 18.4 million at 31 December 2014. The SEK 50.5 million increase was primarily due to the new share issue mentioned above.

CAPITAL STRUCTURE, INDEBTEDNESS AND OTHER FINANCIAL INFORMATION

The tables in this section show BONESUPPORT's capitalization and indebtedness at Group level as of 31 March 2017. See the section "Share capital and ownership structure" for additional information on BONESUPPORT's share capital and shares. The tables in this section should be read together with sections "Operating and financial review" and "Historical financial information".

EQUITY AND LIABILITIES[1)]

	31 March 2017
Current liabilities:	
Guaranteed	0
Secured[2)]	25,832
Not secured or guaranteed	0
Total current liabilities	*25,832*
Long-term liabilities:	
Guaranteed	0
Secured[2)]	77,761
Not secured or guaranteed	0
Total long-term liabilities	*77,761*
Total indebtedness:	**103,593**
Equity:	
Share capital	18,132
Other capital contributions	671,114
Reserves	–294
Accumulated profit or loss including loss for the period	–679,853
Total equity:	**9,100**
Total capitalization:	**112,693**

1) Liabilities include only interest-bearing liabilities.
2) Regards collateral under the loan agreement with Kreos Capital V (UK) Limited. See note 26 in *Historical Financial Information*.

NET INDEBTEDNESS[1)]

		31 March 2017
(A)	Cash on hand	0
(B)	Cash and cash equivalents	103,292
(C)	Trading securities	0
(D)	**Total cash and cash equivalents (A)+(B)+(C)**	**103,292**
(E)	Current financial receivables	0
(F)	Current liabilities to banks	0
(G)	Current part of long-term liabilities	25,832
(H)	Other current liabilities (non interest-bearing)	0
(I)	**Total current liabilities (F)+(G)+(H)**	**25,832**
(J)	**Net current financial indebtedness (I)–(E)–(D)**	**–77,460**
(K)	Long-term bank loans	77,761
(L)	Bonds issued	0
(M)	Other long-term liabilities	0
(N)	**Non-current financial indebtedness (K)+(L)+(M)**	**77,761**
(O)	**Financial net indebtedness (J)+(N)**	**301**

1) Liabilities include only interest-bearing liabilities unless otherwise stated.

STATEMENT REGARDING WORKING CAPITAL

BONESUPPORT™ estimates that the current working capital is insufficient to meet the Company's needs over the next twelve months. BONESUPPORT's need for working capital over the next twelve months is mainly assignable to the implementation of the FORTIFY study to support the PMA filing in the US for CERAMENT™ G and the generation of HEOR data and other clinical data.

The Company estimates the working capital need to approximately SEK 150 million for the upcoming twelve months and that the current working capital will last until the end of the first or second quarter of 2018, primarily depending on the priority and execution of existing and new development projects.

The Company intends to finance its deficit of working capital with the funds raised in the new share issue which will be carried out simultaneously with the listing on Nasdaq Stockholm. If the Offering is fully subscribed, the total proceeds of the issue will amount to SEK 500 million before issue expenses. The intented proceeds from the issue together with cash on hand is considered sufficient to secure the Company's working capital during the upcoming twelve months.

In light of the Company's need for working capital, the Company's board of directors have decided to condition the Offering upon it generating proceeds of a minimum of SEK 250 million after issue expenses. This level is considered sufficient to secure the Company's working capital for the coming twelve months. The issue proceeds will then be used for:

- Conducting the FORTIFY study to support PMA filing in the US for CERAMENT G (40–50 percent);
- Other clinical data and HEOR data generation (40–50 percent);
- Increased marketing spend and strengthened commercial infrastructure (10–20 percent).

In the event that the required subscription rate (SEK 250 million) is not achieved, the Offering will be withdrawn and the subsequent listing on Nasdaq Stockholm will not take place. The Company will then seek alternative sources of funding, and if necessary to ensure the Company's financial position, reduce or re phase the scope of planned studies and reduce marketing costs, which means that the operations would be narrower in scope than originallyl envisaged.

RESEARCH AND DEVELOPMENT

Although BONESUPPORT has a portfolio of commercial products, the Company's business is highly focused on research and development. In order for BONESUPPORT to be able to continue to be successful, innovation and development must always be a high priority. Development related to BONESUPPORT's product candidates is associated with considerable risk and it is possible that licensing and/or commercialization is never achieved. Development expenses are capitalized once the product has received regulatory approval and in case the expenses with a high degree of certainty will create financial benefits for the Company. Expenses that do not fulfill these criteria are expensed.

INVESTMENTS

Historical investments

The table below summarizes BONESUPPORT's total investments for the 2014–2016 financial years as well as for the periods January to March 2016 and 2017.

Investments in tangible assets mainly relate to furniture, computers and limited equipment used for the production of the Company's products.

Investments in intangible assets mainly relates to capitalized development costs as well as patents acquired from a third party.

SEK million	Jan – Mar 2017	Jan – Mar 2016	2016	2015	2014
Tangible assets	0.3	0.0	0.1	0.5	0.4
Intangible assets	0.3	0.2	1.3	0.9	0.6
Total	**0.6**	**0.2**	**1.4**	**1.4**	**1.1**

Ongoing and future investments

During the period between 31 March 2017 and the publication date of the Prospectus, the Company has not made any significant investments. The Company does not have any ongoing or planned significant future investment.

FIXED ASSETS

BONESUPPORT's tangible assets amount to SEK 0.6 million as per 31 March 2017 and consist mainly of laboratory equipment. The Company's intangible assets amount to SEK 4.6 million as per 31 March 2017 and consist mainly of capitalized research and development costs as well as patents.

LOAN AGREEMENT

The Company's wholly owned subsidiary BONE SUPPORT AB, has entered into a loan agreement with Kreos Capital V (UK) Limited ("**Kreos**"). Pursuant to the loan agreement, Kreos provided BONE SUPPORT AB with a loan facility of a total principal amount of approximately EUR 22.3 million divided into two tranches of approximately EUR 13.4 million and EUR 8.9 million, respectively. The first tranche of approximately EUR 13.4 million was paid out to BONE SUPPORT AB on the date of the loan agreement and the second tranche has not yet been drawn. As of 31 March 2017 the outstanding loan amounted to approximately EUR 11.3 million. The loan carries a fixed interest of 11 percent (effective rate 16.2 percent) and the loan is repaid monthly over a period of 4 years in accordance with an "annuity schedule". The Company can choose to repay the loan from Kreos prior to its maturity date at a costs for premature repayment. A repayment in October 2017 would mean that the remaining loan approximately EUR 9.9 million is repaid at a cost of approximately SEK 10 million to compensate Kreos for loss of future interest payments according to the agreement. For further information regarding the loan agreement, see the section *Material agreements* in section *Legal considerations and supplementary information*.

REMARKS IN THE AUDIT REPORT

In the audit report for the annual report 2015, the Company's auditor has, in connection with the auditor's recommendation that the annual general meeting treats the loss-of-profit in accordance with the proposal in the administration report and discharge the board and the CEO from liability, provided a disclosure of particular importance as follows:

"Without it affecting my above statements, I want to draw attention to the information in the directors' report and note 3 that a need for further external financing will occur by the end of 2016 to complete the planned research, development and commercialization. These circumstances indicate that there is a material uncertainty factor that can lead to significant doubt regarding the Company's ability to continue the operations."

NEW SHARE ISSUE

With the authorization from the Annual General Meeting on 12 April 2017, the board of directors of BONESUPPORT intends to decide on a new issue of shares in connection with the Offering. Assuming that the Offering is fully subscribed, the gross proceeds of the new share issue will amount to SEK 500 million before issue expenses. See also the section "*Invitation to subscribe for shares in BONESUPPORT*".

TAX SITUATION

As per 31 December 2016, BONESUPPORT had accumulated unused losses carried forward amounting to SEK 449 million. However, it is uncertain when these losses carried forward will be able to be utilized to offset against taxable profits. A deferred tax asset attributable to the loss carried forward is therefore of no value in the consolidated balance sheet. As stated in the section *Risk factors*, BONESUPPORT's opportunities to utilize losses carried forward is affected by certain applicable limitations rules and any future changes in applicable tax laws.

SIGNIFICANT EVENTS AFTER 31 MARCH 2017

- At the annual general meeting on 12 April 2017, it was decided to change the articles of association and to change the company category to a public company. The annual general meeting also decided on a share consolidation 5:1 whereby five existing shares are consolidated to one share.
- In April 2017, Dr. Michael Diefenbeck was recruited to the senior management as Chief Medical Officer.
- In May 2017, the first patient was enrolled in the ongoing clinical study FORTIFY.

Except as stated above, there have not been any material changes to the Company's financial position or market position since 31 March 2017.

BOARD OF DIRECTORS, SENIOR MANAGEMENT AND AUDITORS

BOARD OF DIRECTORS

According to BONESUPPORT™'s articles of association, the board of directors, to the extent appointed by the general meeting, shall consist of no less than three and no more than eight members. BONESUPPORT's board of directors currently consists of six board members appointed by the general meeting on 12 April 2017 for the period until the end of the annual general meeting to be held in 2018.

			Independent in relation to		
Name	Position	Member since	the Company and its management	major shareholders	Holdings in BONESUPPORT[1)]
Håkan Björklund	Chairman	2016	Yes	Yes	–[2)]
Lars Lidgren	Board member	2010[3)]	Yes	Yes	492,962 SH and 860,985 PO
Björn Odlander	Board member	2010[4)]	Yes	No	–
Nina Rawal	Board member	2015	Yes	No	–
Tone Kvåle	Board member	2016	Yes	Yes	–
Lennart Johansson	Board member	2017	Yes	Yes	30,000 SH

1) Refers to shares ("SH"), warrants ("WA") and employee stock options ("PO") held in their own name as well as by affiliated natural and legal persons. Each WA and PO entitle to subscription of 0.2 shares in the Company.
2) Håkan Björklund owns 25 percent of Tellacq AB that holds 2,264,151 shares and 4,900,000 warrants in BONESUPPORT.
3) Between 1999 and 2010, Lars Lidgren was a board member of the previous entity in which the Company's business was conducted until 2010 (see also under "*General company information*" in the section "*Legal considerations and supplementary information*").
4) Between 2006 and 2010, Björn Odlander was a board member of the previous entity in which the Company's business was conducted until 2010 (see also under "*General company information*" in the section "*Legal considerations and supplementary information*").

Håkan Björklund (born 1956)

Chairman of the board of directors, Chairman of the Remuneration committee.

Education: Ph.D. from the Karolinska Institute, Stockholm, Sweden.

Professional experience: Håkan Björklund joined Avista Capital Partners in October 2011. Håkan Björklund is the former CEO of Nycomed and led i.a. the acquisition and of Altana Pharmaceutical. Prior to Nycomed, Håkan Björklund was Regional Director at Astra as well as President of Astra Draco. Håkan Björklund has also been chairman of the board of directors of H. Lundbeck A/S.

Other ongoing positions: Chairman of the board of Swedish Orphan Biovitrum AB (publ), Acino International AG, Trimb Holding AB, Aktiebolaget Jordberga Gård and BONE SUPPORT AB. Board member of Alere Inc., Kibacq AB, Gyllebo Slott AB and Tellacq AB.

Previous positions (during the last five years): Chairman of the board of H. Lundbeck A/S. Board member of Coloplast A/S, Noster System AB, Atos Medical Holding AB, Kibion AB, Atos Medical Holding 2 AB, Starid Holding 1 AB, Starid Holding 2 AB, Starid Holding 3 AB and Karin & Sten Morstedt CBD Solutions AB. Board member and CEO of Gyllebo Konsult AB.

Holdings in BONESUPPORT: Håkan Björklund owns 25 percent of Tellacq AB that holds 2,264,151 shares and 4,900,000 warrants in BONESUPPORT.

Independent in relation to the Company and its management and in relation to major shareholders.

Lars Lidgren (born 1943)

Member of the board of directors.

Education: M.D. and Ph.D. from Lund University, Sweden. Professor at Lund University, Sweden, and Professor at Copenhagen University, Denmark.

Professional experience: Lars Lidgren is leading a regenerative medicine research group at the university department in Lund. He is an honorary member of and has served as president of several major societies, and initiated the worldwide Bone and Joint Decade 2000–2010. Lars Lidgren founded the companies Scandimed (aquired by Biomet), AMeC and GWS Production AB.

Other ongoing positions: Chairman of the board of GWS Production AB, Rethinking Care Sweden AB and Academic Medical Group AB. Board member of Orthocell Ltd., Algora AB, BONE SUPPORT AB and BONESUPPORT Incentive AB.

Previous positions (during the last five years): Chairman of the board of AM e-Consulting AB and Vårdkontakt i Lund AB. Board member of Läkartid nu Nordic AB and Oberoende Försäkringar i Sverige AB. Deputy CEO of Bone Support HOLDING AB and BONE SUPPORT AB.

Holdings in BONESUPPORT: 492,962 shares and 860,985 employee stock options.

Independent in relation to the Company and its management and in relation to major shareholders.

Björn Odlander (born 1958)

Member of the board of directors, Member of the Remuneration committee.

Education: M.D. and Ph.D. from Karolinska Institutet, Stockholm, Sweden.

Professional experience: Björn Odlander is founding partner of HealthCap and serves as its Managing Partner. Previously, he pursued scientific research in the biochemistry of inflammation at Karolinska Institutet and has headed the Health Care Equity Research Team at ABB Aros Securities. Björn Odlander has extensive experience from multiple board assignments from listed and unlisted companies in the life-science sector, including Q-Med AB, NicOx S.A., Jerini AG and Nordic Nanovector ASA.

Other ongoing positions: Chairman of the board of Health Cap Aktiebolag, Odlander, Fredrikson & Co Aktiebolag, HealthCap 1999 GP Aktiebolag, HealthCap Annex Fund I-II GP AB, Brunnby Vingård & Bryggeri AB and HealthCap Orx Holdings GP AB. Board member of Wilson Therapeutics AB, Hydrargyr AB, Arildtuvan AB, NVC Holding AB, HealthCap Advisor AB, Oncorena AB, Oncorena Holding AB, Douvelle AB, Reel Ventures AB, KK-stiftelsen and BONE SUPPORT AB. Board member and CEO of OFP V Advisor AB and HealthCap VII Advisor AB. Deputy board member of HealthCap Partners AB, Barbastellen AB, Paulina Berglund Arkitekter AB and Shoemaxer AB.

Previous positions (during the last five years): Chairman of the board of Eksse AB, HealthCap Sidefund ORX Holding AB, HealthCap GbR ORX Holding AB, HealthCap 1999 ORX, HealthCap Holdings GP Aktiebolag, HealthCap Annex Fund I-II Bis GP Aktiebolag, HealthCap Aero Holdings GP AB Holding AB and Rocaer AB. Board member of LTB4 Sweden AB, RSPR Pharma AB, CC10 Sweden AB, OxThera AB, Affibody Medical AB and Wilson Therapeutics AB. Deputy board member in Faucon AB, CashCap Aktiebolag and Glionova AB.

Holdings in BONESUPPORT: –

Independent in relation to the Company and its management, but not in relation to major shareholders. Partner in HealthCap and board member in several companies in the HealthCap group.

Nina Rawal (born 1979)

Member of the board of directors, Member of the Audit committee.

Education: Ph.D. and M.Sc. from Karolinska Institutet, Stockholm, Sweden.

Professional experience: Nina Rawal has held the position of Vice President, Ventures at Gambro and has experiences from The Boston Consulting Group in Stockholm and New York as well as the Swecare foundation. She is currently Head of Life Science at Stiftelsen Industrifonden.

Other ongoing positions: Board member of Airsonett Holding AB, Airsonett AB, Smartfish AB, Glionova AB, Cirkus Cirkör and BONE SUPPORT AB.

Previous positions (during the last five years): –

Holdings in BONESUPPORT: –

Independent in relation to the Company and its management, but not in relation to major shareholders. Employed by Stiftelsen Industrifonden.

Tone Kvåle (born 1969)

Member of the board of directors, Chairman of the Audit committee.

Education: Diploma in Finance & Administration from Harstad University College, Norway.

Professional experience: Tone Kvåle has more than 20 years of experience from the biotech industry. She is currently CFO of Nordic Nanovector ASA a publicly listed Norwegian biopharmaceutical company and has previously been CFO of NorDiag ASA and Kavli Holding AS. She has also held senior management positions at Dynal Biotech AS and Invitrogen (Life Technologies, now Thermofischer).

Other ongoing positions: Board member of BONE SUPPORT AB.

Previous positions (during the last five years): Board member in Badger Explorer ASA.

Holdings in BONESUPPORT: –

Independent in relation to the Company and its management and in relation to major shareholders.

Lennart Johansson (born 1955)

Member of the board of directors.

Education: MBA from Stockholm School of Economics.

Professional experience: Lennart Johansson is Senior Advisor at Patricia Industries Nordic. In 2006 Lennart Johansson joined the Management Group of Investor AB and held different positions including Head of Business Development, Head of Operating Investments and Head of Financial Investments. Prior to joining Investor, Lennart Johansson spent 14 years at Atlas Copco whereof nine years in senior management roles in Sweden and abroad. He has also been the CEO for two different venture capital companies.

Other ongoing positions: Chairman of the board of Invified AB, Stockholm-Saltsjön Aktiebolag, Aktiebolaget Näckström, Näckström Fastigheter AB, Duba AB, Vectura Property AB, Vectura AB, NF Projektering and Förvaltning AB, Brugsviks Bryggeri AB and Vectura Fastigheter AB. Board member of Swedish Orphan Biovitrum AB (publ), HI3G Access AB, HI3G Holdings AB, HI3G Enterprise AB, HI3G Access Funding AB, ELJ Advisor AB, IGC Holding LLC, Investor Growth Capital LLC, Investor Growth Capital Asia, Investor Growth Capital Ltd, Investor Investments Bio Veda Ltd, Investor Investments Asia Ltd, Patricia Industries Inc. and BONE SUPPORT AB. Board member and CEO of Investor Growth Capital Aktiebolag. Deputy board member of Mölnlycke Holding AB, MHC Sweden AB and Mölnlycke AB.

Previous positions (during the last five years): Chairman of the board of Vectura Holding AB, Investors Trading Aktiebolag, Investor Investments Beijing AB, Indif AB and Indap Invest AB. Board member of Gambro Aktiebolag, Circassia AB, Navigare Förvaltning AB, Indap Sweden AB, Navigare AB, Indap Holding AB, Mölnlycke Holding AB, Real Management AB, Lindorff Second Holding AB, Lindorff AB, MHC Sweden AB, Mölnlycke AB, Lindorff Coinvest AB and Lindorff Institutional Management AB. Board member and CEO of Aktiebolaget Investor Group Finance, Investor Holding Aktiebolag, Investor Investments Holding Aktiebolag, Patricia Industries II AB and Rotca AB. CEO of Stockholm-Saltsjön Aktiebolag, Aktiebolaget Näckström, Vectura Property AB, Vectura AB and Vectura Fastigheter AB.

Holdings in BONESUPPORT: 30,000 shares.

Independent in relation to the Company and its management and in relation to major shareholders.

SENIOR MANAGEMENT TEAM

Name	Position	Member of the Senior Management team since	Employed in the Company since	InHoldings in the Company[1]
Richard Davies	Chief Executive Officer	2016	2016	7,197,720 ESO
Björn Westberg	Chief Financial Officer and deputy Chief Executive Officer	2017	2017	1,250,000 WA
Mats Ögren	Head of Human Resources	2016[2]	2016	-
Vikram Johri	General Manager and Executive VP of International Commercial Operations	2010	2010	1,005,812 ESO
Carin Nilsson-Thorell	VP Quality & Regulatory Management	2002	2002	225,295 ESO
Johan Olsson	Chief Operating Officer	2007	2007	165,295 ESO
Linda Butcher	Chief Marketing Officer	2012	2010	421,550 ESO
Eva Lidén	VP Research and Development	2013	2004	245,765 ESO
Patrick O'Donnell	General Manager and Executive VP of Commercial Operations US	2016	2016	720,000 ESO
Sharon McFadden	VP Clinical Affairs	2015	2015	360,000 ESO
Michael Diefenbeck	Chief Medical Officer	2017	2017	360,000 ESO

1) Refers to shares ("SH"), warrants ("WA") and employee stock options ("ESO") held in their own name as well as by affiliated natural and legal persons. Each WA and PO entitle to subscription of 0.2 shares in the Company.
2) The assignment is carried out on a consultancy basis.

Richard Davies (born 1961)

Chief Executive Officer

Education: B.Sc. Applied Chemistry from University of Portsmouth, England. MBA from Warwick Business School, England.

Professional experience: Richard Davies has 25 years of global experience in all aspects of sales / marketing and country / regional leadership, with a track record of devising and executing growth strategies and delivering successful results in complex situations. He was previously the CCO at Hospira and has had several senior leadership positions at Amgen in Europe, Australia and the US.

Other ongoing positions: Chairman of the board of Alvotech Iceland and Bone Support Incentive AB. CEO of BONE SUPPORT AB.

Previous positions (during the last five years): Board member of Zydus Hospira Oncology Products Ltd.

Holdings in BONESUPPORT: 7,197,720 employee stock options.

Björn Westberg (born 1962)

Chief Financial Officer

Education: M.S. in Industrial Engineering and Management from Linköping University, Sweden.

Professional experience: Björn Westberg has nearly 30 years' finance and management experience and has worked as CFO at Recipharm AB (publ), CFO at the software company Jeeves as well as holding senior roles at AstraZeneca.

Other ongoing positions: Board member and CEO of BTB Consult Aktiebolag. Board member of Bostadsrättsföreningen Uppland 1. Deputy CEO of BONE SUPPORT AB.

Previous positions (during the last five years): Board member of Recipharm Karlskoga AB, Recipharm Karlskoga Fastighets Aktiebolag, Recipharm Höganäs AB, Recipharm Venture Fund AB, Recipharm Strängnäs AB, Recipharm Stockholm AB, RPH Pharmaceuticals AB and Recipharm Pharmaceuticals Development AB. Deputy board member of CONEQ Control Equipment Aktiebolag and RPH Iberia AB. Partner of WEBE DESIGN HANDELSBOLAG.

Holdings in BONESUPPORT: 1,250,000 warrants.

Mats Ögren (born 1954)

Head of Human Resources

Education: B.A. in Business administration and behavior science from Stockholm University, Sweden.

Professional experience: Mats Ögren has over 17 years of experience working in the area between HR and R&D. He has held positions as Training & Leadership Manager, Human Resource Manager in AstraZeneca, Sony-Mobile Communications and Teknopol/Mobile Heights and has worked for IBM and Ericsson, both in Sweden and abroad.

Other ongoing positions: Board member and CEO of Human Craft i Stockholm AB.

Previous positions (during the last five years): –

Holdings in BONESUPPORT: –

Vikram Johri (born 1965)

General Manager and Executive VP International Commercial Operations

Education: MBA from Syracuse University, US.

Professional experience: Vikram Johri has 17 years of medical device experience gained across International and the US markets. He has worked at Wright Medical as VP Marketing EMEA and has been to Boston Scientific International where he played a critical role in developing the gynecology business.

Other ongoing positions: –

Previous positions (during the last five years): –

Holdings in BONESUPPORT: 1,005,812 employee stock options.

Carin Nilsson-Thorell (born 1955)

VP Quality & Regulatory Management

Education: M.Sc. from Faculty of Engineering LTH at Lund University.

Professional experience: Carin Nilsson-Thorell has more than 25 years of experience from the medical device industry, both from big organizations and start-up companies. Carin has been employed at Gambro AB where her last position was as Head at the department of Microbiology, Toxicology and Clinical Affairs.

Other ongoing positions: –

Previous positions (during the last five years): –

Holdings in BONESUPPORT: 225,295 employee stock options.

Johan Olsson (born 1965)

Chief Operating Officer

Education: M.Sc. in Mechanical Engineering from Faculty of Engineering LTH at Lund University.

Professional experience: Johan Olsson has a long experience in the medical device industry and management experience in production, logistics, purchasing and development. He previously worked as Head of Intensive Care Product Line at Gambro.

Other ongoing positions: –

Previous positions (during the last five years): –

Holdings in BONESUPPORT: 165,295 employee stock options.

Linda Butcher (born 1963)

Chief Marketing Officer

Education: Registered General Nurse, University College Hospital, London, England.

Professional experience: Linda Butcher has more than 25 years of experience in medical device sales and marketing. Linda was with Schneider UK, then part of Pfizer, which was acquired by Boston Scientific. Linda Butcher stayed with the company and moved into marketing roles, both European and International, for the endoscopy and urology/women's health divisions.

Other ongoing positions: –

Previous positions (during the last five years): –

Holdings in BONESUPPORT: 421,550 employee stock options.

Eva Lidén (born 1962)

VP Research and Development

Education: Ph.D. in Ceramic Technology and M.Sc. Chemical Engineering from Chalmers University of Technology, Gothenburg, Sweden.

Professional experience: Eva Lidén has a long experience in the area of ceramic materials, powder technology, colloid and surface chemistry. She is in charge of the Research department involved in the development of the CERAMENT™ products.

Other ongoing positions: –

Previous positions (during the last five years): –

Holdings in BONESUPPORT: 245,765 employee stock options

Patrick O'Donnell (born 1965)

General Manager and Executive Vice President of Commercial Operations US

Education: BA from University of Wisconsin, US.

