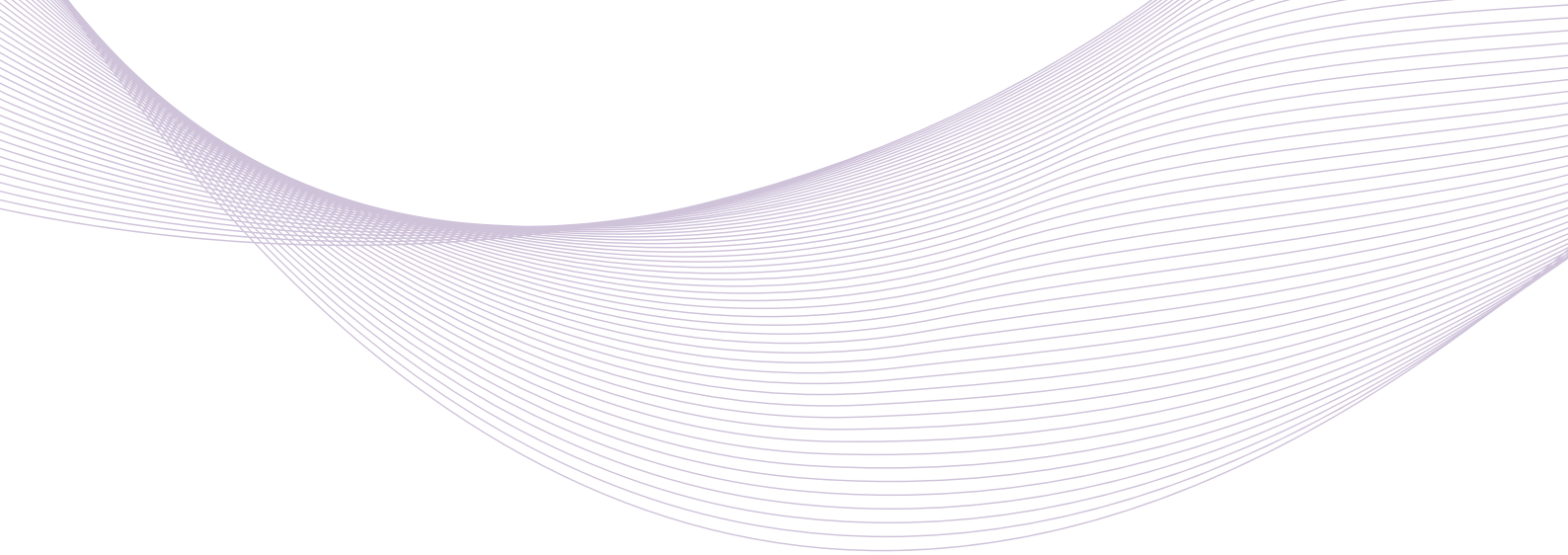




ANNUAL REPORT
2021





BONESUPPORT™ is a fast growing orthobiologics company that focuses on innovative products for the treatment of bone disorders. The company develops and sells injectable bio-ceramic bone graft substitutes based on its CERAMENT® platform, which remodels to bone and has the ability to release pharmaceuticals to promote healing.

BONESUPPORT markets CERAMENT®|BONE VOID FILLER (BVF), CERAMENT®|G and CERAMENT®|V, and is developing pre-clinical product candidates that are designed to promote bone regrowth. BONESUPPORT's products focus on trauma, revision arthroplasty (replacement of joint prostheses), chronic osteomyelitis (bone infection) and foot and ankle surgery.

BONESUPPORT has its registered office in Sweden and is listed on Nasdaq Stockholm. Net sales in 2021 amounted to SEK 213 million (181) and the company had 98 (95) employees at year-end.

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The company's formal annual accounts and consolidated accounts are included on pages 28–65 in this document.

CERAMENT® is a registered trademark of BONESUPPORT AB

2021

IN BRIEF

IMPORTANT EVENTS

- ➔ In February 2021, the company announced that the U.S. Food and Drug Administration (FDA) had informed BONESUPPORT that the company's De Novo application for CERAMENT G for bone infection required additional information and clarification. The requested supplements were submitted in September to the FDA. At the end of February 2022, the FDA announced that final notification of the De Novo application is delayed, as a lagging effect of the pandemic and high workload within the agency.
- ➔ In April, the company was awarded a GPO-contract with Premier. Premier is a leading healthcare and purchasing network with over 4,100 U.S. affiliated hospitals.
- ➔ In July, the company received "breakthrough device designation" for CERAMENT G for the indication trauma.
- ➔ The company announced in September that the results of the company's Investigational Device Exemption (IDE) study FORTIFY were non-conclusive. The primary safety parameter for CERAMENT G was met.
- ➔ In December, Michael Wrang Mortensen joined the company in the newly established role as Executive Vice President (EVP) Research & Development (R&D) and Operations.

FINANCIAL RESULTS

Sales
213
SEKm

Net sales increased by 18% (23% in constant exchange rates) and amounted to SEK 213 million (181). The North America segment increased by 22% (31% in constant exchange rates) and the EUROW segment reported a sales increase of 12% (13% in constant exchange rates).

Margin
89
%

The gross margin was 89% (89).