Professional experience: Patrick O'Donnell has 24 years of experience in the medical device, biologics, and biomaterials industries with technologies in the orthopedic, spine, neurosurgery, sports medicine, interventional radiology, vascular and metabolic disorders markets. He has been the CEO of tissue regenerative and medical device companies and most recently he served as the Founder, Director and CEO of ProteoThera, Inc.

Other ongoing positions: –

Previous positions (during the last five years): CEO of ProteoThera Inc, EndoSphere, Inc. and Histogenics Corporation.

Holdings in BONESUPPORT: 720,000 employee stock options.

Sharon McFadden (born 1962)

VP Clinical Affairs

Education: Doctor of Veterinary Medicine from University of Minnesota. BA in Biology from St. Catherine University, Minnesota, US.

Professional experience: Sharon McFadden has over 20 years of experience in medical device research. She worked previously at Medtronic and Boston Scientific in preclinical and clinical positions. More recently she worked at Lutonix, a start-up that was acquired by CR Bard, where she developed and executed the preclinical program and led the clinical program to a successful PMA-approval of the first drug-coated angioplasty balloon approved by the FDA.

Other ongoing positions: –

Previous positions (during the last five years): –

Holdings in BONESUPPORT: 360,000 employee stock options.

Michael Diefenbeck (born 1974)

Chief Medical Officer

Education: M.D. from Ludwig-Maximilians-University, Munich, Germany. Ph.D. from Friedrich-Schiller-University, Jena, Germany. Orthopaedic Surgeon from Board of Orthopaedic Surgeons, Thuringa, Germany. Trauma Surgeon from Board of Trauma Surgeons, Hamburg, Germany.

Professional experience: Michael Diefenbeck is a board-certified orthopedic and trauma surgeon with 15 years of clinical experience. He founded "Scientific Consulting in Orthopedic Surgery" in 2014 and has thereafter worked on many projects with BONESUPPORT as an independent medical advisor.

Other ongoing positions: CEO of Scientific Consulting in Orthopaedic Surgery.

Previous positions (during the last five years): –

Holdings in BONESUPPORT: 360,000 employee stock options.

OTHER INFORMATION CONCERNING THE BOARD OF DIRECTORS AND SENIOR MANAGEMENT

None of the Company's board members or senior executives have during the past five years (i) been convicted of fraud-related offenses, (ii) represented a company which has been declared bankrupt, filed for mandatory liquidation or undergone corporate restructuring, (iii) been subject to accusations or sanctions by statutory or regulatory authorities (including recognized professional bodies) or (iv) been disqualified by a court from acting as a member of an issuer's administrative, management or supervisory body or from holding any senior or overarching position in an issuer.

There are no family ties between any board members or senior executives. None of the board members or senior executives have any private interests that could conflict with the Company's interests. However, as stated above, several board members and senior executives have financial interests in the Company through holdings of shares, warrants and/or employee stock options. None of the board members or senior executives have been elected or appointed as a result of a special agreement with major shareholders, customers, suppliers or other parties. None of the board members or senior executives have entered into agreements that entitle them to benefits upon termination of their assignment (except for regular severance pay for senior executives and severance packages as described in the under Remuneration to senior executives in the section *Corporate governance)*. BONESUPPORT has a capital investment based direct pension to a former CEO. This has been net accounted for in the balance sheet, see further under *note 22 Provisions* in the section *Historical Financial Information*. The Company has not set aside or accrued amounts for pensions or similar benefits for board members or senior executives upon termination of employment or assignment.

All board members and senior executives can be reached via the Company's address: Scheelevägen 19, SE-223 70 Lund, Sweden.

AUDITORS

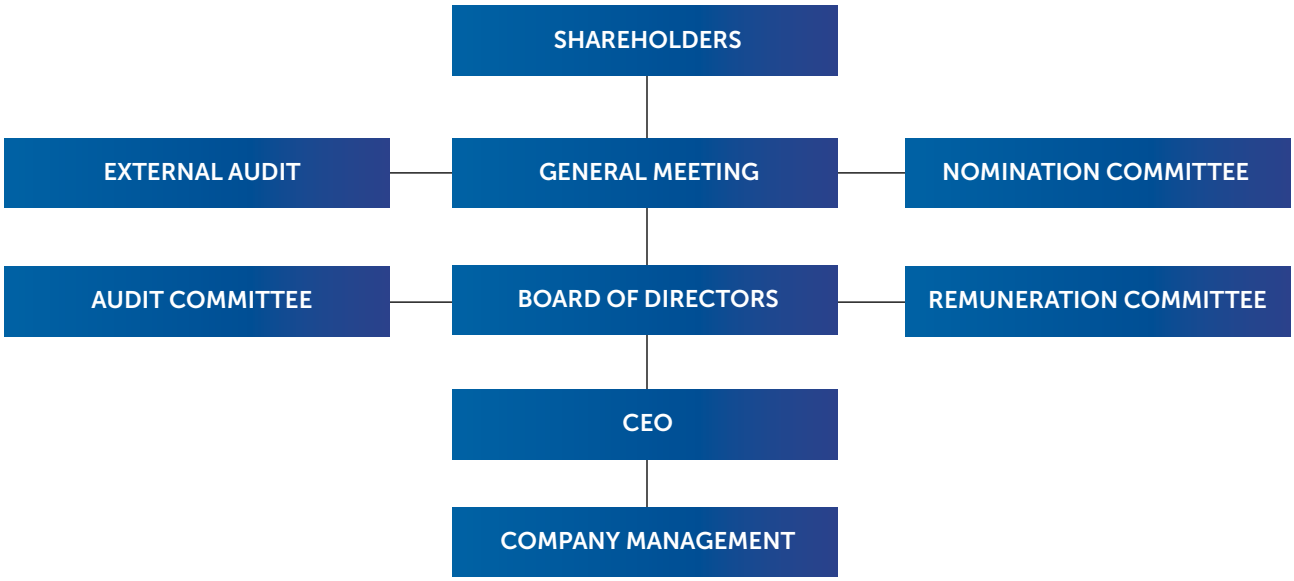
Ernst & Young AB has been the Company's auditor since December 2016 with Johan Thuresson as auditor in charge. Between 2010 and 2016, Johan Thuresson was personally elected as the Company's auditor. The change from having Johan Thuresson appointed personally as auditor to instead appointing an accounting firm was a part of the preparations for the listing of the Company. Johan Thuresson is an authorized public accountant and member of FAR, the institute for the accounting profession in Sweden. The auditor can be reached via Ernst & Young AB, P.O. Box 4279, SE-203 14 Malmö, Sweden.

CORPORATE GOVERNANCE

CORPORATE GOVERNANCE IN BONESUPPORT

BONESUPPORT™'s corporate governance has, prior to the listing on Nasdaq Stockholm, been governed by the Swedish Companies Act and other applicable laws and regulations, the Company's articles of association and internal policy documents. The internal policy documents include first and foremost the rules of procedure for the board of directors, instructions for the CEO and instructions for financial reporting. Furthermore, BONESUPPORT also has a number of policy documents and manuals containing rules and recommendations, which contain principles and provide guidance in the Company's operations and for its employees.

Following the listing on Nasdaq Stockholm, corporate governance will also be based on Nasdaq Stockholm's Rule Book for Issuers, the Swedish Corporate Governance Code (the "**Code**"), good practice in the stock market and other applicable rules and recommendations. Companies obliged to comply the Code are not required to comply with every rule in the Code at all times. If the Company finds that a certain rule is inappropriate with respect to the Company's specific circumstances, the Company may choose an alternative solution, provided that the Company clearly describes the deviation and the alternative solution (all in accordance with the principle of "comply or explain"). BONESUPPORT does currently not expect to report any deviations from the Code in the corporate governance report. The figure below provides an overview of BONESUPPORT's corporate governance structure.



GENERAL MEETING

The shareholders' right to decide on the Company's affairs is exercised at its highest decision-making body – the general meetings (the annual general meeting or an extraordinary general meeting). The general meeting decides, for example, on changes to the articles of association, the election of the board of directors and auditors, adoption of the income statement and balance sheet, discharge from liability of the board of directors and the CEO, the appropriation of profit or loss, the principles for the appointment of the nomination committee and remuneration guidelines for senior executives.

Shareholders have the right to have a specified matter brought before the general meeting. Shareholders who wish to exercise this right must submit a written request to the Company's board of directors. Such a submission must normally have been received by the board of directors no later than seven weeks before the general meeting.

General meetings shall be held in Lund. Notice convening the annual general meetings and extraordinary general meetings where amendments to the articles of association are to be addressed, shall be issued no earlier than six weeks and no later than four weeks prior to the meeting. Notice convening other extraordinary general meetings shall be

issued no earlier than six weeks and no later than three weeks prior to the meeting. Notice shall be published in the Swedish National Gazette (Sw. *Post- och Inrikes Tidningar*) and by making the notice available on the Company's website. Information regarding the notice shall at the same time be advertised in Svenska Dagbladet.

To attend and vote at the general meeting, either in person or through a proxy, shareholders must be registered in the share register kept by Euroclear Sweden AB five business days prior to the meeting and also register their participation to the Company no later than on the date specified in the notice convening the meeting. This date cannot be a Sunday, other public holiday, Saturday, Midsummer Eve, Christmas Eve or New Year's Eve and not fall earlier than the fifth business day prior to the meeting.

NOMINATION COMMITTEE

According to the Code, the Company shall have a nomination committee, the duties of which shall include the preparation and drafting of proposals regarding the election of members of the board of directors, the chairman of the board of directors, the chairman of the general meeting and auditors. The nomination committee shall also propose fees for board members and the auditor. At the annual general meeting held on 12 April 2017, it was resolved to adopt instructions and rules of procedure for the nomination committee according to which the nomination committee shall consist of four members representing the three largest shareholders per the end of September, together with the Chairman of the board of directors.

THE BOARD OF DIRECTORS

Role of the board of directors

After the general meeting, the board of directors is the highest decision-making body of the Company. The board of directors shall be responsible for the organization and management of the Company's affairs, for example by establishing targets and strategies, securing procedures and systems for monitoring of set targets, continuously assess the Company's financial position and evaluate the operational management. Furthermore, the board of directors is responsible for ensuring that proper information is given 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 on the basis of the guidelines adopted by the general meeting.

Composition of the board of directors

Board members elected by the general meeting are elected annually at the annual general meeting for the period until the end of the next annual general meeting. According to the Company's articles of association, the board of directors shall consist of no less than three and no more than eight members without any deputy members.

According to the Code, the majority of the board members elected by the general meeting shall be independent of the Company and its management. In determining whether or not a board member is independent, an overall assessment shall be made of all the circumstances that could call into question the independence of the board member in relation to the Company or its management. According to the Code, at least two of the board members who are independent in relation to the Company and its management shall also be independent in relation to major shareholders. Major shareholders refer to shareholders who directly or indirectly control ten percent or more of all shares and voting rights in the Company. To determine a board member's independence, the extent of the member's direct and indirect relationships with the major shareholder must be considered for the assessment. A board member who is an employee or a board member of a company that is a major shareholder is not considered to be independent.

The board members and the board of directors' assessment of the board members' independence in relation to both the Company and its management and in relation to major shareholders are presented in the section *Board of Directors, senior management and auditors*. As indicated, the board of directors believes that the Company fulfils the Code's requirement in regard to independence.

Chairman of the board of directors

The role of the chairman is to lead the board of directors' work and to ensure that the work is carried out efficiently, and that the board of directors fulfils its obligations. The chairman shall, through contacts with the CEO, monitor the development of the Company and ensure that the board members regularly receive, from the CEO, the information needed to be able to monitor the Company's financial position, financial planning and development. The Chairman shall also consult with the CEO on strategic issues and verify that the Board's decisions are implemented in an effective manner.

The Chairman is responsible for contacts with owners in respect of ownership matters and to communicate the point of view of the owners to the board of directors. The chairman does not participate in the operative work within the Company and is not part of senior management.

Work of the board of directors

The board of directors adheres to written rules of procedure which are revised annually and adopted at the constituting board meeting. The rules of procedure regulate, among other things, the practice of the board of directors, tasks, decision-making within the Company, the board of directors' meeting agenda, the chairman's duties and allocation of responsibilities between the board of directors and the CEO. Instruction for financial reporting and instructions for the CEO are also adopted in connection with the constituting board meeting.

The board of directors' work is also carried out based on an annual briefing plan which fulfils the board of directors' need for information. The Chairman and the CEO maintain, alongside the board meetings, an ongoing dialogue on the management of the Company.

The board of directors meets according to a pre-determined annual schedule and in addition to the constituent board meeting, at least six ordinary board meetings shall be held between each annual general meeting. In addition to these meetings, extra meetings can be arranged for processing matters which cannot be referred to any of the ordinary meetings.

Committees of the board of directors

The board of directors has set up two committees: the audit committee and the remuneration committee. The board of directors has adopted rules of procedure for both committees.

Audit committee

The audit committee's role is mainly 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 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 on the election and remuneration of the auditor. The audit committee is comprised of Tone Kvåle (chairman), Nina Rawal and Lennart Johansson.

During the year, the audit committee has this far had four meetings and discussed matters regarding the Company's control system, review of quarterly reports and assessment of the auditor's work and risk management.

Remuneration committee

The remuneration committee's role is primarily to prepare matters regarding remuneration and other terms of employment for the CEO and senior executives. The remuneration committee shall also monitor and evaluate ongoing and completed programs for variable remuneration to the Company's management and to monitor and evaluate the implementation of the guidelines for remuneration to senior executives which the annual general meeting has adopted. The remuneration committee is comprised of Håkan Björklund (chairman) and Björn Odlander.

During the year, the remuneration committee has this far had three meetings and discussed matters regarding the CEO's and other senior management's bonus for 2016, bonus criteria for 2017 as well as salary revision for 2017.

Remuneration to the board of directors

Fees to board members elected by the general meeting are resolved by the annual general meeting. For the annual general meeting 2018, the nomination committee will submit proposals in regard to remuneration. At the annual general meeting held on 12 April 2017, it was resolved that fees of SEK 325,000 was to be paid to the chairman and that fees of SEK 150,000 was to be paid to each of the other board members who are not employed by the Company. In addition, it was resolved that fees of SEK 125,000 should be paid to the chairman of the audit committee, that fees of SEK 70,000 should be paid to each other member of the audit committee, that fees of SEK 50,000 should be paid to the chairman of the remuneration committee and that fees of SEK 25,000 should be paid to each other member of the remuneration committee.

For the financial year 2016, the board members received remuneration as set out in the table below. All amounts in TSEK.

Name	Position	Salaries Fees	Social security	Share based compensation
Håkan Björklund	Chairman[1]	0	0	0
Oern Stuge	Chairman[2]	476[3]	0	0
Lars Lidgren[4]	Board member	0	0	467
Björn Odlander	Board member	0	0	0
Nina Rawal	Board member	0	0	0
Tone Kvåle	Board member[5]	0	0	0
Johan Kördel	Board member[6]	0	0	0
Dan Pitulia	Board member[6]	0	0	0
Total:		**476**	**0**	**467**

1) Appointed as board member and chairman on 15 December 2016.
2) Chairman until 15 December 2016.
3) In 2016, Oern Stuge has also received payment for consultancy services of SEK 890 thousand in addition to the board fee of SEK 476 thousand, see also under *Transaction with related parties* in the section *Legal considerations and supplementary information*.
4) In 2016, Lars Lidgren has also received payment for consultancy services of SEK 175 thousand, see also under *Transaction with related parties* in the section *Legal considerations and supplementary information*.
5) Appointed as board member on 15 December 2016.
6) Board member until 15 December 2016.

THE CEO AND OTHER SENIOR EXECUTIVES

The role of the CEO is subordinate to the board of directors and the CEO's main task is to carry out the Company's ongoing management and the daily activities of the Company. The rules of procedure of the board of directors and the instructions for the CEO stipulate which matters the board of directors shall resolve upon, and which matters that fall within the CEO's area of responsibility. Furthermore, the CEO is responsible for preparing reports and necessary information for decision-making prior to board meetings and presents the material at board meetings.

BONESUPPORT has a management team consisting of ten people which in addition to the CEO is comprised of the CFO, the Head of Human Resources, the General Manager and Executive VP of International Commercial Operations, the VP Quality & Regulatory Management, the Chief Operating Officer, the Chief Marketing Officer, the VP Research and Design, the General Manager and Executive VP of Commercial Operations US, the VP Clinical Affairs and the Chief Medical Officer. Information on senior management can be found in the section *Board of directors, senior management and auditors*.

Remuneration to senior management

Remuneration to senior management consists of basic salary, variable remuneration, pension benefits, share related incentive programs and other benefits.

For the financial year 2016, the CEO and other members of senior management received salary and other remuneration as set out in the table below. All amounts in SEK thousand.

Name	Salaries[1)]	Social security	Share based compensation	Pension costs
CEO Richard Davies	4,414	615	13,116	255
Other senior executives[2),3)]	20,828	3,734	1,602	850
Total:	**25,242**	**4,349**	**14,718**	**1,105**

1) Includes bonus payments.
2) 11 persons in total.
3) Salary, social security and other remuneration to the Company's former CFO and Head of Human Relations are not included in the table as they are contracted through consultancy agreements. During 2016, the costs for the Company's former CFO amounted to SEK 2,673 thousand and SEK 209 thousand for Head of Human Relations.

Employment agreements for the CEO and other senior executives

In addition to his fixed monthly salary, the CEO is in accordance with his employment agreement entitled to an annual "on target" bonus of up to 50 percent of the gross annual base salary and an "above target" bonus for additionally up to 25 percent of the gross annual base salary . The bonus is linked to predetermined performance criteria which are resolved annually by the board of directors. The Company furthermore contracts and pays premiums for the applicable pension plan up to a maximum of 18 percent of the CEO's base salary, half of which is paid for by the Company and half of which is paid by the CEO.

The notice period is mutually six months. Should the Company terminate the employment for other reasons than for cause, the CEO is entitled to an indemnity 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). In addition to the severance, should the Company be subject to a change of control at a valuation per share (on a fully diluted basis) below SEK 21.5, the CEO is also entitled to a change of control compensation in the same amount as set out in the foregoing sentence.

The CEO is formally employed with the Swiss subsidiary BONESUPPORT Switzerland GmbH in which company he is also CEO. The employment agreement however also stipulates that the duties include the whole Group whereby it is specifically noted that the duties include acting as CEO of the parent company and of BONE SUPPORT AB. In the employment agreement, it is also specifically stipulated that the CEO answers directly to the board of directors of BONESUPPORT and that BONESUPPORT Switzerland GmbH delegates its right to give directions to the CEO to the parent company.

The employment agreements for the other senior executives stipulate notice periods up to six months. In addition to fixed salary, the senior executives are entitled to variable remuneration corresponding to a maximum of 35 percent of the respective executive's annual fixed salary. The Company's Head of Human Resources is engaged under a consultancy agreement. The consultancy agreement has a fixed term until 31 December 2017 and will thereafter be automatically prolonged for successive periods of six months unless terminated by either of the parties not later than two months before a new successive period. However, notwithstanding the foregoing, either party can terminate the agreement pre-maturely at any time subject to a notice period of 30 days.

Guidelines for remuneration to senior management

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 12 April 2017, 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 12 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.

EXTERNAL AUDIT

The Company's auditor is appointed by the annual general meeting for the period until the end of the next annual general meeting. The auditor examines the annual report and accounts as well as the management performed by the board of directors and the CEO. Following each financial year, the auditor shall submit an audit report to the annual general meeting. The Company's auditor reports its observations from the audit and its assessment of the Company's internal control to the board of directors.

At the annual general meeting held on 12 April 2017, Ernst & Young AB was re-elected as the Company's auditor with authorized public accountant Johan Thuresson as auditor in charge. At the annual general meeting, it was also resolved that the fees to the auditor should be paid in accordance with normal charging standards and approved invoice. The total fee paid to Ernst & Young AB for the financial year 2016 amounted to. SEK 1,806 thousand, of which SEK 487 thousand regarded the audit assignment, SEK 46 thousand regarded audit related fees, SEK 308 thousand regarded tax services and SEK 965 thousand regarded other services.

Information about the auditor can be found in the section *Board of directors, senior management and auditors*.

INTERNAL CONTROL

The board of director's responsibility for the internal control is governed by the Swedish Companies Act, the Swedish Annual Reports Act – which requires that information about the main features of BONESUPPORT's system for internal control and risk management related to financial reporting each year must be included in the corporate governance report – and the Code. The board of directors shall, among other things, see to that BONESUPPORT has sufficient internal control and formalized routines to ensure that established principles for financial reporting and internal control are adhered to and that there are effective systems to monitor and control the Company's operations and the risks associated with the Company and its operations.

The overall purpose of the internal control is to, to a reasonable degree, ensure that the Company's operating strategies and targets are monitored and that the owners' investments are protected. Furthermore, the internal control shall ensure that the external financial reporting, with reasonable certainty, is reliable and prepared in accordance with GAAP, that applicable laws and regulations are followed, and that the requirements imposed on listed companies are complied with. BONESUPPORT has resolved to adopt the COSO-framework[1], the most broadly accepted internal control framework, as a basis of internal control in financial reporting. The framework consists of the following five components.

1) A framework adopted by the Committee of Sponsoring Organizations of the Threadway Commission.

Control environment

The board of directors has the overall responsibility for the internal control in relation to the financial reporting. In order to create and maintain a functioning control environment, the board of directors has adopted a number of policies and regulatory documents governing financial reporting. These documents primarily comprise the rules of procedure for the board of directors, instructions for the CEO and instructions for financial reporting. BONESUPPORT has also adopted a special authorization policy. The Company also has a financial handbook which contains principles, guidelines and process descriptions for 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 main task is 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 consolidated financial statements, and to review and monitor the auditor's impartiality and independence. The responsibility for the ongoing work of the internal control over financial reporting has been delegated to the Company's CEO which in turn has delegated to the CFO to have overall responsibility to maintain a sound internal control over the financial reporting environment. The CEO regularly reports to the board of directors in accordance with the established instructions for the CEO and the instructions for financial reporting.

Risk assessment

Risk assessment includes identifying risks that may arise if the basic requirements for the financial reporting of the Company are not met. BONESUPPORT's management team has, in a specific risk assessment document, identified and evaluated the risks that arise in the Company's operations, and has assessed how these risks can be managed. Within the board of directors, the audit committee is primarily responsible 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, the senior management has reviewed risks related to strategies, compliance and financials and operational matters. Thereafter, these risks have been evaluated according to probability and effect, where risks with either high probability or effect have been prioritized. This has then been presented to the audit committee before being reviewed by the board of directors. The Company has distributed each risk factor to at least one person in the senior management to lead the work of establishing and executing action plans.

Control activities

In order to prevent, detect and correct errors and deviations, a framework for control in terms of policies, processes and routines has been established within BONESUPPORT in relation to control targets. The control activities help to ensure that necessary actions are taken to address risks to achievement of the Company's targets. Example of control activities on a high level are that BONESUPPORT has a clear governance structure with a number of forums and activities which constantly monitor the operations. Well defined business process, segregation of duties and appropriate delegation of authority are also activities that support 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 to make sure that there is enough segregation of duties and that the right control mechanism is in place. The strength of the control mechanism installed should be tested at least annually to make sure that the agreed processes are followed and that safeguards remain in place. Identified key controls should be tested at least semi-annually. If any processes are changed during the year, an immediate review of the process will be done to make sure that no new risks are implemented.

The overall effectiveness of the control activities are assessed annually and the results from these assessments are reported to the board of directors and the audit committee.

Information and communication

BONESUPPORT has information and communication channels intended to promote the accuracy of financial reporting and to facilitate reporting and feedback from operations to the board of directors and management, for example by making corporate governance documents such as internal policies, guidelines and instructions regarding the financial reporting available and known for the employees concerned. The board of directors has also adopted an information policy that governs the Company's provision of information externally.

Monitoring

The compliance and effectiveness of the internal controls are constantly 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 development of the Company's activities, including the development of the Company's results and financial position, as well as information on important events, such as research results and important contracts. The CEO also reports on these matters at each board meeting.

The Company's compliance of relevant policy's and guidelines shall, according to adopted policies, be assessed annually and reported by the CFO to the audit committee. A summary including identified suggestions for improvements shall then be presented to the board of directors.

SHARE CAPITAL AND OWNERSHIP STRUCTURE

GENERAL SHARE INFORMATION

BONESUPPORT™'s shares have been issued in accordance with Swedish law (aktiebolagslagen (SFS 2005:551)) and are denominated in SEK. The Company's articles of association stipulate that the share capital shall be no less than SEK 18,125,000 and no more than SEK 72,500,000 and that the number of shares shall be no less than 29,000,000 and no more than 116,000,000. The registered share capital of the Company as per the date of the Prospectus is SEK 18,132,013.125 divided between 29,011,221 shares, each with a quota value of SEK 0.625. All shares are of the same share class and have been fully paid.

The new share issue in connection with the Offering entails, at full subscription and assuming that the price in the Offering corresponds to the mid value of the price range (i.e. SEK 29), that the number of shares in the Company is increased by 17,241,379 från 29,011,221 to 46,252,600 which would correspond to a 37.3 percent dilution of the total number of shares in the Company after the new share issue. Registration at the Swedish Companies Registration Office is estimated to occur about one week after the listing.

The shares in the Offering are not subject to any offer made due to a mandatory bid, redemption rights or redemption obligation. There have been no public takeover bids for the Company's shares. The ISIN code for BONESUPPORT's shares is SE0009858152.

CERTAIN RIGHTS LINKED TO THE SHARES

The rights associated with the Company's shares, including rights pursuant to the articles of association, may only be amended in accordance with the procedures set out in the Swedish Companies Act (Sw. *aktiebolagslagen*).

Right to participate at general meetings

To participate in the general meeting, shareholders must be registered in the Company's share register five business days prior to the meeting and also register their participation to the Company no later than the date specified in the notice.

Voting rights at general meetings

Each share entitles the holder to one vote at the general meeting and every shareholder is entitled to vote with the full number of shares owned and represented by him or her.

Preferential rights in connection with new share issues etc.

If the Company decides to issue new shares, warrants or convertible bonds by means of a cash issue or offset issue, the shareholders will, as a general rule, have preferential subscription rights in proportion to the number of shares they already own. In accordance with the provisions of the Swedish Companies Act, it is possible to deviate from shareholders' preferential rights.

Right to receive dividend payments and any surplus on liquidation

All shares provide equal rights to the Company's profits and to any surplus in the event of liquidation. Decisions to pay dividends will be made by the general meeting and payment will be arranged by Euroclear Sweden AB. Dividends may, under the Swedish Companies Act, only be paid with such an amount that there is full coverage for the Company's restricted equity after the dividend and only if the dividend is justifiable in view of (i) the requirements which the nature, scope and risk of the business operations impose on the equity and (ii) the Company's consolidation requirements, liquidity and financial position in general. As a general rule, the shareholders may not decide on dividends exceeding that which the board of directors has proposed or approved.

The right to receive dividend payment belongs to the person who is registered as a holder of shares in the share register kept by Euroclear Sweden AB on the dividend record day as determined by the general meeting. If a shareholder cannot be reached through Euroclear Sweden AB, the shareholder's claim on the Company for the dividend amount will remain in force and will only be limited in time by a ten-year statute of limitations. In the event of statutory limitation, the dividend amount will revert to the Company. Neither the Swedish Companies Act nor the articles of association contain any restrictions on the right to receive dividends for shareholders outside Sweden. In addition to any limitations imposed by bank or clearing systems in the relevant jurisdictions, payment to such shareholders shall be made in the same manner as for shareholders resident in Sweden. However, shareholders who have limited tax liability in Sweden will normally be subject to withholding tax, see the section *Certain tax considerations in Sweden*.

DEVELOPMENT OF THE SHARE CAPITAL

The table below sets forth the development of the BONESUPPORT's share capital since the incorporation of the Company.

Year	Transaction	Increase of the share capital	Increase of the total number of shares	Total share capital	Total number of shares	Quota value
2010	Incorporation	100,000.00	100,000	100,000.00	100,000	1
2010	Share-consolidation (100,000:1)	0	– 99,999	100,000.000	1	100,000
2010	Share-split (1:800,000)	0	799,999	100,000.000	800,000	0.125
2010	New Issue	3,389,813.750	27,118,510	3,489,813.750	27,918,510	0.125
2011	New Issue	3,912,898.875	31,303,191	7,402,712.625	59,221,701	0.125
2011	New Issue	1,239,878.375	9,919,027	8,642,591.000	69,140,728	0.125
2012	Warrants exercised	2,314,827.250	18,518,618	10,957,418.250	87,659,346	0.125
2012	Warrants exercised	1,239,878.375	9,919,027	12,197,296.625	97,578,373	0.125
2015	New Issue	3,488,372.125	27,906,977	15,685,668.750	125,485,350	0.125
2016	New Issue	2,446,344.125	19,570,753	18,132,012.875	145,056,103	0.125
2017	New Issue	0.250	2	18,132,013.125	145,056,105	0.125
2017	Share-consolidation (5:1)	0	116,044,884	18,132,013.125	29,011,221	1.25
2017	New issue in the Offering[1)]	10,775,861.875	17,241,379	28,907,875.000	46,252,600	0.625

1) The board of directors will, by use of the authorization given at the annual general meeting in the Company on 12 April 2017, decide on a new share issue of 17,241,379 shares in connection with the Offering according to the Prospectus. The calculation of the number of new shares in the Offering is based on full subscription, that the Over-allotment option is not exercised and that the price in the Offering corresponds to the mid value of the price range (i.e. SEK 29). The shares will, for reasons related to the issue procedure, be subscribed for by the Joint Global Coordinators on behalf of those entitled to subscribe for shares in accordance with the Prospectus. The shares in the Offering will thus be issued at an issue price corresponding to the quota value, i.e. SEK 0.625 per share whereby the Joint Global Coordinators will, on behalf of those entitled to subscribe for shares, provide a capital contribution to the Company of an amount corresponding to the difference between the price in the Offering and the issue price of SEK 0.625 per share.

OWNERSHIP STRUCTURE

As per 26 May 2017, the total number of shareholders of the Company amounted to 39. In the table below, column 1 details the ownership structure as per the same date with the addition of changes known to the Company having occurred up until the publication date of the Prospectus.

Columns 2 and 3 respectively details the ownership structure immediately after completion of the Offering in terms of whether the Over-allotment option is not exercised or if the Over-allotment option is exercised (in both cases assuming full subscription and that the price in the Offering corresponds to the mid value of the price range (i.e. SEK 29)).

	Ownership before the Offering (shares and votes)		Ownership after the Offering (shares and votes) assuming that the Over-allotment option is not exercised		Ownership after the Offering (shares and votes) assuming that the Over-allotment option is fully exercised	
Shareholder	Number	Percent	Number	Percent	Number	Percent
Ten largest shareholders						
HealthCap V L.P.	6,092,877	21.00%	6,602,360	14.27%	6,602,360	13.52%
Stiftelsen Industrifonden	4,270,565	14.72%	4,787,806	10.35%	4,787,806	9.80%
Lundbeckfond Invest A/S	4,270,565	14.72%	4,787,806	10.35%	4,787,806	9.80%
Tredje AP-fonden	2,667,240	9.19%	4,046,550	8.75%	4,046,550	8.29%
Carl Westin Ltd.	2,630,871	9.07%	2,699,837	5.84%	2,699,837	5.53%
Tellacq AB[1)]	2,264,151	7.80%	2,608,979	5.64%	2,608,979	5.34%
Vencorp Securities	1,233,578	4.25%	1,233,578	2.67%	1,233,578	2.53%
NBG Technology L.P.	701,870	2.42%	701,870	1.52%	701,870	1.44%
Crafoordska stiftelsen	601,846	2.07%	601,846	1.30%	601,846	1.23%
Algora AB[2)]	492,962	1.70%	492,962	1.07%	492,962	1.01%
In total	**25,226,525**	**86.95%**	**28,563,594**	**61.76%**	**28,563,594**	**58.49%**
Board and management other than above						
Lennart Johansson	30,000	0.10%	30,000	0.06%	30,000	0.06%
In total	**30,000**	**0.10%**	**30,000**	**0.06%**	**30,000**	**0.06%**
Other shareholders	3,754,696	12.94%	4,072,799	8.81%	4,072,799	8.34%
New shareholders	0	0.00%	13,586,207	29.37%	16,172,414	33.11%
TOTAL SUM	**29,011,221**	**100.00%**	**46,252,600**	**100.00%**	**48,838,807**	**100.00%**

1) Chairman of the board Håkan Björklund owns 25 percent of Tellaq AB.
2) Algora AB is controlled by board member Lars Lidgren.

APPLICATION FOR LISTING

The board of directors of BONESUPPORT has applied for listing of the Company's shares on Nasdaq Stockholm.

CENTRAL SECURITIES DEPOSITORY

The Company's articles of association contains a so called CSD provision for electronic registration and the Company's shares are connected to the electronic securities system with Euroclear Sweden AB, (P.O. Box 191, SE-101 23 Stockholm, Sweden) as central securities depository. The shares are registered in the name of the shareholder. No share certificates have been issued for the shares or will be issued for the new shares. The ISIN code for BONESUPPORT's shares is SE0009858152.

SHAREHOLDERS' AGREEMENTS

On the date of the Prospectus, there is a shareholders' agreement among all current shareholders in the Company. The shareholders' agreement will terminate in connection with the listing on Nasdaq Stockholm. Furthermore, there is a separate agreement among HealthCap V L.P., OFP V Advisor AB, Lundbeckfond Invest A/S, Stiftelsen Industrifonden, Carl Westin Ltd., Algora AB, Yannic Ltd., Lennart Johansson and Kreos Capital V (Expert Fund) LP governing certain issues

related to the warrants held by Kreos Capital V (Expert Fund) LP. This separate agreement will also terminate in connection with the listing on Nasdaq Stockholm.

DIVIDEND POLICY

So for, BONESUPPORT has not made any dividend payments. BONESUPPORT will continue to focus on market expansion for its current products, organizational growth and further development and expansion of its product pipeline. In light hereof, the board of directors does not intend to propose any distribution of dividends before the Company generates a long-term sustainable profitability and long-term sustainable positive cash flow. 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. The distribution of dividends shall, in so far as distribution of dividends is proposed, be well balance with respect to the goals, scope and risks of the business.

UNDERTAKINGS NOT TO SELL SHARES (LOCK-UP)

Investing Shareholders, certain selected existing shareholders[1], board members and senior executives holding shares and other securities have undertaken not to sell their respective holdings during a period starting from the first day of trading in the Company's shares on Nasdaq Stockholm (the "**Lock-up Period**"). The undertaking does not apply for shares that are acquired in the Offering or thereafter. However, for board members and senior executives holding employee stock options, the undertaking as a general rule also applies to shares received upon exercise of employee stock options. A holder of employee stock options that has exercised employee stock options may however during the Lock-up Period sell shares received upon exercise of employee stock options provided that such sale is strictly limited to such number of shares reasonably required to obtain funds to cover the tax amount that arises due to the exercise of employee stock options.

The Lock-up Period for board members and senior executives is 360 days. The Lock-up Period for the Investing Shareholders and the other shareholders who have undertaken not to sell shares is also 360 days, but the undertaking is gradually lowered during the Lock-up Period for these shareholders according to the following. During the first 180 days, the undertaking comprises all of the shareholders' shares. During the following 90 days (day 181–270), the undertaking comprises only 2/3 of all shares and thereafter (day 271–360) only 1/3 of all shares. Notwithstanding the aforementioned, the Lock-up Period for Arctic Funds PLC is 180 days and comprises all of the shareholder's shares.

The Joint Global Coordinators can discretionary decide to grant exemptions from the restrictions on the sale of shares during the respective Lock-up Period. The Company will also enter into a lock-up arrangement entailing i.a. that the Company undertakes not to issue any shares or other securities in the Company. For more information, see under *Placing Agreement* in the section *Legal considerations and supplementary information*.

OVERVIEW OF SHARE-RELATED INCENTIVE PROGRAMS AND WARRANTS

The table gives an overview of current incentive programs and other warrants which are described in more detail below.

Category	Program/Holder	Subscription price per share (SEK)	Maximum number of warrants that can be exercised	Maximum number of shares that can be issued	Maximum dilution[2]
Incentive program	Employee stock option program 2010/2017	0.625	362,562	72,512	0.14%
Incentive program	Employee stock option program 2010/2017 II	0.625	1 987,508	397,501	0.75%
Incentive program	Employee stock option program 2012/2022	0.625	14,393,107	2,878,621	5.41%
Incentive program	Employee stock option program 2015/2025	0.625	5,398,300	1,079,660	2.03%
Incentive program	Employee stock option program 2016/2024	26.5	3,540,700	708,140	1.33%
Incentive program	Warrant program 2017/2020	26.5	1,250,000	250,000	0.47%
Other warrants	Tellacq AB	26.5	4,900,000	980,000	1.84%
Other warrants	Kreos Capital V (Expert Fund) LP	21.5/0.625	2,995,568	599,113	1.13%
In total			**34,827,745**	**6,965,547**	**13.09%**

2) Based on the total number of shares in the Company after the Offering, assuming full subscription, that the price in the Offering corresponds to the mid value of the price range (i.e. SEK 29), that the Over-allotment option is not exercised and assuming that all outstanding option programs and warrants are fully utilized.

1) InnKap 3 Admin AB, Teknoseed I AB, Teknoseed II KB, Bertil Lindqvist, BrainHeart Capital AB, CMF Groth i Skåne Invest AB, Stephan Lorenzini, Vencorp Securities, Craafordska stiftelsen, NBG Technology LP, Ferd AS, Teknoinvest VIII KS, Teknoinvest VIII B (GP) AS and Kreos Capital V (Expert Fund) LP.

SHARE-RELATED INCENTIVE PROGRAMS

BONESUPPORT has six ongoing share-related incentive programs which are presented below.

Employee stock option program 2010/2017

At the extraordinary general meeting held on 20 April 2010, it was resolved to establish the employee stock option program 2010/2017 for employees, consultants and board members. The options in the program have been allotted to the participants free of charge. Allotted options were subject to a vesting schedule and last vesting occurred on 31 December 2011. In the aggregate, 362,562 options have been vested in the program.

Each option in the program gives the participant the right to acquire 0.2 shares in the Company at a subscription price of SEK 0.625 per share (after recalculation due to the consolidation 5:1 resolved at the annual general meeting held on 12 April 2017). The options may be utilized at the earliest in connection with a sale of the Company or its assets or in connection with another similar event which the board of directors considers shall be treated as a sale or in connection with the finalization of a listing of the Company's shares on Nasdaq Stockholm or another stock exchange of similar standing, but no later than 31 December 2017. The options are subject to customary recalculation provisions in connection with share issues etc. The delivery of shares in connection with exercise of employee stock options has been secured through the issue of warrants to a wholly owned subsidiary. The warrants will be automatically exercised for subscription of shares upon exercise of employee stock options.

Employee stock option program 2010/2017 II

At the extraordinary general meeting held on 10 November 2010, it was resolved to establish the employee stock option program 2010/2017 II for employees, consultants and board members. The options in the program have been allotted to the participants free of charge. Allotted options were subject to a vesting schedule and last vesting occurred on 1 January 2014. In the aggregate, 1,987,508 options have been vested in the program.

Each option in the program gives the participant the right to acquire 0.2 shares in the Company at a subscription price of SEK 0.625 per share (after recalculation due to the consolidation 5:1 resolved at the annual general meeting held on 12 April 2017). The options may be utilized at the earliest in connection with a sale of the Company or its assets or in connection with another similar event which the board of directors considers shall be treated as a sale or in connection with the finalization of a listing of the Company's shares on Nasdaq Stockholm or another stock exchange of similar standing, but no later than 31 December 2017. The options are subject to customary recalculation provisions in connection with share issues etc. The delivery of shares in connection with exercise of employee stock options has been secured through the issue of warrants to a wholly owned subsidiary. The warrants will be automatically exercised for subscription of shares upon exercise of employee stock options.

Employee stock option program 2012/2022

At the board meeting held on 13 June 2012, it was resolved to establish the employee stock option program 2012/2022 for employees, consultants and board members. The options in the program have been allotted to the participants free of charge.

Allotted options are vested over a four year period with 37.5 percent of the options vesting 18 months after the allotment date and the remaining 63.5 percent vesting with 12.5 percent on the dates falling 24, 36, 42 and 48 months following the allotment date. Vesting requires that the participant continues to be employed by the Company as of the date when the respective vesting occurs. In the event that the participant ceases to be employed prior to a vesting date, options already vested can be exercised during the ordinary exercise period as set out below but no further vesting will occur. As per 31 March 2017, in the aggregate 11,690,601 options had vested in the program. The maximum number of options that can vest in the program amounts to 14,393,107.

Each option in the program gives the participant the right to acquire 0.2 shares in the Company at a subscription price of SEK 0.625 per share (after recalculation due to the consolidation 5:1 resolved at the annual general meeting held on 12 April 2017). The options may be utilized at the earliest in connection with a sale of the Company or its assets or in connection with another similar event which the board of directors considers shall be treated as a sale or in connection with the finalization of a listing of the Company's shares on Nasdaq Stockholm or another stock exchange of similar standing, but not later than 31 December 2022. The options are subject to customary recalculation provisions in connection with share issues etc. The delivery of shares in connection with exercise of employee stock options has been secured through the issue of warrants to a wholly owned subsidiary. The warrants will be automatically exercised for subscription of shares upon exercise of employee stock options.

Employee stock option program 2015/2025

In December 2015, the board of directors resolved to establish the employee stock option program 2015/2025 for the CEO. The program was thereafter approved at the annual general meeting held on 1 June 2016 and subsequently extended pursuant to a resolution by the extraordinary shareholders' meeting held on 15 December 2016. In the aggregate 5,398,300 options have been allotted free of charge to the CEO in the program. Allotted options are vested over a four year period with 12/48 of the options vesting on 1 March 2017 and the remaining 36/48 vesting with 1/48 each month thereafter starting on 1 April 2017. Vesting requires that the CEO continues to be employed by

the Company as of the date when the respective vesting occurs. In the event that the CEO ceases to be employed prior to a vesting date, options already vested can be exercised during the ordinary exercise period as set out below but no further vesting will occur.

Each option in the program gives the CEO the right to acquire 0.2 shares in the Company at a subscription price of SEK 0.625 per share (after recalculation due to the consolidation 5:1 resolved at the annual general meeting held on 12 April 2017). The options may be utilized at the earliest in connection with a sale of the Company or its assets or in connection with another similar event which the board of directors considers shall be treated as a sale or in connection with the finalization of a listing of the Company's shares on Nasdaq Stockholm or another stock exchange of similar standing, but not later than 31 December 2025. The options are subject to customary recalculation provisions in connection with share issues etc. The delivery of shares in connection with exercise of employee stock options has been secured through the issue of warrants to a wholly owned subsidiary. The warrants will be automatically exercised for subscription of shares upon exercise of employee stock options.

Employee stock option program 2016/2024

At the extraordinary general meeting held on 15 December 2016, it was resolved to establish the employee stock option program 2016/2024 for employees. Following a change resolved at the extraordinary general meeting held on 8 February 2017, the maximum number of options in the program amounts to 3,540,700 of which 3,348,420 options have been allotted per the date of the Prospectus. The remaining options can be allotted in the future pursuant to resolutions by the board of directors. The options in the program are allotted free of charge to the participants. Allotted options are vested over a four year period with 12/48 of the options vesting on the date falling 12 months following the allotment date and the remaining 36/48 vesting with 1/48 each month thereafter starting on the date falling 13 months following the allotment date. Vesting requires that the participant continues to be employed by the Company as of the date when the respective vesting occurs. In the event that the participant ceases to be employed prior to a vesting date, options already vested can be exercised during the ordinary exercise period as set out below but no further vesting will occur.

Each option in the program gives the participant the right to acquire 0.2 shares in the Company at a subscription price of SEK 26.5 per share (after recalculation due to the consolidation 5:1 resolved at the annual general meeting held on 12 April 2017). The options may be utilized at the earliest in connection with a sale of the Company or its assets or in connection with another similar event which the board of directors considers shall be treated as a sale or in connection with the finalization of a listing of the Company's shares on Nasdaq Stockholm or another stock exchange of similar standing, but not later than 31 December 2024. Notwithstanding the foregoing, the terms and conditions for the program stipulate that following an IPO, vested options may only be exercised during 14 days following the publication of each of the Company's quarterly reports, or as regards the full year, the year-end report. In case the Company does not publish a quarterly report or a full year report following the expiration of a calendar quarter, vested employee stock options may instead be exercised during the first 14 days in the subsequent calendar quarter. Furthermore, the first exercise following an IPO may never be made earlier than the date falling 36 months following the allotment date. Furthermore, the terms and conditions stipulate that following an IPO, the last day of utilization shall be brought forward to the earlier of 31 December 2024 and the date falling five years following the first day of trading.

The options are subject to customary recalculation provisions in connection with share issues etc. The delivery of shares in connection with exercise of employee stock options has been secured through the issue of warrants to a wholly owned subsidiary. The warrants will be automatically exercised for subscription of shares upon exercise of employee stock options.

Warrant program 2017/2020

At the extraordinary general meeting held on 15 February 2017, it was resolved to establish the warrant program 2017/2020 directed to the CFO. The program comprises 1,250,000 warrants and all warrants in the program have been subscribed by the CFO. Upon subscription, the CFO paid an option premium corresponding to the market value of the options calculated in accordance with the Black Scholes formula.

Each warrant in the program gives the participant the right to subscribe for 0.2 shares in the Company at a subscription price of SEK 26.5 per share (after recalculation due to the consolidation 5:1 resolved at the annual general meeting held on 12 April 2017). The warrants may be exercised during the period 1 January 2020 – 28 February 2020. The warrants are subject to customary recalculation provisions in connection with share issues etc.

OTHER WARRANTS

Warrants held by Tellacq AB

When Tellacq AB, a company in which the chairman of the board of directors Håkan Björklund holds 25 percent, acted as lead investor in an investment round in October 2016, Tellacq AB also subscribed for in the aggregate 4,900,000 warrants series 2016/2020. Each warrant gives the holder the right to subscribe for 0.2 shares in the Company at a subscription price of SEK 26.5 per share (after recalculation due to the consolidation 5:1 resolved at the annual general meeting held on 12 April 2017). The warrants may be exercised until 15 September 2020. However, the warrants will be accelerated in case of a sale of all or substantially all of the Company's shares or assets or a public offering of the

Company's shares on a recognized stock exchange. The acceleration means that warrants not exercised within 21 days following notice from the Company regarding the event triggering the acceleration will expire. On 8 June 2017, the Company provided notice to Tellacq AB regarding the decision to make a public offering in connection with the listing on Nasdaq Stockholm. This means that in case the listing on Nasdaq Stockholm is completed, the warrants have to be exercised at the latest on 29 June 2017. In case the warrants are not exercised at the latest on said date, the warrants will expire. The warrants are subject to customary recalculation provisions in connection with share issues etc.

Warrants held by Kreos Capital V (Expert Fund) LP

As part of the transaction related to the loan agreement with Kreos Capital V (UK) Limited (see further under *Loan agreement with Kreos Capital V (UK) Limited* in the section *Legal considerations and supplementary information*), BONESUPPORT issued 2,995,568 warrants of series 2016:1 to Kreos Capital (Expert Fund) LP. Each warrant gives the holder the right to subscribe for 0.2 shares in the Company at a subscription price of SEK 21.5 per share (after recalculation due to the consolidation 5:1 resolved at the annual general meeting held on 12 April 2017). However, the holder has the right to, instead of exercising the warrant at these terms, exercise the warrants at a subscription price corresponding to the quota value of the shares in the Company (currently SEK 0.625). In case the holder utilizes this right, the number of shares that each warrant confers right to subscribe for will be reduced so that the "net gain" for the holder is the same as if the holder would instead exercise at the ordinary subscription price. If for example the market value of a share in the Company would be SEK 100, the alternative exercise mechanism would mean that each warrant, instead of entitling to subscription of 0.2 shares at a subscription price of SEK 21.5 per share, would entitle to subscription of 0.16 shares at a subscription price of SEK 0.625 per share. The warrants may be exercised until 27 October 2023. However, the warrants will be accelerated in case of a sale of all of the shares in the Company, the sale of all or substantially all of the Company's assets or if any shares in the Company are admitted to trade on a public stock exchange, regulated market place or other recognized exchange for the trading of shares. In case acceleration is triggered due to sale of shares or assets, the acceleration will mean that warrants not exercised in connection with the transaction triggering the acceleration will expire and in case acceleration is triggered due to a listing of the Company's shares, the acceleration will mean that the warrants will expire on the date falling four years after the listing. The warrants are subject to customary recalculation provisions in connection with share issues etc.

AUTHORIZATION

At the annual general meeting held on 12 April 2017, it was resolved to authorize the board of directors to, at one or several occasions, during the time up until the next annual general meeting, resolve to issue shares. The authorization permits new issues both with and without deviation from the shareholders' preferential rights. The authorization also permits new issues with provisions regarding payment in kind or through set-off or with other conditions. The reason for that deviation from the shareholders' preferential rights shall be permitted is to enable the Company to raise working capital, to execute acquisitions of companies or operating assets, as well as to enable issues to institutional investors and the public in connection with a listing of the Company. The maximum number of shares that can be issued amounts to 30,000,000. To the extent the authorization is used for an issue of shares with deviation from the shareholders' preferential rights, the issue shall be made on market terms.

ARTICLES OF ASSOCIATION

Adopted at the annual general meeting held on 12 April 2017.

1 § Name
The company's name shall be BONESUPPORT HOLDING AB. The company is a public company (publ).

2 § Registered Office
The registered office of the company shall be in the municipality of Lund, county of Skåne.

3 § Object of business
The company's field of activity shall be to, directly or indirectly, conduct research and development within the biomedicine field and manufacture of and trading with pharmaceuticals, medicine technical equipment and orthopaedic implants and to conduct other business compatible therewith.

4 § Share Capital
The share capital of the company shall be no less than SEK 18,125,000 and no more than SEK 72,500,000.

5 § Number of shares
The number of shares shall not be lower than 29,000,000 and not higher than 116,000,000.

6 § Board of directors
The board of directors, to the extent appointed by the shareholders' meeting, shall consist of not less than 3 and not more than 8 members.

7 § Auditors
For the audit of the company's annual report and accounts as well as the management by the board and the managing director, a registered accounting company, or one or two auditors, with or without deputy auditors, shall be elected.

8 § Notice
Notice convening a general meeting shall be made by announcement in the Swedish Official Gazette (Sw. *Post- och inrikes tidningar*) and by making the notice available on the company's website. It shall further be announced in Svenska Dagbladet that a notice has been made.

Shareholders wishing to participate in the general meetings must be listed as shareholder in a printout or other transcript of the entire of the entire share register reflecting the circumstances five weekdays before the general meeting and notify participation to the company no later than on the date specified in the notice. The last mentioned day may not be a Sunday, other public holiday, Saturday, Midsummer's Eve, Christmas Eve or New Year's Eve and may not occur earlier than the fifth weekday before the general meeting. A shareholder may be accompanied by advisors at a general meeting only if the shareholder notifies the number of advisors to the company in accordance with the procedure prescribed for notification of shareholders' intention to participate in the general meeting.

9 § Matters at the annual general meeting
At the annual general meeting of the shareholders the following matters shall be dealt with:

1. Election of chairman of the meeting
2. Preparation and approval of voting list
3. Approval of the agenda
4. Election of one or two persons to approve the minutes
5. The question as to whether the meeting has been duly convened
6. Presentation of the annual report and auditor's report and, if applicable, the group annual report and the auditor's report for the group
7. Resolutions in respect of
    a) adoption of the profit and loss statement and balance sheet and, if appropriate, the group profit and loss statement and the group balance sheet;
    b) allocation of the Company's profit or loss in accordance with the adopt balance sheet; and
    c) the discharge from liability of the members of the board of directors and the managing director
8. Determination of the number of members of the board and the number of auditors
9. Determination of fees to the board of directors and the auditors
10. Election of members of the board as well as election of auditors and deputy auditors
11. Other matters to be dealt with at the meeting pursuant to the Companies Act (2005:551) or the articles of association.

10 § Financial year
The financial year of the company shall be 1 January – 31 December.

11 § Record day provision
The company's shares shall be registered in a record day register pursuant to the Swedish Central Securities Depositories and Financial Instruments Act (SFS 1998:1479).

LEGAL CONSIDERATIONS AND SUPPLEMENTARY INFORMATION

GENERAL COMPANY INFORMATION

The name of the Company and its trading name is BONESUPPORT HOLDING AB. Its corporate registration number is 556802-2171 and its registered office is in the municipality of Lund, Sweden. The Company is a public limited liability company and its legal form of business entity is governed by the Swedish Companies Act (2005:551). The Company was founded on 23 February 2010 and was registered with the Swedish Companies Registration Office on 15 March 2010.

Between 1999 and 2010, the business activities in the Group were carried out in another legal entity. All assets and liabilities of the previous entity were transferred to the Company's subsidiary BONE SUPPORT AB in April 2010. In connection herewith, the Company was established as the parent company in the Group.

Today, the Company is the parent company of the wholly owned Swedish subsidiary BONE SUPPORT AB which in turn is the parent company of the following wholly owned subsidiaries:

- Bone Support Incentive AB (Sweden)
- BONESUPPORT Inc. (United States)
- BONESUPPORT GmbH (Germany)
- BONE SUPPORT UK Ltd (United Kingdom)
- BONESUPPORT Switzerland GmbH (Switzerland)
- BONESUPPORT B.V. (The Netherlands)

MATERIAL AGREEMENTS

In order for BONESUPPORT™ to conduct the development and sales of its products and product candidates, the Company engages suppliers and manufacturers for supply and production of the various components of the CERAMENT™ technology. These collaborations are primarily governed by various agreements concluded with each party. BONESUPPORT does not consider any of these agreements to be material in terms of being able to replace without significant implications for the Company's operations, if required. Currently, BONESUPPORT only has one source for its supply of the hydroxyapatite, but the Company is continuously scanning for additional sources and is currently evaluating a couple of alternative sources.

In addition to the above-mentioned supply and manufacturing agreements, as well as other agreements entered into in the ordinary course of business, BONESUPPORT has entered into the following agreements which the Company considers material.

Supply and distribution agreement with Zimmer Biomet

In August 2012, the Company's wholly owned subsidiary BONE SUPPORT AB entered into a supply and distribution agreement with Zimmer Biologics, LLC ("**Zimmer Biomet** "). The agreement has been amended pursuant to amendment agreements entered into in January 2015 and March 2017. Pursuant to the agreement, Biomet is appointed as exclusive distributor for CERAMENT BVF in the US and Canada. In order to maintain the exclusivity, Zimmer Biomet has to pay a certain annual aggregate minimum purchase price to BONE SUPPORT AB. Failure to pay such minimum purchase price will lead to that the distributorship is converted to a non-exclusive distributorship. Under the agreement, BONE SUPPORT AB provides customary product warranties with a customary warranty period and the agreement furthermore contains customary provisions regarding regulatory issues, patent and trademarks, indemnification, insurances and limitation of liability.

The term of the agreement is six years from August 2012. Thereafter the agreement continues for successive one year terms unless terminated by either party upon not less than three months' notice. In case of termination, Biomet will, depending on which party that initiated the termination, be entitled to continue to act as exclusive or non-exclusive distributor for a certain shorter transitional time periods. The agreement can be terminated prematurely in case of material breach by the other party or in case the other party would enter into bankruptcy or liquidation. In addition thereto, the agreement includes a separate provision stating that either party can terminate the agreement prematurely in case of a change of control of BONESUPPORT. Also in case of pre-mature termination due to change of control, Biomet will, depending on which party that initiated the termination, be entitled to continue to act as exclusive or non-exclusive distributor for certain shorter transitional time periods.

Loan agreement with Kreos

On 30 September 2016, the Company's wholly owned subsidiary BONE SUPPORT AB, entered into a loan agreement with Kreos Capital V (UK) Limited ("**Kreos**"). Pursuant to the loan agreement, Kreos provided BONE SUPPORT AB with a loan facility of a total principal amount of approximately EUR 22.3 million divided into 2 tranches of approximately EUR 13.4 million and EUR 8.9 million, respectively. The first tranche of approximately EUR 13.4 million was paid out to BONE SUPPORT AB on the date of the loan agreement. The second tranche can be drawn by BONE SUPPORT AB until 30 September 2017. BONE SUPPORT AB's right to draw the second tranche is however conditional upon that certain conditions are fulfilled, including that the Company should have raised additional funds. A prerequisite for the drawing of the second tranche is also that the Company issues certain additional warrants to Kreos Capital

(Expert Fund) LP. and that certain additional securities are provided. The Company does currently not expect to draw the second tranche of the loan.

The loan carries a fixed interest of 11 percent (effective rate 16.2 percent) and the loan is repaid monthly over a period of 4 years in accordance with an "annuity schedule".

BONE SUPPORT AB is entitled to prepay the loan at any time subject to a prepayment fee. The size of the prepayment fee is dependent on when a prepayment is made. Kreos is entitled to request premature repayment in case there is a change of control of BONESUPORT or if it would become unlawful for Kreos to allow the loan to remain outstanding.

The loan agreement does not contain any financial covenants but includes restrictions related to the conduct of the Group's business, including restrictions related to additional borrowings, provision of securities, disposals and acquisition. The loan agreement also includes a prohibition related to dividends meaning that BONESUPPORT is not entitled to pay dividends prior to the loan having been repaid in full.

The Company and certain subsidiaries in the Group are parties to the loan agreement as guarantors. As security for the obligations under the loan agreement and the related documents, securities have also been provided in the form of pledges of business mortgages, pledges of the shares in BONE SUPPORT AB and certain other subsidiaries, pledges of certain core patents, pledges of certain group internal loans, pledges of certain external receivables and pledges over certain bank accounts.

INSURANCE

The board of directors assesses that the Company's current insurance coverage is adequate with regard to the nature and scope of its operations.

DISPUTES AND LEGAL PROCEEDINGS

Over the past twelve months, BONESUPPORT has not been involved in any legal or arbitration proceedings (including cases that are pending or that BONESUPPORT is aware could arise) that have had, or may have, significant effects on BONESUPPORT's financial position or earnings.

PLACING AGREEMENT

Pursuant to the terms of an agreement on the placement of shares which is intended to be entered into on or around 20 June 2017 between the Company and the Joint Global Coordinators (the "**Placing agreement**"), the Company undertakes to issue the shares covered by the Offering to the subscribers procured by the Joint Global Coordinators . If the Joint Global Coordinators would fail to procure subscribers, the Joint Global Coordinators have undertaken to subscribe for the shares covered by the Offering themselves, provided that the Offering is not interrupted before that (see below). The Company also intends to provide the Over-allotment option that involves a commitment, at the request of the Joint Global Coordinators, within 30 days from the first day of trading in the Company's shares on Nasdaq Stockholm, to issue up to an additional 2,777,778 new shares in the Company, corresponding to at the highest 15 percent of the number of shares covered by the Offering, at a price equivalent to the price in the Offering. The Over-allotment option may only be exercised in order to cover potential over-allotment of the Offering.

Pursuant to the Placing Agreement, the Company provides certain customary warranties, mainly that the information in the Prospectus is correct, that the Prospectus and the Offering comply with relevant legal requirements and that no legal or other restrictions prevent the Company to enter into the agreement or for the execution of the Offering. The Placing Agreement stipulates that the Joint Global Coordinators obligation to procure buyers for or, in the event that the Joint Global Coordinators would fail to procure buyers, to purchase the shares covered by the Offering themselves, is conditional upon, among other things, that no events occur that have such a material adverse effect on the Company or the completion of the Offering that, in the good faith judgment of the Joint Global Coordinators, it would be inadvisable or impracticable to complete the Offering in the manner contemplated in the Prospectus ("**material adverse events**"), and of certain customary completion conditions. The Joint Global Coordinators can terminate the Placing Agreement up to the settlement date on 26 June 2017, if any material adverse events occur, if the warranties provided by the Company to the Joint Global Coordinators should prove to be incorrect or if any of the other completion conditions stipulated in the Placing Agreement are not fulfilled. In such an event, neither the delivery nor the payment of shares will take place under the Offering. Pursuant to the Placing Agreement, the Company, with the customary exceptions, will undertake to indemnify the Joint Global Coordinators against certain claims. Furthermore, the Company will reimburse the Joint Global Coordinators for certain expenses that the Joint Global Coordinators have incurred in connection with the Offering.

In order for the Company to be able to deliver the shares pursuant to the utilization of the Over-allotment option immediately before the new issued shares have been registered by the Swedish Companies Registration Office, Stiftelsen Industrifonden will lend up to 2,777,778 shares to the Joint Global Coordinators in connection with the Placing Agreement.

Pursuant to the Placing Agreement, the Company will undertake in relation to the Joint Global Coordinators during a period of 360 days following the first day of trading of the shares at Nasdaq Stockholm, (i) not to issue, offer, pledge, sell, contract to sell or otherwise dispose of shares or other securities in the Company, nor to present any proposal to the Company's shareholders' meeting that would enable the Company to implement any of the aforementioned; (ii) nor to purchase or sell any option or any other security or enter into a swap agreement or other arrangement that has a similar economic effect to the measures listed in (i). The undertaking does not prevent the Company from issuing the shares in the Offering, issuing shares or other securities within the framework of incentive programs or issuing

shares upon exercise of warrants outstanding in the Company at the time of the Offering. The Joint Global Coordinators can also provide exceptions from the undertaking.

STABILIZATION

In connection with the Offering, the Joint Global Coordinators may carry out transactions in order to provide support for the shares' market price at a level higher than that which might otherwise prevail on the market. Such stabilization transactions may be carried out on Nasdaq Stockholm, the OTC market or otherwise, and may be carried out at any time during the period beginning on the first day when the shares are traded on Nasdaq Stockholm and ending no later than 30 calendar days thereafter. However, the Joint Global Coordinators are under no obligation to carry out stabilization of any kind, nor is there any guarantee that stabilization will be carried out. Moreover, if undertaken, stabilization may be discontinued at any time without prior notice. No transactions will be carried out under any circumstances in order to provide support for the shares' market price at a level higher than the price set in the Offering. No later than by the end of the seventh trading day after stabilization transactions have been undertaken, the Joint Global Coordinators shall disclose that stabilization transactions have been undertaken in accordance with article 5(4) in the Market Abuse Regulation 596/2014. Within one week of the end of the stabilization period, the Joint Global Coordinators will, through the Company, make public whether or not stabilization was undertaken, the date at which stabilization started, the date at which stabilization last occurred and the price range within which stabilization was carried out, for each of the dates during which stabilization transactions were carried out.

ADVISORS' INTERESTS

The Joint Global Coordinators provide financial advice and other services to the Company in connection with the Offering. None of the Joint Global Coordinators own shares in the Company and will not achieve any other financial gains from BONESUPPORT other than previously agreed fees for their services.

TRANSACTIONS WITH RELATED PARTIES

BONESUPPORT previously had a consultancy agreement with Seagles AB, a company controlled by the board member Lars Lidgren. The agreement was terminated with effect as of 31 March 2017. Pursuant to the agreement, Seagles AB provided certain scientific support to BONESUPPORT. According to the agreement, Seagles AB was entitled to an annual fee of SEK 175,000 and this fee has been paid annually during the financial years 2014 – 2016. For the period January – March 2017, Seagles AB has received a total fee of SEK 43,750. Although the agreement has been terminated, BONESUPPORT has a right of first refusal to acquire any inventions related to BONESUPPORT's field of activity made by Lars Lidgren or Seagles AB until 31 December 2019.

In May 2015, BONESUPPORT entered into an agreement with Seagles AB pursuant to which BONESUPPORT acquired a patent application. The total consideration amounted to SEK 2,060,377 whereof SEK 500,000 was paid during the financial year 2015, SEK 660,377 was paid during the financial year 2016. The remaining SEK 900,000 should be paid by BONESUPPORT upon receipt of positive European Patent Office's communication of intention to grant a patent based on the patent application. In addition to constituting payment for the patent application, the consideration also related to assistance with the preparation and processing of the patent application.

BONESUPPORT previously had a consultancy agreement with the former chairman of the board of directors Oern Stuge. Pursuant to the consultancy agreement, Oern Stuge, in addition to acting as chairman of the board of directors, assisted the Company with certain strategic advice. Pursuant to the consultancy agreement, Oern Stuge received a total annual consideration of CHF 160,000 per year, whereof CHF 40,000 was related to the assignment as chairman of the board of directors and CHF 120,000 was related to the consultancy work. The total amount paid in SEK to Oern Stuge during the financial years 2014 – 2016 was SEK 1,349,000 for the financial year 2014, SEK 1,566,000 for the financial year 2015 and SEK 1,366,000 for the financial year 2016. The agreement was terminated in November 2016. BONESUPPORT continued to make payments under the agreement during the notice period that expired on 10 May 2017. During the period January to March 2017, the Company made payments of CHF 40,000, corresponding to approximately SEK 355,000.

For further information regarding the transactions with related parties, see note 10 *Compensation to senior executives and transactions with related parties* in the section *Historical financial information*.

For information on remuneration to the board of directors and senior management team, see under *Remuneration to board of directors and Remuneration to senior management* in the section *Corporate governance*.

COSTS RELATED TO THE OFFERING

The Company's expenses for the Offering and the listing on Nasdaq Stockholm are expected to a maximum of SEK 39 million. In addition to fees to the Joint Global Coordinators, the Company's expenses mainly consists of expenses for accountants, legal advisers, printing of prospectus, costs of presentation materials for advisors and similar.

SUBSCRIPTION UNDERTAKINGS

Swedbank Robur Fonder AB has, subject to certain customary conditions, undertaken to subscribe for shares in the Offering equivalent to SEK 130 million. Based on full subscription in the Offering, that the price in the Offering is set to the midpoint of the interval (i.e. SEK 29) and that the Over-allotment option is not exercised, the undertaking corresponds to 4,482,759 shares, corresponding to 26.0

percent of the number of shares in the Offering and 9.7 of the total number of shares in the Company after completion of the Offering. Swedbank Robur Fonder AB's undertaking is conditional upon that Swedbank Robur Fonder AB' total ownership in the Company, after the completion of the undertaking, does not exceed 9.7 percent. If the subscription rate in the Offering would lead to that Swedbank Robur Fonder AB's total ownership in the Company exceeds 9.7 procent, the undertaking will be downards adjusted correspondingly.

Moreover, the Investing Shareholders have, subject to certain customary conditions, undertaken to subscribe for shares in the Offering equivalent to SEK 106 million. Based on full subscription of the Offering, that the price in the Offering is set to the midpoint of the interval (i.e. SEK 29) and that the Over-allotment option is not exercised, the undertakings corresponds to 3,655,172 shares, corresponding to 21.2 percent of the number of shares in the Offering, and 7.9 percent of the total number of shares in the Company after the Offering. Tredje AP-fonden's undertaking is conditional upon that Tredje AP-fonden's total ownership in the Company, after the completion of the undertaking, does not exceed 9.7 percent. If the subscription rate in the Offering would lead to that Tredje AP-fonden's total ownership in the Company exceeds 9.7 percent, the undertaking will be adjusted downwards correspondingly.

Neither Swedbank Robur Fonder AB nor the Investing Shareholders will receive any compensation for their respective undertakings. They are, however, guaranteed allotment in accordance with their respective undertakings. The Joint Global Coordinators and the Board of Directors of BONESUPPORT consider that Swedbank Robur Fonder AB and the Investing Shareholders have good credit standing and thus will be able to fulfil their respective undertakings. However, their undertakings are not secured through bank guarantees, blocked funds or pledging or similar arrangements, why there is a risk that Swedbank Robur AB and the Investing Shareholders will not be able to fulfill their undertakings. Furthermore, their undertakings are also subject to conditions. In the event that any of these conditions are not met, there is a risk that Swedbank Robur Fonder AB and the Investing Shareholders will not fulfill their undertakings.

About Swedbank Robur Fonder AB

Swedbank Robur Fonder AB is one of the largest fund managers in Scandinavia and a wholly owned subsidiary of Swedbank. Swedbank Robur Fonder AB offers saving alternatives to individuals and institutional clients through investment funds and discretionary asset management.

Subscriber	Undertaking (MSEK)	Number of shares[1)]	Share in the Offering[1)]
Swedbank Robur Fonder AB	130	4,482,759	26.00%
HealthCap V L.P.	14.775	509,483	2.96%
OFP V Advisor AB	0.225	7,758	0.05%
Stiftelsen Industrifonden	15	517,241	3.00%
Lundbeckfond Invest A/S	15	517,241	3.00%
Tredje AP-fonden	40	1,379,310	8.00%
Carl Westin Ltd.	2	68,966	0.40%
Tellacq AB	10	344,828	2.00%
Arctic Funds PLC	9	310,345	1.80%
Total	**236**	**8,137,931**	**47.20%**

1) Based on full subscription of the Offering, that the price in the Offering is set to the midpoint of the interval (i.e. SEK 29) and that the Overallotment Option is not exercised.

DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents are available at BONESUPPORT's head office at Scheelevägen 19, SE-223 70 Lund, during the period of validity of the Prospectus (regular business hours on weekdays):

- This Prospectus;
- BONESUPPORT's articles of association;
- Annual reports for the financial years 2014–2016 for BONESUPPORT (including the auditor's reports) and all its subsidiaries; and
- BONESUPPORT's reviewed summary interim report for the period January – March 2017, which has been pre-pared in accordance with IAS 34 Interim Financial Reporting.

CERTAIN TAX CONSIDERATIONS IN SWEDEN

Below is a summary of specific tax rules for individuals and limited liability companies with unlimited tax liability in Sweden, unless otherwise stated. The summary is based on current legislation and is intended only as general information. The summary does not include securities which are held by partnerships or as inventory assets in business operations. Nor does it include any details about special rules pertaining to tax-free capital gains (including prohibition of deduction for capital losses) or corporate dividends which may become applicable should shareholders hold shares which may be considered business-related. Neither are the special rules that may apply to holdings in companies that are or have been so-called closely held companies or to shares purchased on the basis of so-called qualified shares in closely held companies. The summary also does not cover shares held in an investment savings account (Sw. Investeringssparkonto (ISK)) and which are subject to special rules on standardizedrate taxation. Special tax rules apply to certain types of taxpayers, for example investment companies and insurance companies. Each individual shareholder's tax liability will depend on their particular situation. Each holder of shares should consult a tax advisor for information on the special implications that may arise in the individual situation, including the applicability and effect of foreign rules and tax treaties.

UNLIMITED LIABILITY TO PAY TAX IN SWEDEN

Natural persons

Capital gains taxation

When listed shares are sold or otherwise disposed of, a taxable capital gain or deductible capital loss may occur. Capital gains are taxed as income from capital at a rate of 30 percent. Capital gain or loss is typically determined as the difference between the sales proceeds, after deduction for sales costs, and the acquisition cost. The acquisition cost for all shares of the same type and class is calculated as an aggregate using the averaging method. When selling listed shares, the acquisition cost may be alternatively calculated according to the standardized method at 20 percent of the sales proceeds after deduction of sales costs.

Capital losses on listed shares are fully deductible against taxable capital gains incurred that arise during the same tax year on shares and other listed securities except shares of mutual funds or special funds containing only Swedish rights to recover debts, so-called bond funds. Capital losses on shares or other ownership interests that cannot be offset in this way may be deducted for up to 70 percent of value against other capital income.

In the event of a deficit in capital income, a tax reduction is granted against municipal and national income tax, as well as against municipal property tax and national property tax. A tax reduction is allowed for 30 percent of that part of the loss that does not exceed SEK 100,000, and 21 percent of the remainder. Such a loss cannot be carried forward into a future tax year.

Tax on dividends

For natural persons, dividends on listed shares are taxed in the capital income category at a rate of 30 percent. For natural persons who are resident in Sweden, a preliminary tax of 30 percent is normally withheld from dividends. The preliminary tax is withheld by Euroclear Sweden or, for nominee-registered shares, by the nominee.

Limited liability companies

Tax on capital gains and dividends

For a limited liability company, all income, including taxable capital gains and dividends, is taxed as business income at a rate of 22 percent. Capital gains and losses are calculated in the same manner as described above in respect to natural persons.

Deductible capital losses on shares or other ownership interests can only be deducted against taxable capital gains on shares or other ownership interests. If certain conditions are met, such a capital loss may also be offset against capital gains on shares or other ownership interests in companies within the same group, provided that a right to make group contributions between companies exists. Any capital loss that cannot be utilized in a given year may be carried forward and offset against taxable capital gains on shares and other ownership interests in future years, without limitation in time.

SHAREHOLDERS WHO HAVE LIMITED TAX LIABILITY IN SWEDEN

Withholding tax

Shareholders who have limited tax liability in Sweden and who receive dividends on shares in a Swedish limited liability company are normally subject to withholding tax. The tax rate is 30 percent, which however is generally reduced through tax treaties that Sweden has entered into with certain other countries in order to avoid double taxation. Most of Sweden's tax treaties enable a reduction of the Swedish tax to the treaty rate directly at the time of dividend payment if the necessary information about the dividend recipient is provided. In Sweden, the deduction of withholding tax is normally made by Euroclear Sweden or, for nominee-registered shares, by the nominee.

If a 30 percent withholding tax is withheld from a dividend payment to a person who has the right to be taxed at a lower rate, or if too much withholding tax has otherwise been withheld, repayment can be requested from the Swedish Tax Agency before the end of the fifth calendar year after the dividend payment.

Capital gains taxation

Shareholders who have limited tax liability in Sweden and whose holdings are not attributable to a permanent establishment in Sweden, are not normally taxed in Sweden for capital gains in connection with the sale of shares. Shareholders may, however, be subject to tax in their country of residence. According to a special tax rule, however, natural persons with limited tax liability in Sweden may be subject to Swedish capital gains tax on the sale of shares if at any time during the year of disposal or the ten calendar years, have been resident or lived permanently in Sweden. The applicability of this rule may however be limited by tax treaties between Sweden and other countries.

CERTAIN US FEDERAL INCOME TAX CONSIDERATIONS AND SELLING AND TRANSFER RESTRICTIONS

The reader is asked to note the following.

The following section *Certain US Federal Income Tax Considerations*, page 111–114, applies to US citizens, US residents, certain US business entities and certain business entities with a connection with the United States. This section does not apply to non-US residents or to business entities that have no connection with the United States.

The subsequent section *Selling and Transfer Restrictions*, page 115–116, is applicable to Rule 144A Shares and is relevant only for purchasers of shares in the United States purchasing pursuant to Rule 144A under the Securities Act. The selling and transfer restrictions applicable to the Regulation S Shares are relevant for all other purchasers of shares

CERTAIN US FEDERAL INCOME TAX CONSIDERATIONS

Holders are hereby notified that (a) any discussion of US federal tax issues in this Prospectus is not intended or written to be relied upon and cannot be relied upon, by holders for the purposes of avoiding penalties that may be imposed on holders under the International Revenue Code of 1986, as amended (the "US Code"); (b) such discussion is included here-in by the Company in connection with the promotion or marketing of the Offering or matters addressed herein and (c) holders should seek advice based on their particular circumstances from an independent tax adviser.

The following is a description of certain US federal income tax consequences that may be relevant with respect to the acquisition, ownership and disposition of the shares by a US Holder (as defined below). This summary deals only with initial purchasers of shares in the Offering, who use the USD as their functional currency and will hold the shares as capital assets.

This description does not purport to address all material US tax consequences of the acquisition, ownership and disposition of the shares and does not address aspects of US federal income taxation that may be applicable to investors that are subject to special tax rules, including without limitation:

- certain financial institutions;
- dealers or certain traders in securities;
- real estate investment trusts, regulated investment companies or grantor trusts;
- persons holding shares as part of a straddle, wash sale, conversion transaction or integrated transaction or persons entering into a constructive sale with respect to the shares;
- persons whose functional currency for US federal income tax purposes is not the US dollar;
- persons who receive shares as compensation for the performance of services;
- persons who are resident in or have a permanent establishment in Sweden;
- tax-exempt entities;
- certain US expatriates;
- "dual resident" corporations;
- persons that own or are deemed to own 10% or more of the Company's voting stock; or
- persons holding shares in connection with a trade or business outside the United States.

Further, this description does not address state, local, foreign or other tax laws, the alternative minimum tax, the US federal Medicare tax on net investment income, or the US federal gift and estate tax consequences of the acquisition, ownership and disposition of the shares.

This description is based on the US Internal Revenue Code of 1986, as amended (US Code), its legislative history, existing and proposed regulations promulgated thereunder, published rulings and court decisions, as well as on the Income Tax Convention Between the United States of America and Sweden (the "**Treaty**"), in each case as in effect on the date of this Offering, all of which are subject to change (or to changes in interpretation), possibly with retroactive effect. The Company has not requested, and does not intend to request, a ruling from the US Internal Revenue Service (the "**IRS**") with respect to matters addressed herein.

US HOLDERS

You are a "US Holder" for purposes of this discussion if for US federal income tax purposes you are a beneficial owner of the Company's shares and are:

- a citizen or individual resident of the United States;
- a corporation created or organized in or under the laws of the United States, any state therein or the District of Columbia;
- an estate, the income of which is subject to US federal income taxation regardless of its source; or
- a trust if (i) a court within the United States is able to exercise primary supervision over its administration and one or more US persons have the authority to control all of the substantial decisions of such trust, or (ii) such trust has a valid election in effect to be treated as a US person for US federal income tax purposes.

If a partnership (or any other entity treated as a partnership for US federal income tax purposes) holds shares, the tax treatment of the partnership and a partner in such partnership will generally depend on the status of the partner and the activities of the partnership. Such a partner or partnership should consult its tax adviser as to the US federal income tax consequences of acquiring, holding, or disposing of the shares.

THE SUMMARY OF US FEDERAL INCOME TAX CONSEQUENCES SET OUT BELOW IS FOR GENERAL INFORMATION ONLY. ALL PROSPECTIVE HOLDERS SHOULD CONSULT THEIR TAX ADVISERS AS TO THE PARTICULAR TAX CONSEQUENCES TO THEM OF OWNING THE SHARES, INCLUDING THE APPLICABILITY AND EFFECT OF STATE, LOCAL, FOREIGN AND OTHER TAX LAWS AND POSSIBLE CHANGES IN TAX LAW.

Taxation of distributions

Subject to the PFIC rules discussed below, distributions paid on the shares (including the amount of any Swedish taxes withheld), other than certain pro rata distributions of shares to all shareholders, will be treated as dividends to the extent paid out of the Company's current or accumulated earnings and profits, as determined under US federal income tax principles. Because the Company does not maintain calculations of its earnings and profits under US federal income tax principles, it is expected that distributions generally will be reported to you as dividends.

Subject to applicable limitations, if you are a non-corporate US Holder, dividends paid to you may be eligible for taxation as "qualified dividend income" and therefore may be taxable at favorable rates. Dividends will be treated as qualified dividends (a) if certain holding period requirements are satisfied, (b) if the Company is eligible for benefits according to the comprehensive Treaty with the US that the IRS has approved for the purposes of the qualified dividend rules, and (c) provided that the Company was not, in the year prior to the year in which the dividend was paid, and is not, in the year in which the dividend is paid, a PFIC. The Treaty has been approved for the purposes of the qualified dividend rules. The Company does not believe it was a PFIC in 2016. However, its status in the current year and future years will depend upon its use of the funds from the Offering, as well as its income and assets (which for this purpose depends in part on the market value of the Company's shares) in those years. See the discussion below under "*Passive foreign investment company rules*." You should consult your tax adviser regarding the availability of the reduced tax rate on qualified dividends.

Dividends will generally be included in your income on the date of receipt. Dividends will not be eligible for the dividendsreceived deduction generally available to US corporations under the US Code. The amount of any dividend income paid in SEK will be the USD amount calculated by reference to the spot rate in effect on the date of receipt, regardless of whether the payment is in fact converted into USD. If the dividend is converted into USD on the date of receipt, you should not be required to recognize foreign currency gain or loss in respect of the amount received. You may have foreign currency gain or loss if the dividend is converted into USD after the date of receipt, and any such gain or loss will be US-source ordinary income or loss.

Dividends will be treated as foreign-source dividend income for foreign tax credit purposes. Subject to applicable limitations, some of which vary depending upon your circumstances, Swedish income taxes withheld from dividend payments on shares at a rate not exceeding any applicable Treaty rate will be creditable against your US federal income tax liability. Swedish income taxes withheld in excess of the applicable Treaty rate will not be eligible for credit against your US federal income tax liability. The rules governing foreign tax credits are complex, and you should consult your tax adviser regarding the creditability of foreign taxes in your particular circumstances. In lieu of claiming a foreign tax credit, you may elect to deduct foreign taxes, including any Swedish taxes, when computing your taxable income, subject to applicable limitations. An election to deduct foreign taxes instead of claiming foreign tax credits applies to all foreign taxes paid or accrued in the relevant taxable year.

Sale or other taxable disposition of shares

Subject to the PFIC rules discussed below, you generally will recognize taxable gain or loss on a sale or other taxable disposition of the shares equal to the difference between the amount realized on the sale or disposition and your tax basis in the shares, each as determined in USD. This gain or loss will generally be capital gain or loss, and will be long-term capital gain or loss if at the time of sale or disposition the shares have been held for more than one year. Any gain or loss will generally be treated as pertaining to a U.S source for foreign tax credit purposes. The deductibility of capital losses is subject to limitations.

If you receive SEK (or other currency other than USD) upon a sale, exchange or other disposition of the shares, the amount realized generally will be the USD value of the payment received determined on (a) the date of receipt of payment in the case of a cash basis US Holder and (b) the date of disposition in the case of an accrual basis US Holder. If the shares are traded on an "established securities market", a cash basis taxpayer or, if it so elects, an accrual basis tax-payer, will determine the USD value of the amount realized by translating the amount received at the spot rate of exchange on the settlement date of the sale. A US Holder will have a tax basis in the foreign currency received equal to the USD amount realized. Any currency exchange gain or loss realized on a subsequent conversion of the foreign currency into USD for a different amount generally will be treated as ordinary income or loss from sources within the United States. However, if such foreign currency is converted into USD on the date received by the US Holder, a cash basis or electing accrual basis US Holder should not recognize any gain or loss on such conversion.

Passive foreign investment company

A Non-US corporation will be classified as a "passive foreign investment company," or a PFIC, for US federal income tax purposes in any taxable year in which, after applying certain look-through rules, either:

- at least 75.0% of its gross income is "passive income"; or
- at least 50.0% of the quarterly average value of its gross assets is attributable to assets that produce "passive income" or are held for the production of passive income.

Passive income for this purpose generally includes, among other things, dividends, interest, royalties, rents and gains from commodities and securities transactions and from the sale or exchange of property that gives rise to passive income. In determining whether a non-US corporation is a PFIC, a proportionate share of the income and assets of each corporation in which it owns, directly or indirectly, at least 25.0% (of the value) is taken into account. The Company does not believe that it was a PFIC for the tax year ended 31 December 2016. However, since PFIC status depends upon the composition of the Company's income and assets and the market value of the Company's assets from time to time and as the determination of PFIC status must be made annually at the close of each taxable year, there can be no assurance that the Company will not be considered a PFIC for 2017 or any future taxable year. Changes in the nature of the Company's income or assets, the manner and rate at which the Company utilizes the proceeds of the Offering, or a decrease in the trading price of the Shares may cause the Company to be considered a PFIC in a future taxable year. If the Company were a PFIC in any year during a US investor's holding period for the Shares, the Company would ordinarily continue to be treated as a PFIC for each subsequent year during which the US investor owned the Shares, and similar rules could apply to the Company's subsidiaries that are or become PFICs.

If the Company were treated as a PFIC, a direct (and in certain cases, indirect) US Holder would be subject to special rules with respect to (i) any gain realized on the sale or other disposition of the Shares and (ii) any "excess distribution" by the Company to the US Holder in respect of the Shares (generally, any distributions to the US Holder in respect of the Shares during a single taxable year that total more than 125.0% of the average annual distributions received by the US Holder in respect of the Shares during the three preceding taxable years or, if shorter, the US Holder's holding period for the Shares). Under these rules, (a) the gain or excess distribution would be allocated ratably over the US Holder's holding period for the Shares, (b) the amount allocated to the taxable year in which the gain or excess distribution was realized or to any year before the Company became a PFIC would be taxable as ordinary income, (c) the amount allocated to each other taxable year would be subject to tax at the highest tax rate in effect for ordinary income for that year and (d) an interest charge, at the rate generally applicable to underpayments of tax, would be imposed in respect of the tax attributable to each prior year described in (c). These rules effectively prevent a US Holder from treating gain on the Shares as capital gain. For these purposes, gifts, exchanges pursuant to a corporate reorganization and use of the Shares as security for a loan may be treated as dispositions.

The above adverse US tax results may be minimized if a US Holder in a PFIC is eligible for and timely makes a valid qualified electing fund ("**QEF election**"). If a QEF election were made, such US Holder generally would be required to include in income on a current basis its pro rata share of the Company's ordinary income and net capital gains. In order for a US Holder to be able to make a QEF election, the Company would be required to provide such US Holder with certain information. As the Company does not expect to provide US Holders with the required information, prospective investors should assume that a QEF election will not be available.

Another way a US Holder may minimize adverse PFIC tax consequences is by making a "mark-to-market" election. A mark-to-market election is available to a US Holder only if the Shares are considered "marketable stock". Generally, stock will be considered marketable stock if it is "regularly traded" on a "qualified exchange" within the meaning of applicable US Treasury regulations. A class of stock is regularly traded during any calendar year during which such class of stock is traded, other than in de minimis quantities, on at least 15 days during each calendar quarter. A qualified exchange includes a non-US securities exchange that is regulated or supervised by a governmental authority of the country in which the securities exchange is located and meets certain trading, listing, financial disclosure and other requirements set forth in US Treasury regulations. It is unclear whether Nasdaq Stockholm would be treated as a "qualified exchange" for these purposes. If the Company's stock qualifies as "marketable stock", a US Holder who makes the mark-to-market election, for each year in which the Company is a PFIC, will generally include as ordinary income the excess, if any, of the fair market value of the Shares at the end of the taxable year over their adjusted tax basis, and will be permitted an ordinary loss in respect of the excess, if any, of the adjusted tax basis of the Shares, over their fair market value at the end of the taxable year (but only to the extent of the net amount of previously included income as a result of the mark-to-market election). If a US Holder makes the election, the holder's tax basis in the Shares will be adjusted to reflect the amount of any such income or loss. Any gain or loss recognized on the sale or other disposition of Shares in a

year in which the Company is a PFIC will be treated as ordinary income or ordinary loss. However, the mark-to-market election is inapplicable to any subsidiaries of the Company that are PFICs since their shares are not "marketable stock". Any excess distribution from a subsidiary of the Company or gain or loss on a disposition of stock in such a subsidiary will be subject to the adverse US tax rules initially discussed above. US Holders should consult their tax advisers regarding the availability or advisability of the mark-to-market election.

If the Company were regarded as a PFIC, a US Holder of the Shares generally would be required to file an information return on IRS Form 8621 for any year in which it receives a direct or indirect distribution with respect to the Shares, recognizes gain on a direct or indirect disposition of Shares, or makes an election with respect to the Shares, reporting distributions received and gains realized with respect to the Shares. In addition, if the Company were regarded as a PFIC, a US Holder of the Shares would be required to file an annual information return (also on IRS Form 8621) relating to the holder's ownership of the Shares. This requirement would be in addition to other reporting requirements applicable to ownership in a PFIC. US Holders should consult their tax advisers concerning the US federal income tax consequences of holding the Shares if the Company were considered to be a PFIC.

Backup withholding and information reporting

Payments of dividends and sales proceeds that are made within the United States or through US or certain US-related financial intermediaries will generally be subject to information reporting and backup withholding, unless (i) you are an exempt recipient or (ii) in the case of backup withholding, you provide a correct taxpayer identification number and certify that you are not subject to backup withholding. Any amounts withheld under the backup withholding rules will be allowed as a refund or a credit against your US federal income tax liability, provided that the required information is timely furnished to the IRS. You may be required to report information relating to non-US accounts through which the shares are held (or information regarding the shares if the shares are not held through any financial institution). You should consult your tax adviser regarding your reporting obligations with respect to the shares.

Certain individual US Holders (and under proposed Treasury regulations, certain entities) may be required to report to the IRS information with respect to their investment in the shares not held through an account with a US financial institution. US Holders who fail to report required information could become subject to substantial penalties. US Holders are encouraged to consult with their own tax advisers regarding foreign financial asset reporting requirements with respect to their investment in the shares.

US Holders who acquire any of the shares for cash may be required to file an IRS Form 926 (Return by a US. Transferor of Property to a Foreign Corporation) with the IRS and to supply certain additional information to the IRS if (i) immediately after the transfer, the US Holder owns directly or indirectly (or by attribution) at least 10 percent of the Company's total voting power or value or (ii) the amount of cash transferred to the Company in exchange for the shares when aggregated with all related transfers under applicable regulations, exceeds US$100,000. Substantial penalties may be imposed on a US Holder that fails to comply with this reporting requirement. Each US Holder is urged to consult with its own tax adviser regarding these reporting obligations.

SELLING AND TRANSFER RESTRICTIONS

The shares in the Offering have not been, and will not be, registered under the United States Securities Act of 1933, as amended, or with any securities regulatory authority of any state of the United States, and may not be offered or sold, except in a transaction not subject to, or pursuant to an exemption from, the registration requirements of the Securities Act. In addition, until the end of the 40th calendar day after the closing of the Offering, an offer or sale of shares within the United States by a dealer (whether or not participating in the Offering) may violate the registration requirements of the Securities Act if such offer or sale is made otherwise than in accordance with Rule 144A under the Securities Act.

RULE 144A SHARES

Each purchaser of shares in the Offering within the United States purchasing pursuant to Rule 144A under the Securities Act or another exemption from the registration requirements of the Securities Act will be deemed to have represented, agreed and acknowledged that:

- it has received a copy of the Prospectus and such other information as it deems necessary to make an informed investment decision;
- the Shares in the Offering have not been, and will not be, registered under the Securities Act or with any securities regulatory authority of any state of the United States, may not be offered or sold, except in a transaction not subject to, or pursuant to an exemption from, the registration requirements of the Securities Act and are subject to significant restrictions on transfer;
- it (a) is a QIB as that term is defined by Rule 144A under the Securities Act, (b) is aware that, and each beneficial owner of such shares has been advised that, the sale to it is being made in reliance on Rule 144A under the Securities Act or pursuant to another exemption from, or in a transaction not subject to, the registration requirements of the Securities Act, (c) is acquiring such shares in the Offering for its own account or for the account of a QIB and (d) if it is acquiring such shares for the account of one or more QIBs, has sole investment discretion with respect to each such account and has full power to make the representations, agreements and acknowledgements herein on behalf of each such account;
- the Shares in the Offering are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the Securities Act;
- if, in the future, it decides to offer, resell, pledge or otherwise transfer shares sold in the Offering, such shares may be offered, sold, pledged or otherwise transferred only (a) to a person whom the beneficial owner or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (b) in an offshore transaction in accordance with Rule 903 or Rule 904 of Regulation S under the Securities Act, or (c) in accordance with Rule 144 under the Securities Act (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;
- the shares in the Offering are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act and no representation is made as to the availability of the exemption provided by Rule 144 for the resale of any shares;
- it will not deposit or cause to be deposited the shares in the Offering into any depositary receipt facility established or maintained by a depositary bank other than a Rule 144A restricted depositary receipt facility, for so long as such shares are "restricted securities" within the meaning of Rule 144(a)(3) under the Securities Act;
- the Company and the Joint Global Coordinators and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representations, agreements and acknowledgements; and
- the Company shall not recognize any offer, sale, pledge or other transfer of the shares made otherwise than in compliance with the above stated restrictions.

PROSPECTIVE PURCHASERS ARE HEREBY NOTIFIED THAT SELLERS OF THE SHARES PURCHASED WITHIN THE UNITED STATES PURSUANT TO RULE 144A MAY BE RELYING ON THE EXEMPTION FROM THE PROVISIONS OF SECTION 5 OF THE SECURITIES ACT PROVIDED BY RULE 144A UNDER THE SECURITIES ACT.

REGULATION S SHARES

Each purchaser of the shares in the Offering purchasing pursuant to Regulation S will be deemed to have represented, agreed and acknowledged that (terms used in this paragraph that are defined in Regulation S are used herein as defined therein):

- it has received a copy of the Prospectus and such other information as it deems necessary to make an informed investment decision;
- the shares in the Offering have not been, and will not be, registered under the Securities Act, or with any securities regulatory authority of any state of the United States;
- it and the person, if any, for whose account or benefit it is acquiring the shares in the Offering was located outside the United States at the time of the offer to it of the shares and at the time that the buy order for the shares was originated for the purposes of Rule 903 of Regulation S under the Securities Act;
- if it is acquiring shares as a fiduciary or agent for one or more investor accounts, it has sole investment discretion with respect to each such account and it has full power to make the representations, agreements and acknowledgements herein on behalf of each such account;
- the shares in the Offering are being offered outside the United States pursuant to Regulation S and, subject to certain exceptions, such shares may not be offered or sold within the United States;
- it is aware of the restrictions on the offer and sale of the shares in the Offering pursuant to Regulation S described in this Prospectus;
- the Company and the Global Coordinator and their respective affiliates, and others will rely upon the truth and accuracy of the foregoing representations, agreements and acknowledgements; and

The Company shall not recognize any offer, sale, pledge or other transfer of the shares made otherwise than in compliance with the above stated restrictions.

HISTORICAL FINANCIAL INFORMATION

Except for BONESUPPORT's financial statements for the financial years 2014–2016 and the reviewed interim report for the period January – March 2017, no information in the Prospectus has been reviewed or audited by the Company's auditor.

FINANCIAL INFORMATION FOR THE PERIOD JANUARY – MARCH 2017

FINANCIAL INFORMATION FOR THE FINANCIAL YEARS 2014–2016

INTERIM REPORT

JANUARY – MARCH 2017

Table of content

Financial calendar

17 August 2017	Q2 Interim report
2 November 2017	Q3 Interim report
20 February 2018	Year-end report

BONESUPPORT HOLDING AB
Scheelevägen 19, LUND
SWEDEN

www.bonesupport.com

reg id 556802-2171

Q1 IN BRIEF

JANUARY – MARCH 2017

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

+40% Net Sales

88.8% Gross Margin

-27.4m Operating loss

BUSINESS HIGHLIGHTS JANUARY - MARCH

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

SIGNIFICANT EVENTS AFTER PERIOD END

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

KEY FIGURES

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

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

CEO STATEMENT

Richard Davies, CEO of BONESUPPORT HOLDING AB (publ)

Strong sales growth continues

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

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

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

Progress with CERAMENT G FORTIFY study

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

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

Strengthened Organization

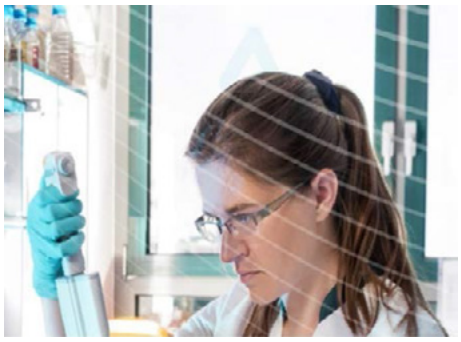
The Company has recently made some key recruitments. Dr. Michael Diefenbeck MD PhD was appointed Chief Medical Officer. Dr. Diefenbeck has previously worked on a range of clinical projects related to CERAMENT as an independent clinical advisor to BONESUPPORT. His appointment is part of an overall strengthening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

Outlook

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

COMPANY OVERVIEW

NORTH AMERICA



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

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

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

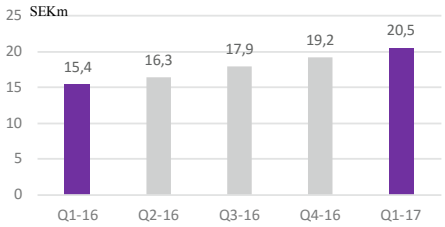
During Q1, the Company strengthened its market coverage and US commercial organization. One new region, covering the Great Lakes was created and a new regional manager was recruited. BONESUPPORT's US commercial operation is now based around eight regions. The Company also recruited two Product Technical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

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

JANUARY – MARCH 2017

Net Sales

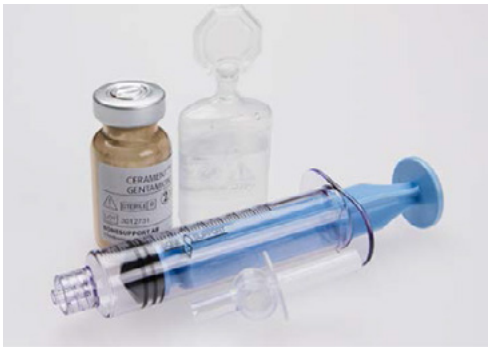
Net Sales for North America increased by 33% versus Q1 2016 and amounted to SEK 20.5 million. This improvement is due to the increased number of sales people, supporting our distributor Zimmer Biomet and an increase in marketing activities, such as exhibitions and similar events. Net sales per quarter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



Contribution

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

EUROPE & REST OF WORLD



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

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

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

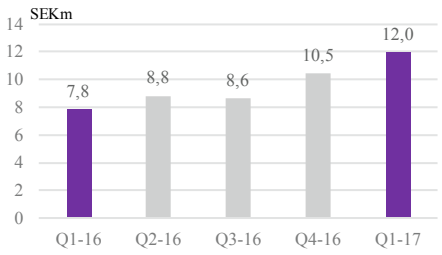
During Q1, BONESUPPORT has enjoyed great success in the markets where it sells its products directly. Sales in the UK, Switzerland and Germany increasd due to the commercial team's focus on key accounts. The key account approach was helped by the highly supportive CERAMENT G clinical data prepared by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

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

JANUARY – MARCH 2017

Net Sales

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

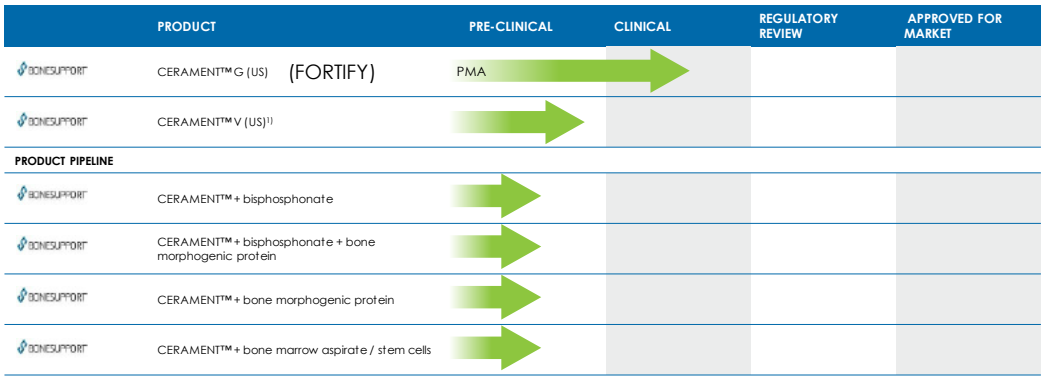


Contribution

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

Research and Development

BONESUPPORT currently performs three different types of pre-clinical or clinical studies:
1 Studies for existing products and market, but currently the products are not registered in that market
2 New products ("Product pipeline")
3 Studies (like CERTiFy) for existing products and markets, to improve the usage of the products
The ongoing studies of type 1 and 2 are presented in the picture below.



The currently two largest studies are described below.

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

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

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

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

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

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

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

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

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

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

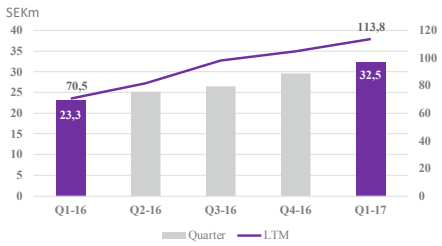
We are awaiting the final histology results before the final conclusions from this study can be determined and these results are expected in 2017.

FINANCIAL OVERVIEW

PROFIT AND LOSS

JANUARY – MARCH 2017

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



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

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

Research and development (R&D) expenses
R&D expenses amounted to SEK 9.4 million (5.5) in the first quarter, an increase of 71%, of which SEK 4.6 million (4.1) were costs for employees. North America increased by 65% to SEK 2.8 million (1.7) and other (non-segment allocated) expenses amounted to SEK 6.8 million (3.8), consisted of more R&D administration and control, not related to a specific segment.

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

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

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

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

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

FINANCIAL POSITION AND CASH FLOW (CF)

	31 Mar		31 Dec
Financial position (SEKm)	2017	2016	2016
Cash and cash equivalents	103.3	52.9	141.5
Interest-Bearing debt	103.6	60.3	109.7
Net debt	0.3	7.5	-31.8
Equity	9.1	6.4	34.3

	Jan - Mar		FY
Cash flow (SEKm)	2017	2016	2016
Operating CF	-32.1	-11.4	-81.9
CF from investing activities	-0.6	-0.3	-1.4
CF from financing activities	-5.0	-3.9	155.1
Period CF	-37.7	-15.7	71.8

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

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

OTHER DISCLOSURES

PARENT COMPANY

The parent company BONESUPPORT HOLDING AB (publ) is a holding company with no operational activities. The parent company generated no sales and the loss during the period was SEK 3.3 million (0.5). There were no investments during the period.

EMPLOYEES

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

SIGNIFICANT EVENTS DURING THE QUARTER

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

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

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

SIGNIFICANT EVENTS AFTER PERIOD END

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

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

SHARES AND SHARE RELATED PROGRAMS

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

1/ No of shares per 31 mars 2017 (before the share consolidation 5:1).
2/ Tellacq AB has warrants corresponding to 4,900,000 shares.

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

BONESUPPORT has several employee stock option programs. A condition for vesting is that the option holder on each vesting day is employed by or holds an assignment within the Group. The employee options may be utilized at the earliest in connection with an initial public offering on a regulated market or in connection with a sale of the Company. Total number of outstanding options as of March 31, 2017 amounted to 25,344,522. A summary of the option programs is described in the Annual Report 2016, note 12.

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

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

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

Lund, 21 April 2017

Håkan Björklund Chairman		Björn Odlander Director	Lars Lidgren Director
Tone Kvåle Director	Nina Rawal Director	Lennart Johansson Director	Richard Davies CEO

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

Contact information:

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

This report has been prepared in both a Swedish and an English version. In the event of any discrepancy between the two, the Swedish version shall apply.

FINANCIAL STATEMENTS

CONDENSED CONSOLIDATED INCOME STATEMENT

(SEK 1000)	Note	Jan - Mar 2017	Jan - Mar 2016	FY 2016
Net Sales	6	32,454	23,250	104,599
Cost of Sales		-3,621	-3,669	-16,312
Gross profit		**28,833**	**19,581**	**88,287**
Selling expenses		-24,771	-17,686	-79,766
Research and development expenses		-9,368	-5,496	-38,233
Administrative expenses	3,8	-21,690	-9,141	-60,671
Other operating income		825	698	7,349
Other operating expenses		-1,261	-1,616	-5,711
Operating loss	6	**-27,432**	**-13,660**	**-88,745**
Net financial items		-3,654	-3,612	-20,820
Loss before income tax	6	**-31,086**	**-17,272**	**-109,565**
Income tax		-2	-178	-625
Loss for the period		**-31,088**	**-17,450**	**-110,190**

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

EARNINGS PER SHARE

Earnings per share (SEK)	Note	Jan - Mar 2017	Jan - Mar 2016	FY 2016
Parent company's shareholders				
Earnings per share before dilution (SEK)		-1.07	-0.70	-4.26
Earnings per share after dilution (SEK) 1/		-1.07	-0.70	-4.26
Loss for the period (SEK 1000)		-31,088	-17,450	-110,190
Average number of shares (1 000)		29,011	25,097	25.837

1/ Earnings per share after dilution is the same as before dilution, as dilution effects for negative earnings per share should not be adjusted for.
2/ Average number of shares is recalculated after the share consolidation 5:1

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

(SEK 1000)	Note	Jan - Mar 2017	Jan - Mar 2016	FY 2016
Loss for the period		**-31,088**	**-17,450**	**-110,190**
Other comprehensive income				
Translation differences		12	49	-74
Total comprehensive income for the period		**-31,076**	**-17,401**	**-110,264**

CONDENSED CONSOLIDATED BALANCE SHEET

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

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

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

1/ Retained earnings including net loss

CONDENSED CONSOLIDATED CASH FLOW STATEMENT

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

CONDENSED INCOME STATEMENT – PARENT COMPANY

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

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

CONDENSED BALANCE SHEET – PARENT COMPANY

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

DEFINITIONS

Glossary

AUTOGRAFT	A bone graft harvested from the patient's own skeleton, usually from the iliac crest.
BONE-GRAFT SUBSITUTE	Synthetic material used as bone grafts instead of biological bone tissue
CERAMENT BVF	CERAMENT™ Bone Void Filler
CERAMENT G	CERAMENT™G, CERAMENT™ BVF with Gentamicin
CERAMENT V	CERAMENT™V, CERAMENT™ BVF with Vancomycin
CF	Cash Flow
CLINICAL STUDY	Study on humans of e.g. a medical device or a pharmaceutical product
DR	Doctor
FDA	US Food and Drug Administration
FY	Full Year
HEMATOMA	A localized collection of blood outside the blood vessels
HEOR	Health Economics and Outcomes Research (Scientific discipline that quantifies the economic and clinical outcomes of medical technolog).
HISTOLOGY	The study of the microscopic anatomy (microanatomy) of cells and tissues of plants and animals
IDE	Investigational Device Exemption (exemption from regulatory approval to conduct clinical studies on a medical device)
ILIAC CREST	The upper wing of the hip bone (Ilium)
LTM	Latest Twelve Months
MICRO-CT	Micro Tomography, uses X-ray scanning to recreate a 3D-model without destroying the original object
OSTEOINDUCTION	A bone graft material or a growth factor can stimulate the differentiation of osteoblasts, forming new bone tissue
OSTEOMYELITIS	A bacterial infection affecting bones
Q1	First quarter
TOXICITY	The degree to which a substance (a toxin or poison) can harm humans or animals

Financial definitions

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

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

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

Contribution shows the operational performance for each segment.
EBIT shows the operational performance, including depreciations and amortizations.
Gross profit shows the profit to cover others costs and profit margin
Gross margin shows the profit in relation to Net sales, an indication of the margin to cover other costs and profit.
Interest-bearing debt shows the debt level of the Company and forms also the basis for interest costs
Net debt shows the leverage level of the Company
Sales growth shows how the Company performs in its sales operations

Reconciliations of APM – Net debt	31 Mar		31 Dec
(MSEK)	2017	2016	2016
Non-current borrowing	77.8	-	84.6
Current borrowing	25.8	60.3	25.1
Cash and cash equivalents	-103.3	-52.9	-141.5
Net debt	0.3	7.4	-31.8

NOTES

Note 1 Accounting principles

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

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

New or amended standards or interpretation of standards effective as of 1 January 2017 have not had any significant impact on BONESUPPORT´s financial statements. The Company has performed an analysis of the potential effects of implementation of IFRS 15 Revenue from contracts with customers, which comes into force 1 January 2018, and concluded that the implementation will not have any material effect on the Financial Reports other than additional disclosures.

Note 2 Significant risks and uncertainties

The Group has good access in its key markets and is working consistently on generating leads and converting these to revenue. BONESUPPORT's main operational risk, leading also to its main financial risk, is to continue increasing the speed of adoption of its products and to generate revenues. The defined key regions have shown a very good increase in revenues during 2017. The refinancing and increase of the loan, as well as the new share issue executed in the fourth quarter are designed to ensure that the Company has sufficient financial resources to execute its growth strategy. A 12 month cash flow analysis has been performed, where that analysis shows that available cash would be sufficient.

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

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

Note 3 Transactions with related parties

Related parties

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

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

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

Note 4 Number of shares and potential shares

Number of shares	
31 December 2016	145,056,103
-	-
31 March 2017	145,056,103

Potential shares
34,490,090, are related to Bonesupports warrants and employee option-based incentive programs

Note 5 Pledged securities and contingent liabilities

When the loan agreement with Kreos Capital was signed, the company issued a number of securities to Kreos Capital. At the 31st March 2016 the Group had a n number of pledged securities in relation to the former loan provider IPF Partners. Further details and information can be found in the annual report 2016, note 28.

Note 6 Segment information

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

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

Sales in Sweden were SEK 0.7 million (0.6). The US market (part of NA) is the only market with sales more than 10% of the Group's total sales. The Sales in the US market amounted to SEK 20.5 million (15.4) where the customer is an American distributor. No other customer accounts for more than 10% of Group Net Sales. The sales per product group is presented below.

Product group (SEK 1000)	January – March 2017 NA	EURW	Total	January – March 2016 NA	EURW	Total
CERAMENT BVF	20,502	3,390	23,892	15,426	2,724	18,150
CERAMENT drug eluting [1]	-	8,562	8,562		5,100	5,100
Total	**20,502**	**11,952**	**32,454**	**15,426**	**7,824**	**23,250**

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

Note 7 Financial assets and liabilities

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

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

Note 8 Employee option programs

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

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

1/ Not allocated options amounted to 376,280 2/ Weighted Average Exercise Price (SEK)

The employee stock options are vested according to a schedule in each program. Of the allocated 24.6 million options at 1 January 2017, 14.8 million options were vested before 1 January 2017 and 0.7 million options were vested during the quarter. Employee stock options are valued at fair value at the date of allocation. The total cost is distributed over the vesting period. The cost is accounted for as personnel cost and is credited to equity. The social security cost is revalued at fair value. When the options are exercised, the Company issues new shares. Payments received on behalf of the shares issues are credited to equity.

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

ABOUT BONESUPPORT

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

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

BONESUPPORT's products represent an innovative technology backed by an intellectual property portfolio of approximately 100 registered and/or pending patents. BONESUPPORT has a nine year track record of safety and efficacy of its products in treating patients with an estimated number of around 30,000 procedures performed with its products worldwide based on sales data.[1] There is a large addressable market opportunity across trauma, chronic osteomyelitis, revision arthroplasty and infected diabetic foot, and the Company's research focuses on continuing to further develop and refine the present technology to extend into additional indications by the elution of other drugs and growth factors.

CERAMENT BVF is currently commercially available on several markets in Europe[2], the US, India, Malaysia, Oman and Singapore. CERAMENT G is available in the same European markets as well as in India, Malaysia and Oman whereas CERAMENT V is available in the same markets as CERAMENT G except for India.

BONESUPPORT's strategy going forward is focused on these key elements:

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

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

FORWARD-LOOKING STATEMENTS

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

BONESUPPORT™ and CERAMENT™ are registered trademarks.

[1] Based on the Company's own figures.

[2] UK, Germany, Switzerland, Sweden, Norway and Denmark.

AUDITOR'S REPORT

THIS IS A TRANSLATION FROM THE SWEDISH ORIGINAL

Review report

BONESUPPORT HOLDING AB (publ), corporate identity number 556556802-2171

To the Board of Directors of BONESUPPORT HOLDING AB (publ),

Introduction

We have reviewed the condensed interim report for BONESUPPORT HOLDING AB (publ) as at March 31, 2017 and for the three months period then ended. The Board of Directors and the Managing Director are responsible for the preparation and presentation of this interim report in accordance with IAS 34 and the Swedish Annual Accounts Act. Our responsibility is to express a conclusion on this interim report based on our review.

Scope of review

We conducted our review in accordance with the International Standard on Review Engagements, ISRE 2410 *Review of Interim Financial Statements Performed by the Independent Auditor of the Entity.* A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and other generally accepted auditing standards in Sweden. The procedures performed in a review do not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the interim report is not prepared, in all material respects, in accordance with IAS 34 and the Swedish Annual Accounts Act regarding the Group, and in accordance with the Swedish Annual Accounts Act regarding the Parent Company.

Malmö April 21, 2017

Ernst & Young AB

Johan Thuresson
Authorized Public Accountant

FINANCIAL INFORMATION FOR THE FINANCIAL YEARS 2014–2016

CONSOLIDATED INCOME STATEMENT

SEK thousands	Note	2016	2015	2014
Net Sales	4	104,599	61,755	40,961
Cost of sales	5,6	–16,312	–9,507	–6,374
Gross profit		**88,287**	**52,248**	**34,587**
Selling expenses	5,6,9	–79,766	–56,161	–37,420
Research and development expenses	5,6,9	–38,233	–18,999	–17,020
Administrative expenses	5,6,7,9,10,11	–60,671	–31,696	–23,508
Other operating income	12	7,349	3,293	5,039
Other operating expenses	5,13	–5,711	–2,591	–981
Operating loss		**–88,745**	**–53,906**	**–39,303**
Financial items				
Finance income	14	2,825	3,982	1
Finance costs	14	–23,646	–9,491	–11,771
Net financial items		**–20,820**	**–5,509**	**–11,770**
Loss before income tax		**–109,565**	**–59,415**	**–51,073**
Income tax	15	–625	–140	8
Loss for the year		**–110,190**	**–59,555**	**–51,065**
Attributable to:				
Equity holders of the parent		–110,190	–59,555	–51,065
Earnings per share (expressed in SEK / share) calculated on earnings attributable to the parent company's shareholders				
Earnings per share before and after dilution		–4.26	–2.53	–30.30

Earnings per share is for all periods based on the number of shares in the Company after the consolidation 5:1 resolved at the annual general meeting on 12 April 2017. For 2014, earnings per share is adjusted for preferential share interest. See also note 21.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEK thousands	2016	2015	2014
Loss for the year	**–110,190**	**–59,555**	**–51,065**
Other comprehensive income:			
Other comprehensive income to be reclassified to profit or loss in subsequent periods:			
Translation differences	–74	–70	–374
Other comprehensive income not to be reclassified to profit or loss in subsequent periods:	0	0	0
Other comprehensive income for the year	–74	–70	–374
Total comprehensive income for the year	**–110,264**	**–59,625**	**–51,439**
Attributable to:			
Equity holders of the parent	–110,264	–59,625	–51,439
Non-controlling interests	0	0	0
Total comprehensive income for the year	**–110,264**	**–59,625**	**–51,439**

Other comprehensive income refers in its entirety to exchange differences with no tax effects.

CONSOLIDATED BALANCE SHEET

SEK thousands	Note	31 December 2016	31 December 2015	31 December 2014
ASSETS				
Non-current assets				
Intangible assets	17			
Capitalized development costs		3,242	4,355	5,000
Patents		1,227	579	91
Total intangible assets		**4,469**	**4,934**	**5,091**
Tangible assets	18			
Equipment and tools		442	588	382
Total tangible assets		**442**	**588**	**382**
Other non-current assets				
Long-term receivables	19, 24	180	370	201
Deferred tax asset	15	0	0	82
Total other non-current assets		**180**	**370**	**283**
Total non-current assets		**5,091**	**5,892**	**5,756**
Current assets				
Inventories	16			
Raw materials and consumables		10,494	8,769	7,920
Finished goods and goods for resale		3,995	6,263	1,375
Total		**14,489**	**15,032**	**9,295**
Current receivables				
Trade receivables	19, 24	20,242	17,600	9,005
Other operating receivables	19, 24	3,982	2,218	1,480
Prepaid expenses and accrued income	20	3,504	2,010	1,698
		27,728	21,828	12,184
Cash and cash equivalents	24	141,501	68,881	18,386
Total current assets		**183,718**	**105,741**	**39,865**
TOTAL ASSETS		**188,809**	**111,633**	**45,621**

CONSOLIDATED BALANCE SHEET

SEK thousands	Note	31 December 2016	31 December 2015	31 December 2014
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the parent				
Share capital	21	18,132	15,686	12,197
Other paid-in capital		669,552	564,372	448,256
Reserves		–306	–232	–162
Accumulated losses including loss for the year		–653,074	–559,498	–503,807
Total		**34,304**	**20,328**	**–43,516**
Non-controlling interests		**0**	**0**	**0**
Total equity		**34,304**	**20,328**	**–43,516**
Non-current liabilities				
Non-current borrowings	23, 24	84,599	0	62,593
Provisions	22	164	0	0
Total non-current liabilities		**84,763**	**0**	**62,593**
Current liabilities				
Current borrowings	23, 24	25,103	62,887	4,203
Trade payables	24	11,811	4,698	3,815
Income tax payable		587	40	33
Other operating liabilities		3,297	1,938	1,100
Accrued expenses and prepaid income	20, 24	28,944	21,742	17,393
Total current liabilities		**69,742**	**91,305**	**26,544**
Total liabilities		**154,505**	**91,305**	**89,137**
TOTAL EQUITY AND LIABILITIES		**188,809**	**111,633**	**45,621**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEK thousands	Issued capital	Other paid-in capital	Reserves	Accumulated losses	Total equity
Opening balance 2014-01-01	**12,197**	**448,255**	**212**	**–456,082**	**4,582**
Comprehensive income					
Loss for the year				–51,065	–51,065
Other comprehensive income					
Exchange difference on translation of foreign operations			–374		–374
Total comprehensive income	**0**	**0**	**–374**	**–51,065**	**–51,439**
Transactions with equity holders					
Employee stock option program – value of employee service				3,341	3,341
Total transactions with equity holders	**0**	**0**	**0**	**3,341**	**3,341**
Opening balance 2015-01-01	**12,197**	**448,255**	**–162**	**–503,806**	**–43,516**
Comprehensive income					
Loss for the year				–59,555	–59,555
Other comprehensive income					
Exchange difference on translation of foreign operations			–70		–70
Total comprehensive income	**0**	**0**	**–70**	**–59,555**	**–59,625**
Transactions with equity holders					
New share issue	3,489	116,511			120,000
Transaction costs		–394			–394
Employee stock option program – value of employee service				3,863	3,863
Total transactions with equity holders	**3,489**	**116,117**	**0**	**3,863**	**123,469**
Opening balance 2016-01-01	**15,686**	**564,372**	**–232**	**–599,498**	**20,328**
Comprehensive income					
Loss for the year				–110,190	–110,190
Other comprehensive income					
Exchange difference on translation of foreign operations			–74		–74
Total comprehensive income	**0**	**0**	**–74**	**–110,190**	**–110,264**
Transactions with equity holders					
New share issue	2,446	96,744			99,190
Alloted warrants		8,436			8,436
Employee stock option program – value of employee service				16,614	16,614
Total transactions with equity holders	**2,446**	**105,180**	**0**	**16,614**	**124,240**
Closing balance 2016-12-31	**18,132**	**669,552**	**–306**	**–653,074**	**34,304**

Changes in reserves
Reserves compromise exchange differences on translation of foreign operations.

CONSOLIDATED STATEMENT OF CASH FLOWS

SEK thousands	Note	2016	2015	2014
Operating activities				
Operating loss		–88,745	–53,906	–39,303
Non-cash adjustments	27	17,593	4,878	424
Interest received		4	1	1
Interest paid		–11,644	–6,303	–4,675
Other paid financial expenses	23	–9,868	0	0
Income tax paid		–109	–49	–62
Cash flow from operating activities before changes in working capital		**–92,769**	**–55,379**	**–43,615**
Changes in working capital				
Decrease/increase in inventories		635	–5,753	–2,185
Increase in operating receivables		–5,178	–9,870	–1,351
Increase in operating liabilities		15,379	5,710	1,228
Cash flow from operating activities		**–81,933**	**–65,292**	**–45,923**
Investing activities				
Investments in intangible assets	17	–1,307	–932	–640
Investments in tangible assets	18	–67	–497	–424
Disposal of tangible assets		0	117	309
Cash flow from investing activities		**–1,374**	**–1,312**	**–755**
Financing activities				
New share issue		99,190	120,000	0
Allotted warrants		4,524	0	0
Issue costs		0	–394	0
Proceeds from borrowings		128,908	0	35,111
Repayments of borrowings		–77,497	–2,805	0
Cash flow from financing activities		**155,125**	**116,801**	**35,111**
Period cash flow		**71,818**	**50,197**	**–11,567**
Cash and cash equivalents at the beginning of the period	24	68,881	18,386	27,658
Net foreign exchange difference		802	298	2,295
Cash and cash equivalents at the end of the period	24	**141,501**	**68,881**	**18,386**

NOTES

NOTE 1 ACCOUNTING PRINCIPLES

These financial reports have been approved by the board of directors of the Company on 9 June 2017.

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 for periods beginning on January 1, 2016. None of these have had any major impact on the group's financial statements.

From 2016, the group applies IFRS 8 Operating Segments. The purpose of the application is to provide information that helps users of the financial statements assess the nature and financial effects of the business activities carried out by the group and the economic environment in which it operates. During 2016, 100 percent of depreciations of intangible and tangible assets have been allocated to costs of goods sold. The 2015 income statement has been adjusted accordingly in that depreciations that have previously been attributable to other cost items are classified as costs of goods sold. The adjustment does not entail any change of the operating income. Depreciations amount to SEK 1,346 thousand (1,292). No changes have been made for 2014.

The group is currently reviewing the standards, interpretations and changes which should be applied for the financial year 2017 or later. Besides those presented below, according to the initial assessment, these will not have any major impact on the group's financial statements.

IFRS 9 'Financial Instruments' will replace IAS 39 with the elements that deal with the classification and valuation of financial instruments. IFRS 9 applies to fiscal years beginning January 1, 2018 with early adoption permitted. IFRS 9 was adopted by the EU in November 2016. The new standard is not expected to have a material impact on the Group's financial reports given the current level and focus on the business.

IFRS 15 specifies how and when a company will recognize revenue in accordance with IFRS as well as it requires these companies to provide readers of annual reports with more informative and relevant disclosures. The standard provides a principles-based five-step model to apply to all customer contracts. IFRS 15 was issued in May 2014 and applies to fiscal years beginning on or after January 1, 2018. IFRS 15 was adopted by the EU in September 2016. The group has begun work to evaluate the impact of the introduction of IFRS 15 on the current accounting principles. This work is ongoing, but given the group's current operations, it can not be ruled out that the introduction of IFRS 15 may have an impact on the group's revenue recognition. The preliminary assessment, however, is that it will not have a material impact on the financial statements.

IFRS 16 Leases introduces a model for leasing accounting, which means that in principle all leases are to be classified as assets and liabilities with the exception of contracts less than twelve months and agreements in which the leased asset is of lesser value. IFRS 16 applies to fiscal years beginning on January 1, 2019 and replaces IAS 17. The EU is expected to approve the standard during the second half of 2017. The group has not yet begun the work of evaluating the effects of IFRS 16. Given the current level of lease contracts within the group and the classification of these made under IAS 17 it can be stated that the group's assets and liabilities can be expected to increase, as even leasing, which today is classified as operational, is to be capitalized. This may amount to significant amounts. However, whether this will have a significant impact on the financial statements can currently not be assessed.

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 the 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. As of December 31, 2016, the assessment is that, with the exception of those reported under the Director's report in the section Operational and Financial Risks and Note 3, no estimates or assumptions have been made in the company's financial statements that may result in significant adjustments of the value of assets or liabilities in subsequent financial statements.

Those areas, which compromise 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 year. Other balance sheet items are expected to be recovered or paid later.

BASIS FOR CONSOLIDATION

The consolidated accounts includes the parent company and its subsidiaries. The financial statements of the parent company and subsidiaries included in the consolidated financial statements refer to the same period and are prepared in accordance with the accounting principles applicable to the group. All the intragroup 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 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 trans-

ferred, 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 subsidiaries' balance sheets are measured in the respective functional currency, which is normally the same as the country's local currency. The group's financial statements are presented in Swedish kronor, which is the parent company's functional currency. The income statements and balance sheets of the foreign subsidiaries are translated into Swedish kronor. Balance sheets are translated to the rate of the closing date. 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
Closing day rate 2016-12-31	9.0971	9.5669	8.9111
The period's average rate 2016	8.5724	9.4400	8.6639
Closing day rate 2015-12-31	8.3524	9.1350	8.4287
The period's average rate 2015	8.3988	9.1900	8.4517
Closing day rate 2014-12-31	7.8117	9.5155	–
The period's average rate 2014	6.8990	9.1164	–

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

The Group's revenue is mainly generated by the sale of CERAMENT products. Revenue has been recognized at fair value of what has been received or will be received, excluding VAT. Revenue is recognized when the following criteria are fulfilled: delivery has taken place, sales price is final or can be determined and payment is probable. For distributors, delivery terms Ex Works apply to the company's premises in Lund, which means that the risk passes on to the buyer when the goods leave the warehouse and the revenue is recognized at this moment. For end customers, Delivered Duty Paid is applied to the customer's specified destination. This means that the delivery has taken place and the revenue is recognized when the goods are available at the customer's stated address.

Sales agreements contain no right of return, this applies to both distributors and end customers. Warranty costs amount to immaterial amounts and therefore no warranty provision is recognized.

Interest income and interest expenses are recognized according to the effective interest method and are disclosed as financial income and expenses.

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 costs are reported as intangible assets, and depreciation is made from the date the product is ready to use. The depreciation period is the remaining patent period, but never longer than 15 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.

TANGIBLE ASSETS

Tangible assets 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 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. Inventories and tools are written off in five years.

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

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 asset's 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 ASSETS

Trade and other receivables:

Receivables are non-derivative financial assets with fixed or determinable payments not quoted on an active market, such as receivables from financial services or trade receivable. Receivables are initially recognized at fair value and subsequently at accrued acquisition value less any provision for impairment. 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. The fair value of current financial assets is considered to correspond to the book value due to the short maturity.

Impairment of trade and other receivables:
Significant financial difficulties at the debtor, probably because the debtor will go bankrupt or undergo financial reconstruction and failed or delayed payments (fallen due since more than 60 days) are considered as indicators that a write-down requirement for a customer debt may be required. The size of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows. The reserved amount is reported in the income statement. Recovering of previously written amounts is credited to the income statement.

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

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.

FINANCIAL LIABILITIES
Borrowing:
Borrowing is initially recognized at fair value, net of transaction expenses. Borrowing is thereafter accounted for at amortized costs. Gains and losses are recognized in profit and loss.

Trade payables:
Trade payables are classified as current liabilities and initially recognized at fair value and thereafter at amortized cost by applying the effective rate method. Due to the short maturity no material interest rate effect arises.

FOREIGN CURRENCIES
Transactions in foreign currency are reported at the exchange rate on the transaction date. Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rate and exchange rate 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.

Shared based compensation:
The group has outstanding employee stock options, which are regulated by equity instruments. For detailed descriptions of the programs, see Note 11. Sharebased 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 (quo-ta 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 are granted. The liability for social security contributions that arises is revalued at each financial statement 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 made at each financial year 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 apply when the deferred tax asset concerned is realized or the deferred tax liability is adjusted. Deferred tax assets relating to tax losses are reported to the extent that they are expected to be utilized against future taxable surpluses.

OPERATING SEGMENTS
The group manages and monitors operations in two operating segments: North America (NA) and Europe & Rest of the World (EURW). 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 of these are done by management and board at group level.

NOTE 2 FINANCIAL RISK MANAGEMENT
Through its operations, the group is exposed to various types of financial risks. The operations are influenced by a number of factors that may affect the company's result and financial position. The strategy includes the continuous identification and management of risks. Below are the financial risks considered to be the most important for BONESUPPORT's development and how the company addresses these risks.

Financial risks refer to fluctuations in the company's earnings and cash flow as a result of changes in exchange rates, interest rates and credit risks. BONESUPPORT has a comprehensive financial 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 has an Audit Committee, which is responsible for, *inter alia*, monitoring the financial policy's design and, if necessary, proposing changes to the Board of Directors. The finance policy is characterized by low risk levels. No changes in financial policy nor the risk management have occurred since 2015.

As an accounting policy for financial risks and risk management, BONESUPPORT applies IFRS 7 Financial Instruments: Disclosures and IFRS 13 Valuation at fair value.

MARKET RISK

Market risk is that the risk that the fair value of or future cash flows from a financial instrument will vary due to changes in market prices. Market risks are classified by IFRS into three types, interest rate risk, currency risk and credit risk. In addition, IFRS 7 deals with credit risk and liquidity risk. The market risk that primarily affects the Group is currency risks.

INTEREST RATE RISK

Interest rate risk is the risk that the value of a financial instrument varies due to changes in market interest rates. Interest rate risk may consist partly of changes in fair value, price risk and changes in cash flow, cash flow risk. A significant factor affecting interest rate risk is the fixed interest rate period.

Reported values, SEK thousands	2016-12-31	2015-12-31	2014-12-31
Financial liabilities – variable interest rate	–	62,887	66,796
Financial liabilities – fixed interest rate	109,702		–

Sensitivity analysis

As per December 31, 2016, a general increase or decrease in interest rates is expected to have no impact on BONESUPPORT's result, as the loans run at fixed interest rates over the term of the loan, which is four years. The Company continues to evaluate different business and financing options and has during September replaced the previous credit facility with a larger credit facility amounting to EUR 22.3 million, of which EUR 13.4 million has been drawn during the year. The new facility is for 4 years and amortization is made on a monthly basis and the interest amounts to 11 percent on used amount. During October a new share issue took place and warrants were issued amounting to SEK 103.7 million in total.

CURRENCY RISK

BONESUPPORT is exposed to various types of currency risks.

Translation exposure

The exposure relates to currency risk fluctuations in the sale of goods in foreign currencies, so called transaction exposure. About 70 percent of the sales in BONESUPPORT AB are invoiced in USD and approximately 9 percent are in-voiced in EUR and approximately 9 percent in GBP. This is only hedged to a small extent as some purchases also take place mainly in EUR.

Sensitivity analysis

If all else equal, the USD, GBP and the EUR currencies are strengthened or weakened by 5 percent at the same time against the Swedish krona, the Group's profit after tax is affected by plus / minus SEK 3.5 million based on 2016 transactions.

Financial liabilities

BONESUPPORT also has financial liabilities, foreign currency loans, in EUR, which, when translated to SEK, is affected by currency fluctuations. If the EUR is weakened against SEK, it means a positive effect on the company's SEK accounting.

Sensitivity analysis

If all else equal, the EUR is strengthened or weakened by 5 percent against the Swedish krona, the group's profit after tax is affected by plus / minus approximately SEK 5 million per 31 December 2016.

Financial assets

Furthermore, the Swedish companies in the group have financial assets in the form of accounts receivable which are mostly in foreign currency.

Sensitivity analysis

Because accounts receivable consist mainly of USD, EUR and GBP (of which USD accounts for approximately 67 percent of accounts receivables per 31 December 2016), currency fluctuations may affect future cash flows. If all else equal, the USD, GPB and the EUR are strengthened or weakened by 5 percent at the same time as against the Swedish krona, the group's net profit after tax will be affected by plus / minus just under SEK 1 million based on outstanding customer receivables as at 31 December 2016.

Equity

The sensitivity analysis in the table below shows the group's impact of changes in SEK against currencies and changes in USD against SEK. The figures are based on 2016 results and financial position.

+ implies a weakening of the Swedish krona
– Implies a strengthening of the Swedish krona

SEK millions	+/– 5% USD	+/– 5% EUR	+/– 5% GBP
Equity	+/– 4.1	+/– 5.2	+/– 0.5

CREDIT RISK

The financial risk management involves exposure to credit risks. It is primarily counterparty risks associated with sales and claims on other counterparties.

The risk of a counterparty failing to fulfill its obligation is limited by the choice of creditworthy counterparty and partly by limiting the involvement of each counterparty. Payment of receivables is continuously monitored and uncertain receivables are reserved on a regular basis. The risk that BONESUPPORT's customers fail to fulfill their commitments, i.e., not obtaining payments for accounts receivable is considered a customer credit risk. Estimated and realized customer losses amounted to SEK 712 thousand in 2016, SEK 63 thousand in 2015 and SEK 327 thousand in 2014. See Note 19 for further information on accounts receivable.

Liquidity risk:

Liquidity risks are limited by liquidity planning and the ability to invest in financial instruments that can be redeemed at short notice. Investment opportunities are governed by the company's finance policy, which generally indicates low risk and short redemption period.

The Board of Directors is of the opinion that in 2018 there will be a need for additional external funding to complete the group's planned research, development and commercialization. At present there are no agreements on financing on site, so uncertainty exists. Furthermore, the Board of Directors is of the opinion that such funding will be obtained. In the event that the group fails to obtain expected financing, it is the Board of Directors assessment that the owners will allo-cate additional capital to ensure continued operations.

Financial risk:

BONESUPPORT has decided on continued investments in research, development and commercialization, and therefore seeks additional capital and or loans for the financing of these.

NOTE 3 ASSESSMENTS, ESTIMATES AND ASSUMPTIONS

When preparing the company's financial statements, a number of 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 on the basis of historical experience and other factors, including expectations of future events.

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

GOING CONCERN

Taking into account the fact that the efforts to launch the company's products CERAMENT ™ | BONE VOID FILLER, CERAMENT ™ | and CERAMENT ™ | V are continuing in a focus manner, it is expected that the company will show negative cash flow until these products generate revenue exceeding the expenses. At present, this deficit is financed foremost by equity and a loan facility from Kreos Capital. The group is still looking for additional equity and / or loans to finance planned activities in the next few years. The Board of Directors is of the opinion that in 2018 there will be a need for additional external funding to complete the group's planned research, development and commercialization. At present there are no agreements regarding on-site financing, so uncertainty exists. It is the opinion of the Board of Directors that such funding will be obtained. In the event that the group fails to obtain expected financing, it is the Board of Directors assessment that the owners will provide additional capital to ensure continued operation.

INVENTORIES

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

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 future tax surpluses are likely to be available against which the temporary difference can be utilized. Despite the positive development at present, the likelihood that the company reports profit in 2017 is small.

VALUATION OF EMPLOYEE STOCK OPTIONS AND OPTIONS IN CONNECTION WITH BORROWING

There are several different employee stock option programs. The valuation of these options has been based on the market value of underlying equity, maturity and market volatility according to the Black & Scholes valuation model. Social costs have been calculated on the estimated market value of the underlying share.

In connection with the raising of loans from Kreos Capital, options were issued to the creditor. The value of these is accounted for in equity and has been calculated in the same way as the employee stock options.

NOTE 4 OPERATING SEGMENTS

	Jan – Dec 2016				Jan – Dec 2015				Jan – Dec 2014			
	NA	EURW	Others	Total	NA	EURW	Others	Total	NA	EURW	Others	Total
Net sales	68,868	35,731	0	104,599	39,399	22,356	0	61,755	26,903	14,058	0	40,961
Operating costs[1]	–46,348	–47,929	–40,034	–134,311	–24,914	–29,559	–30,161	–84,634	–9,174	–22,127	–36,001	–67,302
Contribution	22,520	–12,198	–40,034	–29,712	14,485	–7,203	–30,161	–22,879	17,729	–8,069	–36,001	–26,341
Other operating items[2]	0	0	–59,033	–59,033	0	0	–31,027	–31,027	0	0	–12,962	–12,962
Operating result	22,520	–12,198	–99,067	–88,745	14,485	–7,203	–61,188	–53,906	17,729	–8,069	–48,963	–39,303
Net financial items	0	0	–20,820	–20,820	0	0	–5,509	–5,509	0	0	–11,770	–11,770
Result before taxes	22,520	–12,198	–119,887	–109,565	14,485	–7,203	–66,697	–59,415	17,729	–8,069	–60,733	–51,073

1) Operating costs are the cost of goods sold, selling expenses, and research and development costs.
2) Other operating items refer to administrative expenses, other operating income and operating expenses.

BONESUPPORT manages and monitors operations in the North America (NA) and Europe & Rest of the World (EURW) 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. Other operating items include eliminations and other items. The costs included in other operating items are mainly costs for group functions that can not 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 allocatable operating costs (see definition above) for the segments.

There is no follow-up on either assets or liabilities on segmentlevel, as management and follow-up of these are done by management and Board of Directors at group level.

During the financial years 2016, 2015 and 2014, sales in Sweden amounted to SEK 2.4 million, SEK 1.4 million, and SEK 0.5 million respectively. In the 2016 financial year, the US (part of "NA") was the only geographic market that represented more than 10 percent of net sales. During the financial years 2016, 2015 and 2014, sales in the US amounted to SEK 68.9 million, SEK 39.4 million, and SEK 26.9 million respectively. The company's sales in the US go exclusively through one customer, a distributor. No other customers account for more than 10 percent of the group's net sales.

SALES PER PRODUCT GROUP

	2016			2015			2014		
Product group	NA	EURW	Total	NA	EURW	Total	NA	EURW	Total
CERAMENT BVF	68,868	10,237	79,105	39,399	7,582	46,981	26,903	4,713	31,616
CERAMENT drug eluting[1]	–	25,494	25,494	–	14,774	14,774	–	9,345	9,345
Total	**68,868**	**35,731**	**104,599**	**39,399**	**22,356**	**61,755**	**26,903**	**14,058**	**40,961**

1) CERAMENT with antibiotics include CERAMENT G and CERAMENT V.

NOTE 5 EXPENSES BY TYPE

	2016	2015	2014
Changes in inventories of finished products and products in progress	5,240	7,310	4,792
Raw materials and consumables	–9,001	–9,852	–7,117
Employee benefit expenses	–78,751	–50,822	–36,683
Depreciation and amortization	– 1,346	–1,292	–1,248
Other expenses	– 116 835	–64,298	–45,047
Total	**–200,693**	**–118,954**	**–85,303**

Other expenses mainly concern external services, advertising & public relations, travel expenses and exchange rate losses. Exchange rate losses amount to SEK 5,002 thousand for the financial year 2016, SEK 2,570 thousand for the financial year 2015 and SEK 953 thousand for the financial year 2014.

NOTE 6 DEPRECIATION, AMORTIZATION AND IMPAIRMENT

	2016	2015	2014
Capitalized development costs	1,132	1,077	1,024
Patents	12	12	12
Equipment and tools	202	203	212
Total depreciation, amortization and impairment	**1,346**	**1,292**	**1,248**

Depreciation is included in the cost of goods sold for 2016 and 2015, but is included in other costs for 2014.

NOTE 7 COMPENSATION TO AUDITORS

	2016	2015	2014
Ernst & Young			
Audit fees related to the assignment	487	400	375
Audit related fees	46	41	0
Fees for tax services	308	110	27
Other fees	965	255	417
Sum	**1,806**	**806**	**819**

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 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, statutes or agreements not included in the audit assignment, which shall be concluded in a report, certificate or other document intended for others the client. Tax services is consultation in tax law issues. Other fees are consultations that cannot be attributed to any of the other categories.

Other fees include a review of IT control, internal control, financial manual, quarterly report, etc. in connection with the IPO.

NOTE 8 PERSONNEL (AVERAGE NUMBER)

	2016		
	Men	Women	Total
Sweden	7	18	25
Germany	3	2	5
USA	7	5	12
The Netherlands	1	0	1
Switzerland	3	0	3
Total group	**21**	**25**	**46**

At the end of financial year 2016, the Board of Directors was composed of 5 members, of which 3 are men and 2 are women. At the same time, the management comprised 12 people, of which 8 men and 4 women.

	2015		
	Men	Women	Total
Sweden	7	11	18
Germany	4	2	6
USA	5	1	6
The Netherlands	1	0	1
Switzerland	0	0	0
Total group	**17**	**14**	**31**

At the end of financial year 2015, the Board of Directors was composed of 6 members, of which 5 are men and 1 is a woman. At the same time, the management comprised 11 people, of which 7 men and 4 women.

	2014		
	Men	Women	Total
Sweden	7	9	16
Germany	3	2	5
USA	3	0	3
The Netherlands	1	0	1
Total group	**14**	**11**	**25**

At the end of financial year 2014, the Board of Directors was composed of 6 members, of which 5 are men and 1 is a woman. At the same time, the management comprised 11 people, of which 8 men and 3 women.

NOTE 9 SALARY, OTHER COMPENSATION AND SOCIAL SECURITY

	2016		2015		2014	
	Board & CEO	Other employees	Board & CEO	Other employees	Board & CEO	Other employees
Salary and other compensation	**4,890**	**54,837**	**3,671**	**33,642**	**3,325**	**24,417**

	2016	2015	2014
Social security all employees	**10,663**	**8,131**	**7,036**
(of which pension)	***(2,531)***	***(2,018)***	***(2,177)***

Salaries, social security contributions and other remuneration to the company's CFO and HR Manager are not included in Note 9, as these are contracted through consultancy agreements. The costs for the CFO amounted to SEK 2,673 thousand in 2016, SEK 1,848 thousand in 2015 and SEK 1,736 thousand in 2014. The costs for HR Manager amounted to SEK 209 thousand in 2016, SEK 0 thousand in 2015 and SEK 0 thousand in 2014.

The amounts above do not include share-based remuneration. These are included in note 10.

NOTE 10 COMPENSATION TO SENIOR EXECUTIVES AND RELATED TRANSACTIONS

Compensation to the CEO is decided by the board of directors on a proposal from the Remuneration Committee. For the financial year 2016, senior executives consisted of the CEO and an additional 11 persons. For the financial years 2015 and 2014, senior executives consisted of the CEO and an additional 10 persons. 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 are done quarterly or yearly.

The CEO's agreement can be terminated by either party with a notice period of 3 months (6 months in 2015 and 2014). In case of termination on the part of the company, a severance pay of 12 months' salary and benefits (6 months in 2015 and 2014) and average bonus for the last 3 years will be paid. The terms of the former CEO did not include any compensation for the bo-nus. Other senior executives' contracts have notice periods of up to 6 months (up to 12 months 2015 and 2014).

COMPENSATION TO CHAIRMAN OF THE BOARD, BOARD OF DIRECTORS AND SENIOR EXECUTIVES, GROUP

	2016			2015			2014		
SEK thousands	Salaries Fees	Social security	Share based comp.	Salaries Fees	Social security	Share based comp.	Salaries Fees	Social security	Share based comp.
Håkan Björklund *Chairman of the Board from 15 Dec 2016*	0	0	0	0	0	0	0	0	0
Oern Stuge *Chairman of the Board to 15 Dec 2016*	476	0	0	348	0	481	300	0	539
Hedvig Andersén *Director to 5 Oct 2015*	0	0	0	0	0	0	0	0	0
Nina Rawal *Director from 6 Oct 2015*	0	0	0	0	0	0	0	0	0
Johan Kördel *Director April 2014-15 Dec 2016*	0	0	0	0	0	0	0	0	0
Lars Lidgren *Director*	0	0	467	0	0	0	0	0	0
Björn Odlander *Director*	0	0	0	0	0	0	0	0	0
Tone Kvåle *Director from 15 dec 2016*	0	0	0	0	0	0	0	0	0
Dan Pitulia *Board member until 15 dec 2016*	0	0	0	0	0	0	0	0	0
Richard Davies *CEO 2016*	4,414	615	13,116	0	0	0	0	0	0
Lloyd Diamond *CEO 2015, 2014*	0	0	0	3,323	1,269	1,311	3,025	1,172	1,467
Other senior executives *11 (10,10) persons*	20,828	3,734	1,602	14,924	2,233	1,015	14,997	3,311	1,310

Bonus to the CEO was SEK 1,137 thousand, SEK 482 thousand and SEK 958 thousand and to other senior executives with SEK 2,738 thousand, SEK 2,167 thousand and SEK 2,893 thousand for the financial years 2016, 2015 and 2014.

For the financial years 2016, 2015 and 2014, the CEO had the right to a defined contribution pension of SEK 300 thousand, SEK 226 thousand and SEK 226 thousand annually. During 2016, preiums were paid corresponding to 18 percent of the base salary, of which the company paid half and the CEO paid half. Pension premiums relating to the CEO were paid at SEK 255 thousand, SEK 225 thousand and SEK 222 thousand, and premiums relating to other senior executives were paid at SEK 850 thousand, SEK 780 thousand and SEK 1,406 thousand for the financial years 2016, 2015 and 2014 respectively. Board members have not received any pension.

In addition to the Board compensation, former Chairman of the Board, Oern Stuge (Chairman of the Board until December 15, 2016), through his Orsco company, received a consultancy fee of SEK 890 thousand, SEK 1,218 thousand and SEK 1,049 thousand respectively for his work as Chairman of the Board in the financial years 2016, 2015 and 2014. In the company's Board and CEO instructions, the following duties have been added to the Chairman of the Board:

1. Lead the company's development in accordance with the determined strategy through contact with the company's CEO, Sales and Marketing Director, and CFO (the "senior management").
2. Lead the positioning of BONESUPPORT towards major orthopedic companies and towards an IPO.
3. Support the senior management with contacts from own network for operational activities.

BONESUPPORT AB has an ongoing consultancy agreement with Professor Lars Lidgren's company, Seagles AB. The agreement means that Seagles AB receives SEK 175 thousand per year for advice regarding the company's research and intangible assets. The agreement is decided upon yearly by the Board of Directors.

BONESUPPORT has also purchased a patent by Professor Lars Lidgren's company Seagles AB – "Case 13-CERAMENT + BMP + Anti-Catabolic Drugs" for SEK 660 thousand in 2016 and SEK 500 thousand in 2015. The agreement was signed in March 2015 and the purchase price for the patent amounts to a total of SEK 2.1 million divided into three installments, of which two have been paid.

NOTE 11 EMPLOYEE STOCK OPTION PROGRAM

Employees in BONESUPPORT have the opportunity to receive employee stock options through five programs running 2007–2024. The personal options in programs 1–4 entitle the holder to subscribe for a share in BONESUPPORT HOLDING AB at a price of SEK 0.125. Fifth program is entitled to subscription at a price of SEK 5.30. The options can only be exercised when selling the company or an IPO to a regulated marketplace.

A prerequisite for taking part in the stock option plans is an employment or contractual relationship with the company on a recurring vesting date. The first program was fully vested in 2011, the second program expired in December 2013. For both programs, 50 percent are vested two years after grant date and the remaining 50 percent after four years. The third program vests 37.5 percent 18 months after the grant date and then 12.5 percent after 24, 30, 36, 42 and 48 months. For programs four and five, 25 percent will be vested 12 months after the grant date and then 2.1 percent at each subsequent month. In the case of a sale of the company or a public offering, all options are vested.

Warrants have been issued to cover the options. In 2016, shareholders decided not to cancel 239,426 outstanding options from program 3. On December 31, 2016, the value of employee stock options was SEK 5.18 for programs 1–4 and SEK 1.80 for program 5.

VALUATION – PROGRAM 5

	2016-11-09
Dividend	–
Expected volatility	50%
Interest rate	0%
Valuation of the share (SEK)	5.30
Valuation model	Black & Scholes

VALUATION – PROGRAM 4

	2016-01-01
Dividend	–
Expected volatility	50%
Interest rate	0%
Valuation of the share (SEK)	4.30
Valuation model	Black & Scholes

VALUATION – PROGRAM 3

	2012-01-01
Dividend	–
Expected volatility	40%
Interest rate	3%
Estimated average duration (years)	9
Assumption of the share of employees remaining at the date of exercise	96%
Valuation of the share (SEK)	4.30
Valuation model	Black & Scholes

CHANGES DURING THE YEAR (NUMBER) – PROGRAM 1 AND 2:

	2016	2015	2014
Outstanding at 1 January	2,350,070	2,350,070	2,491,661
Granted during the year	0	0	0
Cancelled during the year	0	0	-141,591
Outstanding at 31 December	2,350,070	2,350,070	2,350,070
Exercisable at 31 December	0	0	0

CHANGES DURING THE YEAR (NUMBER) – PROGRAM 3:

	2016	2015	2014
Outstanding at 1 January	13,061,158	10,087,187	10,091,824
Granted during the year	1,610,000	2,973,971	0
Cancelled during the year	–239,426	0	–4,637
Outstanding at 31 December	14,431,732	13,061,158	10,087,187
Exercisable at 31 December	0	0	0

CHANGES DURING THE YEAR (NUMBER) – PROGRAM 4:

	2016	2015	2014
Outstanding at 1 January	0	0	0
Granted during the year	5,398,300	0	0
Cancelled during the year	0	0	0
Outstanding at 31 December	5,398,300	0	0
Exercisable at 31 December	0	0	0

CHANGES DURING THE YEAR (NUMBER) – PROGRAM 5:

	2016	2015	2014
Outstanding at 1 January	0	0	0
Granted during the year	2,804,420	0	0
Cancelled during the year	0	0	0
Outstanding at 31 December	2,804,420	0	0
Exercisable at 31 December	0	0	0

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. The valuation is fixed with the exception of the assumption of the proportion of remaining employees at the time of solvency. This assumption may change based on actual circumstances. The total cost will also change as social security is calculated on the fair value of the options and a new fair value calculation is made quarterly. Volatility (50 percent) is a conservative valuation of market risk.

During the financial years 2016, 2015 and 2014, the cost of employee stock option plans, including social security contributions, was recognized as operating income amounting to SEK 19,916 thousand, SEK 5,749 thousand and SEK 4,170 thousand. The reported amount of social security contributions at the end of the corresponding periods amounted to SEK 14,496 thousand, SEK 10,744 thousand and SEK 8,859 thousand, respectively.

NOTE 12 OTHER OPERATING INCOME

	2016	2015	2014
Exchange rate gains	6,730	2,961	4,682
Capital gains of equipment and tools	3	27	57
Other	616	305	300
Total	**7,349**	**3,293**	**5,039**

NOTE 13 OTHER OPERATING EXPENSES

	2016	2015	2014
Exchange rate losses	5,002	2,570	953
Loss from disposal of tangible assets	686	7	20
Other	23	14	8
Total	**5,711**	**2,591**	**981**

NOT 14 RESULT FROM FINANCIAL ITEMS

	2016	2015	2014
Interest income	4	1	1
Interest expense	–11,644	–8,299	–6,477
Exchange rate differences on borrowings from financial institutions	–3,715	3,981	–3,522
Exit fee loans	–3,371	0	0
Other financial costs	–2,094	–1,192	–1,772
Total	**–20,820**	**–5,509**	**–11,770**

NOTE 15 INCOME TAX

The following components are included in the tax income of the year:

	2016	2015	2014
Current tax on result for the year	–625	–58	–37
Deferred tax income related to changes in temporary differences	0	–82	45
Reported tax result	**–625**	**–140**	**8**

The difference between reported tax result and tax and tax expense based on applicable tax rate consists of:

	2016	2015	2014
Result before tax	–109,565	–59,415	–51,073
Tax according to the applicable tax rate 22%	24,104	13,071	11,236

Tax effects from:

	2016	2015	2014
Difference between Swedish and foreign tax rates	–64	–19	–14
Non tax deductible items	–4,181	–101	–119
Non taxable incomes	1	41	81
Tax deficits used for which no deferred tax assets has been accounted for	109	177	99
Current tax attributable to prior years	–50	–11	–1
Loss carry forward for which no deferred tax asset has been recognized	–20,544	–13,298	–11,274
Tax result for the year	**–625**	**–140**	**8**

The tax effect from non-deductible expenses primarily relates to costs for employee stock option programs. No tax is reported in the comprehensive income or directly against equity.

GROUP

Deferred tax assets refer to:

	2016	2015	2014
Intercompany profit in stock	0	0	82
Total deferred tax assets	**0**	**0**	**82**

Changes in deferred tax:

	2016	2015	2014
Opening balance deferred tax:	**0**	**82**	**37**
Deferred tax reported in the income statement	0	–82	45
Closing balance deferred tax:	**0**	**0**	**82**

The group's total loss carry forwards for the financial year 2016, 2015 and 2014, amount to approximately SEK 449 million, SEK 337 million, and SEK 278 million respectively. Deferred tax assets attributable to the loss carry forwards have been valued at zero as it is not currently possible to assess when tax losses carry-forwards can be utilized. The loss carry forwards have no fixed maturity.

NOTE 16 INVENTORIES

	2016-12-31	2015-12-31	2014-12-31
Raw material and consumables	10,494	8,769	7,920
Finished goods and goods resale	3,995	6,263	1,375
Total inventories	**14,489**	**15,032**	**9,295**

Changes in inventory are classified as costs of goods sold and amount to SEK 5,240 thousand for 2016, SEK 7,310 thousand for 2015 and SEK 4,792 thousand for 2014. The value of inventory has been reduced by provisions for obsolescence of SEK 1,529 thousand for 2016, SEK 1,250 thousand for 2015 and SEK 896 thousand for 2014. No part of inventory is valued at fair value.

For the financial years 2016, 2015 and 2014, the inventory has been affected by a reversal of SEK 305 thousand, SEK 0 and SEK 680 thousand respectively, which have been recognized as positive adjustments in cost of goods sold, mainly due to the disposal of goods with the expended date of use.

NOTE 17 INTANGIBLE ASSETS

Capitalized development expenses:

	2016-12-31	2015-12-31	2014-12-31
Opening acquisition value	63,197	62,765	62,125
Investments	647	432	640
Disposals	–53,771	0	0
Closing accumulated acquisition value	**10,073**	**63,197**	**62,765**
Opening amortization	–11,297	–10,220	–9,196
Disposals	5,598	0	0
Amortization for the year	–1,132	–1,077	–1,024
Closing accumulated amortization	**–6,831**	**–11,297**	**–10,220**
Opening impairment	–47,545	–47,545	–47,545
Disposals	47,545	0	0
Closing accumulated impairment	**0**	**–47,545**	**–47,545**
Closing book value	**3,242**	**4,355**	**5,000**

Patents:

	2016-12-31	2015-12-31	2014-12-31
Opening acquisition value	8,123	7,623	7,623
Investments	660	500	0
Disposals	–7,500	0	0
Closing accumulated acquisition value	**1,283**	**8,123**	**7,623**
Opening amortization	–3,225	–3,213	–3,201
Disposals	3,181	0	0
Amortization for the year	–12	–12	–12
Closing accumulated amortization	**–56**	**–3,225**	**–3,213**
Opening impairment	–4,319	–4,319	–4,319
Disposals	4,319	0	0
Closing accumulated impairment	**0**	**–4,319**	**–4,319**
Closing book value	**1,227**	**579**	**91**

NOTE 18 TANGIBLE ASSETS

Equipment and tools:

	2016-12-31	2015-12-31	2014-12-31
Opening acquisition value	5,192	6,183	6,097
Investments	67	497	424
Disposals	0	–1,490	–356
Translation difference	–11	1	18
Closing accumulated acquisition value	**5,248**	**5,192**	**6,183**
Opening accumulated depreciation	–4,604	–5,801	5,663
Depreciation for the year	–202	–203	–212
Disposals	0	1,401	83
Translation difference	0	0	–9
Closing accumulated depreciation	**–4,806**	**–4,604**	**–5,801**
Closing book value	**442**	**588**	**382**

NOT 19 TRADE RECEIVABLES AND OTHER RECEIVABLES

	2016-12-31	2015-12-31	2014-12-31
Trade receivables	20,242	17,600	9,005
Other receivables	4,162	2,588	1,681
Total trade receivables and other receivables	**24,404**	**20,188**	**10,686**

Other receivables above refer to:

	2016-12-31	2015-12-31	2014-12-31
VAT receivable	2,430	1,360	612
Receivable from suppliers	0	0	33
Other receivables	1,732	1,228	1,056
Total other receivables	**4,162**	**2,588**	**1,681**

Credit exposure:

	2016-12-31	2015-12-31	2014-12-31
Trade receivables neither past due nor written off	16,821	11,116	7,303
Trade receivables past due date not written off	3,421	6,484	1,702
Trade receivables written off	780	371	562
Provision for bad debts	–780	–371	–562
Total trade receivables	**20,242**	**17,600**	**9,005**

During the financial years 2016, 2015 and 2014, the result was charged with SEK 712 thousand, SEK 63 thousand and SEK 327 thousand respectively in losses due to impaired trade receivables.

No significant credit risk is deemed to exist in past due but not written-down receivables.

NOT 19 TRADE RECEIVABLES AND OTHER RECEIVABLES, *cont.*

Due date for trade receivables past due but not written off:

	2016-12-31	2015-12-31	2014-12-31
Less than 1 month	1,865	5,995	722
1–3 months	1,283	429	453
More than 3 months	273	60	527
Total	**3,421**	**6,484**	**1,702**

Changes in provisions for bad debts:

	2016-12-31	2015-12-31	2014-12-31
Per 1 January	371	562	321
Provision for bad debts	780	63	327
Recovery provision for bad debts	–371	–254	–86
Per 31 December	**780**	**371**	**562**

No other write-downs have been made in other categories of accounts receivable and in other receivables. The Group does not hold any collateral for the receivables.

In the financial years 2016, 2015 and 2014, the 4 largest customers accounted for 70 percent, 80 percent, and 80 percent of the total accounts receivable. The single largest customer stood for 59 percent, 70 percent and 61 percent respectively.

Group's trade receivables per currency:

	2016-12-31	2015-12-31	2014-12-31
USD	11,981	12,400	5,532
SEK	265	278	23
EUR	4,155	3,202	3,026
GBP	2,367	964	160
DKK	336	287	264
CHF	1,138	469	0
Total	**20,242**	**17,600**	**9,005**

NOTE 20 ACCRUALS AND PREPAID ITEMS

	2016-12-31	2015-12-31	2014-12-31
Prepaid expenses and accrued income:			
Prepaid rents	325	322	320
Other prepaid expenses	3,179	1,688	1,378
Total	**3,504**	**2,010**	**1,698**
Accrued expenses and prepaid income:			
Accrued employee expenses	7,928	5,329	4,884
Accrued social security contributions for employee stock options	14,496	10,744	8,859
Other accrued expenses	6,520	5,669	3,650
Total	**28,944**	**21,742**	**17,393**

NOTE 21 SHARE CAPITAL AND RESULT PER SHARE

	2016-12-31
Total number of shares (quotient value 0.125 SEK)	145,056,103
Registration of share capital 2010-03-15	100,000
Reverse share split 2010-03-25	–99,999
Split 2010-03-25	799,999
Non-cash issue of shares 2010-04-21	27,118,510
Number of shares 2010-12-31	**27,918,510**
New share issue 2011-07-06	31,303,191
New share issue 2011-07-28	9,919,027
Number of shares 2011-12-31	**69,140,728**
New share issue 2012-07-17	28,437,645
Number of shares 2012-12-31	**97,578,373**
New share issue 2015-04-14	27,906,977
Number of shares 2015-12-31	**125,485,350**
New share issue 2016-10-24	19,570,753
Number of shares 2016-12-31	**145,056,103**
Number of votes	**145,056,103**

Of the total number of shares, 145,056,103 are common shares and 0 preference shares. The share capital amounts to TSEK 18 132 per 31 December 2016. In October 2016, a new issue of SEK 103,714 thousand was completed, of which SEK 2,446 thousand increased the share capital. In connection with the new share issue in April 2015, all outstanding preference shares were converted to ordinary shares 1: 1.

EARNINGS PER SHARE – BEFORE DILUTION

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

	2016-12-31	2015-12-31	2014-12-31
Loss for the year, TSEK	–110,190	–59,555	–51,065
Adjustment for preferential share interest	0	0	–23,513
Adjusted loss	0	0	–74,578
Weighted average number of shares, thousands	25,837	23,522	2,462
Earnings per share before dilution, SEK	**–4.26**	**–2.53**	**–30.30**

Weighted average number of shares is calculated on the basis of the number of shares in the Company after the share consolidation 5:1 resolved at the annual general meeting on 12 April 2017.

In connection with the rights issue in April 2015, all outstanding preference shares were converted to ordinary shares 1: 1. In calculating one of the average number of shares for 2015 above, all shares have been considered as common shares.

EARNINGS PER SHARE – AFTER DILUTION

BONESUPPORT has per 31 December 2016 a total of 32,880,090 outstanding options that may potentially become shares. During 2016, 4,900,000 warrants were issued to Tellacq AB in connection with the rights issue. In connection with the signing of the new loan portfolio, 2,995,568 warrants have been issued to Kreos Capital. Remaining refers to employee stock options.

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

NOTE 22 PROVISIONS

The group has a capitalized direct pension to a former CEO. This has been net presented in the balance sheet. Payroll tax of SEK 164 thousand relating to the pension has been recorded as provision as at 31 December 2016.

NOTE 23 LOANS FROM FINANCIAL INSTITUTIONS

	Interest rate	Due date	2016-12-31	2015-12-31	2014-12-31
3 000 TEUR venture loan	EURIBOR +11% EURIBOR +2,5% PIK	2015–2017	0	25,200	28,326
4 000 TEUR venture loan	EURIBOR +8% EURIBOR +2,5% PIK	2016–2018	0	37,687	38,470
13 383 TEUR venture loan	11%	2020	109,702	0	0
Total			**109,702**	**62,887**	**66,796**

On September 30, 2016, the previous credit facility was replaced by a larger amount of EUR 22.3 million, of which EUR 13.4 million has been utilized. The new facility will last for four years and amortized monthly. The nominal interest rate is 11.0 percent and the effective interest rate is 16.2 percent. Of the book value of SEK 109,702 thousand, SEK 84,599 thousand are reported as long-term and 25,103 as short-term. The loan has initially been reported at fair value, net of transaction costs, and subsequently at accrued acquisition value.

In connection with the new loan agreement, a total of 2,995,568 warrants were issued free of charge to a lender-related fund. Each warrants entitles the holder to subscribe for one share in BONESUPPORT HOLDING AB at the price of SEK 4.30. The value of the options, SEK 3,912 thousand, has been recognized in equity, in the item other capital contributed. The counter item is the acquisition value of the loan. The warrants were reported at fair value, SEK 1.31 per option, at the date of issue 30 September 2016. The valuation is based on a number of parameters where the volatility is set at 50 percent and the interest rate is 0 percent.

The warrants may be exercised until 27 October 2023. However, the warrants will be accelerated upon sale of all shares in the company, a sale of all or substantially all of the company's assets or if any shares in the company are admitted to trading on a public exchange, regulated marketplace or other recognized marketplace for trading of shares. Upon acceleration due to the sale of shares or assets, the acceleration will cause subscription options not exercised in connection with the transaction triggering the acceleration due. If the acceleration is triggered due to a listing of the company's shares, the acceleration will result in warrants due on the date that expires four years after the IPO. The warrants are subject to customary conversion rules in connection with issues, etc.

For the loan, a number of collateral has been disclosed as described in Note 26. The unutilized portion of the credit facility, EUR 8.9 million, is available until September 30, 2017, and for use it sets special conditions such as a completed new issue of at least SEK 150 million and the presentation of new warrants to the creditor. There are also change of control clauses that may involve repayment of the credit.

The loan agreement does not include any terms of fulfillment of key ratios (covenants).

The fair value of the loan at the end of the financial year is shown in Note 24.

The previous credit facility, which was redeemed at the time of the new loan, was initially taken in December 2013 when EUR 3 million was used and then another EUR 4 million in June 2014. The interest rate was EURIBOR +11 percent plus 2.5 percent PIK interest. When redeeming the loan, an exit fee of 5 percent was paid on the loan amount and the penalty rate for early repayment.

Regarding the debts, there were 2015 special commitments (covenants) whose compliance was reported quarterly. From September 30, 2015, the Group reported breach of one of the terms. After the end of 2015, the terms were changed through an additional agreement and the current condition was removed. In view of the breach of the covenant terms, the entire debt was reported as short-term as at 31 December 2015.

NOTE 24 CLASSIFICATION OF FINANCIAL INSTRUMENTS

Recorded and fair values on the group's financial assets and liabilities are as below:

	Recorded Amounts 2016-12-31	Fair Values 2016-12-31	Recorded Amounts 2015-12-31	Fair Values 2015-12-31	Recorded Amounts 2014-12-31	Fair Values 2014-12-31
Financial assets:						
Other receivables	858	858	171	171	171	171
Trade receivables	20,242	20,242	17,600	17,600	9,005	9,005
Cash and cash equivalents	141,501	141,501	68,881	68,881	18,386	18,386
Financial liabilities:						
Borrowings from financial institutions	109,702	107,986	62,887	60,245	66,796	63,916
Trade payables	11,811	11,811	4,698	4,698	3,815	3,815
Accrued liabilities	20,018	20,018	16,413	16,413	12,509	12,509

When the first tranche of the previous lone facility was taken late in December 2013, this indicated that the negotiated borrowing rate was the best estimate of market interest rates. Thus, the present value was not judged to differ from the book value.

All financial assets are classified as loans and receivables. 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. For information about loans, see Note 23.

Accrued income and accrued expenses are specified in Note 20.

For information on interest income on financial assets, see Note 14. Losses on financial assets recognized in the income statement as customer losses are described in Note 19.

NOTE 25 COMMITMENTS

OPERATING LEASE CONTRACTS

The group leases office, warehouse space as well as cars. The contracts are adjusted to market terms. The nominal value of the future minimum lease charges for the lease contracts are distributed as below:

GROUP

	2016-12-31	2015-12-31	2014-12-31
Fall due within 1 year	2,264	2,448	1,880
Fall due later than 1 but within 5 years	3,984	3,064	2,004
Total	**6,248**	**5,512**	**3,884**

No lease contracts last longer than 5 years.

Total expenses relating to operating leases in the group during the financial years 2016, 2015 and 2014 amounted to SEK 2,373 thousand, SEK 2,102 thousand and SEK 2,201 thousand, respectively.

FINANCIAL LEASE CONTRACTS

The group is not involved in any financial lease contracts at the end of the financial years 2016, 2015 or 2014.

NOTE 26 PLEDGED COLLATERAL AND CONTINGENT LIABILITIES

In connection with the signing of the loan agreement with Kreos Capital in September 2016, a number of collateral was issued to the lender.

At the end of 2016, the parent company had the following pledged collaterals issued:
- The shares in BONE SUPPORT AB
- Any intra-group receivables at BONE SUPPORT AB. At the end of the year, the parent company has no claims on BONE SUPPORT AB.

In addition, the Group has the following pledged collaterals issued:
- The shares in BONESUPPORT GmbH and BONESUPPORT Switzerland GmBH
- Floating charge of SEK 35 million
- Patent groups in the United States, Sweden and Germany
- Bank balances in USD in respect of payments from Zimmer Biomet
- Accounts receivable in BONESUPPORT GmbH and BONESUPPORT Switzerland GmbH
- Bank balances in BONESUPPORT GmbH and BONESUPPORT Switzerland GmbH

In 2015, the parent company and the group had a number of collateral issued to IPF Partners, the lender at the time being.

At the end of 2015 the parent company had the following pledged collaterals issued:
- The shares in BONE SUPPORT AB

In addition, the Group had the following pledged collaterals issued:
- The shares in BONESUPPORT Incentive AB and BONESUPPORT GmbH
- Floating charge of SEK 5 million
- Patent groups in the United States, Sweden and Germany
- Accounts receivable on certain bank accounts

Regarding the debts, there were 2015 special commitments (covenants) whose compliance was reported quarterly. From September 30, 2015, the Group reported breach of one of the terms. After the end of 2015, the terms were changed through an additional agreement and the current condition was removed. In view of the breach of the covenant terms, the entire debt was reported as short-term as at 31 December 2015.

At the end of 2016, 2015 and 2014, the group and parent company have no contingent liabilities.

NOTE 27 ITEMS NOT INCLUDED IN THE CASH FLOW

GROUP

	2016	2015	2014
Depreciation and impairment	1,346	1,292	1,248
Reversal write-down of inventories	0	0	–553
Write-down on trade receivables	712	0	327
Costs employee stock option program	16,613	3,863	3,341
Unrealized exchange rate differences	–1,970	70	–3,903
Gain/loss on disposals of equipment and tools	627	–27	–36
Other	265	–320	0
Total	**17,593**	**4,878**	**424**

AUDITOR'S REPORT REGARDING FINANCIAL STATEMENTS OVER HISTORICAL FINANCIAL INFORMATION

To the Board of Directors of BONESUPPORT HOLDING AB (publ), reg. no. 556802-2171

Auditors' Report on historical financial statements

We have audited the financial statements for BONESUPPORT HOLDING AB (publ) on pages F-23–F-43, which comprise the consolidated statements of financial position as of December 31, 2016, 2015 and 2014 and the consolidated statements of income, comprehensive income, cash flows and changes in equity for the years then ended, and a summary of significant accounting policies and other explanatory notes.

The Board of Directors' responsibility for the financial statements

The Board of Directors are responsible for the preparation and the fair presentation of the financial position, financial performance, statement of changes in equity and cash flows in accordance with International Financial Reporting Standards as adopted by the EU and additional applicable framework. This responsibility includes designing, implementing and maintaining internal control relevant to preparing and appropriately presenting financial statements that are free from material misstatement, whether due to fraud or error. The Board is also responsible for the preparation and fair presentation of the financial statements in accordance with the requirements in the Commission Regulation (EC) No 809/2004.

The auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with FAR's Recommendation RevR 5 Examination of Financial Information in Prospectuses. This recommendation requires that we comply with ethical requirements and have planned and performed the audit to obtain reasonable assurance that the financial statements are free from material misstatements. The firm applies ISQC 1 (International Standard on Quality Control) and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

We are independent of BONESUPPORT HOLDING AB in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements. An audit in accordance with FAR's Recommendation RevR 5 Examination of Financial Information in Prospectuses involves performing procedures to obtain audit evidence corroborating the amounts and disclosures in the financial statements. The audit procedures selected are based on our assessment of the risks of material misstatements in the financial statements, whether due to fraud or error. In making those risk assessments, we consider the internal control relevant to the company's preparation and fair presentation of the financial statements as a basis for designing audit procedures that are applicable under those circumstances but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also involves evaluating the accounting policies applied and the reasonableness of the significant accounting estimates made by the Board of Directors and the Managing Director and evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the consolidated financial statements give a true and fair view in accordance with International Financial Reporting Standards as adopted by the EU and additional applicable framework, of the consolidated financial position of the group as of December 31, 2016, 2015 and 2014 and its financial performance, statements of changes in equity and cash flows for these years.

Malmö, June 9, 2017

Ernst & Young AB

GLOSSARY

510(k) clearance	Clearence from the FDA to market a medical device in the US, based on the FDA deeming the medical device to be substantially equivalent to another medical device already on the US market.
Allograft	A bone graft transplanted between genetically non-identical individuals of the same species. Allograft can be living related (harvested from femoral heads during hip arthroplasty) or cadaveric.
Aseptic loosening	Implant failure of a joint prostheses causing the prostheses (or part of the prostheses) to loosen, and the reason for which is not related to bacterial infection.
Autograft	A bone graft harvested from the patient's own skeleton, usually from the iliac crest.
Bone bank	Storage for bone and bone tissue, typically allograft.
Bone graft	Surgical replacement of damaged or missing bone tissue by transplanting other bone tissue or by using synthetic materials.
Bone graft substitute	Synthetic material used as bone grafts instead of biological bone tissue.
Bone morphogenetic protein	A group of growth factors. Bone morphogenetic proteins orchestrate tissue architecture throughout the body, especially the formation of bone and cartilage.
Bioceramic	A ceramic material that is biocompatible, i.e. can interact with biological materials such as the human body.
Bone tissue	Bone tissue is composed of bone which is cortical (compact) on the outside and cancellous (spongy) on the inside.
Bisphosphonates	A type of drugs that inhibits resorption of bone tissue,
Demineralized bone matrix	A processed form of allograft, an acid-extracted organic matrix from human bone sources.
DRG (Diagnosis-related groups)	A state or federal system for categorization and remuneration of healthcare. Originally from the US, but is now common in many countries.
Simple trauma	A physical injury caused by slipping, stumbling or a low-height fall in combination with a disease which has affected the integrity of the bone (e.g. osteoporosis or metastatic disease).
External / internal fixation	External fixation is a surgical method for stabilizing and supporting bone defects with external fixation devices. Internal fixation uses implants, e.g. plates, nails and screws, which are placed into the bone.
FDA, Food and Drug Administration	The federal medical authority in the US.
Diabetic foot infections	Foot infections due to a compromised vascular supply, neuropathy (nerve damage) and osteopathy secondary to diabetes mellitus.
Benign tumor	A tumor that lacks the ability to invade neighboring tissue or metastasize.
Hematoma	A localized collection of blood outside the blood vessels.
Hydroxyapatite (HA)	A type of calcium phosphate (Ca5(PO4)3OH) that occurs as a mineral and is the chief structural element of bone.
Health Economics and Outcomes Research (HEOR)	Scientific discipline that quantifies the economic and clinical outcomes of medical technology.
Iliac crest	The upper wing of the hip bone.
IDE (Investigational Device Exemption)	Exemption from regulatory approval in the US to conduct clinical studies on a medical device. An IDE study is thus a clinical study conducted by such exemption after approval from the FDA.
Iohexol	Radiocontrast agent used in various forms of radiology and which enhances visibility.

Callus	Bony and cartilaginous material forming a connecting bridge across a bone fracture during healing and repair.
Calcium phosphate	A family of materials and minerals containing calcium ions and phosphate ions, used in synthetic bone graft substitutes.
Calcium sulfate (gypsum)	A calcium sulfate compound, which exists in different levels of hydration ($CaSO_4$, $CaSO_4(H_2O)_2$ and $CaSO_4(H_2O)_{0.5}$) and has been used extensively in medicine, for example as material in bone regeneration.
Clinical study	Study on human participants of e.g. a medical device or a pharmaceutical.
Complex trauma	A high energy trauma typically caused by a motor vehicle accident, a high-height fall, or an industrial accident.
Host bone	The patient's own bone (bone tissue).
Malignant tumor	Cells that grow out of control and are cancerous. Cells in malignant tumors can invade nearby tissues and spread to other parts of the body.
Mesenchymal stem cells	Mature stem cells, usually harvested from the bone marrow.
Metastasis	The spread of a cancer from one organ or part of the body to another without being directly connected with it. The new occurrences of disease thus generated are referred to as metastases (mets).
Necrotic bone tissue	Dead bone tissue.
Orthobiologics	Orthobiologic products support tissue healing and restoration by harnessing regenerative potential with the body's own cells to replace or regenerate musculoskeletal structures. The applications stretch across joint reconstruction, trauma, soft tissue repair and spine.
Orthopedic	The branch of surgery concerned with conditions involving the musculoskeletal system.
Osteoblasts	Bone cells that produce bone tissue.
Osteoclasts	Bone cells that break down and resorb old bone tissue.
Osteoconduction	Osteoconduction means that a bone graft material can serve as a scaffold for new bone growth.
Osteogenesis	Osteogenesis is the process of new bone tissue production by osteoblasts.
Osteoinduction	Osteoinduction means that a bone graft material or a growth factor can stimulate the differentiation of osteoblasts, that in turn form new bone tissue.
Osteomyelitis	A bacterial infection affecting bones.
Osteoporosis	A disease characterized by reduced bone mass. This leads to increased bone fragility and risk of fracture.
Periprosthetic joint infection (PJI)	Bacterial contamination of a hip or knee prostheses with bacterial infection of the surrounding bone and joint tissue. This condition can lead to the septic loosening of a prosthesis.
pH	Numerical scale used to specify acidity of a solution.
PMA (Pre-market approval)	Market pre-approval from the FDA in the US for class III medical devices.
PMMA	Poly methyl methacrylate, often called "bone cement".
Progenitor cell	Biological cell that can advance into a specific type of cell.
Revision arthroplasty	Surgery following arthroplasty (join replacement) to replace a worn-out prosthesis.
Sponsor	An individual, company, institution or organization, which takes responsibility for the initiation, management and/or financing of a clinical study.
Systemic / local administration	Systemic administration of a substance means that the substance is delivered through the bloodstream and is spread throughout the body. Local administration means that a substance is delivered locally to specific part of the body, e.g. a bone void.

ADDRESSES

BONESUPPORT HOLDING AB
Scheelevägen 19
SE-223 70 Lund, Sweden
www.bonesupport.com

Joint Global Coordinators and Joint Bookrunners
CARNEGIE INVESTMENT BANK AB (PUBL)
SE-103 38 Stockholm, Sweden
www.carnegie.se

ABG SUNDAL COLLIER AB
Regeringsgatan 65
SE-103 89 Stockholm, Sweden
www.abgsc.se

Legal advisor to the Company as to Swedish law
SETTERWALLS ADVOKATBYRÅ AB
Box 4501
SE-203 20 Malmö, Sweden
www.setterwalls.se

Legal advisor to the Joint Global Coordinators and Joint Bookrunners as to Swedish and US law
BAKER & MCKENZIE ADVOKATBYRÅ KB
Box 180
SE-101 23 Stockholm, Sweden
www.bakermckenzie.com

The Company's auditor
ERNST & YOUNG AB
Box 4279
SE-203 14 Malmö, Sweden
www.ey.se

Ineko Finanstryck 2017 / 285652

BONESUPPORT HOLDING AB
Scheelevägen 19
223 70 Lund
www.bonesupport.com