Profit/Loss
-81
SEKm

Operating profit amounted to SEK -81 million (-99).

Earnings/share
-1,34
SEK

Earnings per share before and after dilution were -1.34 SEK (-1.72).

COVID-19-PANDEMIC

Despite the gradually increased ratio of fully vaccinated in the population, the pandemic has continued to have a major impact on healthcare resource priorities and the number of postponed orthopedic surgeries. In 2021, we have periodically experienced continued local restrictions, to varying degrees and with large regional differences.

CERAMENT has shown positive health economic effect as well as shortened hospital stay and can benefit from an increased focus on procedures that reduce the large backlog in orthopedic care.

Our soul ...



MISSION

Improve health and quality of life for patients with bone injuries

BONEUPPORT's unique product technology has properties with the potential to revolutionize the care of patients with bone disorders by enabling faster rehabilitation, limiting the number of surgical procedures and reducing the risk of severe infections. For patients, this means that they can return to a more normal life more quickly.

Since its foundation, BONESUPPORT's products have been used in approximately 70,000 surgical procedures in more than 20 countries. The most common procedures consist of bone disorders where the body is unable to perform natural healing and single-stage operations in connection with bone infection.





VISION

To become a global leader in orthobiology

BONESUPPORT's unique technology means that over time the company's injectable bio-ceramic bone graft substitutes remodel to natural bones and have the ability to release drugs. This enables new treatment standards in the treatment for bone diseases/skeletal injuries.

The company's ambition is to grow sales by 40 percent a year after the pandemic, including rapid expansion in the U.S., which is the world's largest healthcare market.



STRATEGY

The strategy is based on three pillars:

Innovation – BONESUPPORT has the market's most innovative solution for the treatment of bone disorders.

Clinical and health economic evidence – The clinical evidence for the CERAMENT platform continues to grow and now amounts to more than 240 publications and abstracts. An important milestone for BONESUPPORT is the CERTiFy study, which shows that CERAMENT is at least as good as autograft.

Effective commercial platform – BONESUPPORT's commercial and medical organization provides healthcare with products, information, service and training.

... *our heart*

CONTINUED STRONG SALES GROWTH DESPITE ONGOING PANDEMIC



“

With sales growth of 23 percent, we continued to take significant market share in 2021

”

Despite the consequences of the COVID-19-pandemic in 2021, it was BONESUPPORT's best year ever. Sales of SEK 213 million correspond to growth of 23 percent over 2020 and 44 percent over 2019, in constant exchange rates. The sales growth is a material confirmation of CERAMENT's clear benefits and our strong commercial model and means that we continued to take significant market share from other treatment options.

During the pandemic, we saw a direct correlation between the number of orthopedic surgeries and the incidence of COVID-19, as well as restrictions related to the pandemic. Due to lockdowns, our capacity for physical customer meetings was limited, especially in Europe but also in parts of the U.S. This meant that our customer interactions in some regions was largely done through digital meetings. The pandemic thus affected not only the number of orthopedic surgeries, but also new customer contacts and the possibility of winning new customers.

In 2021, the healthcare backlog increased in orthopedic procedures and in the fourth quarter it reached its highest level ever in Sweden and the U.K. – the markets where we have the best access to this type of data. CERAMENT can cost-effectively help reduce healthcare backlog through its unique benefits that enable a one-step procedure.

In February 2021, the FDA announced that it required additional data and supplements of patient data to complete the assessment ahead of a potential market approval for CERAMENT G for

the indication bone infection. In September 2021, we submitted the requested data and the control group - which is compared to the treatment group of 163 patients - now contains data from over 200 patients. At the end of February 2022, the FDA announced that final notification on the De Novo application is delayed, as a lagging effect of the pandemic and high workload within the agency.

CERAMENT G received a breakthrough device designation for the indication trauma in February 2021. However, the pandemic not only affected our sales and new customer processing, but also meant that the follow-up of patients in the FORTIFY study was negatively affected. With a drop-out rate of 29 percent, the study became non-conclusive, which means that the study did not meet the requirements for a PMA application. Following a potential market approval for the indication bone infection, we will explore alternative opportunities to reach market approval also for additional indications.

During the year, we continued to drive market penetration in hospitals and clinics within the

framework of previously won GPO agreements. In April, we were also able to announce that we had signed an agreement with Premier. Premier is one of the largest group purchasing organization (GPO) networks in the United States, with over 4,100 affiliated hospitals. In January 2022 we announce that we signed a distribution agreement with OrthoPediatrics to distribute CERAMENT BVF to OrthoPediatrics' network of 250 children's hospitals in the U.S. The agreement represents an important strategic expansion for CERAMENT into a previously unaddressed network of hospitals.

Despite the challenges in the market, impacted by the pandemic in 2021, we strengthened our market position, mainly through expanded market access and market penetration. Our goal, given a more normalized post-pandemic market dynamic, is to grow sales by 40 percent per year.

Emil Billbäck
CEO

CERAMENT

Effective and natural healing

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

WHEN BONE INJURIES OCCUR THAT DO NOT HEAL

There are several different situations in which the natural healing of bone injuries does not work. This can occur, for example, in complicated bone fractures (trauma), revision arthroplasty (replacement of joint prosthesis), tumors and in case of infection. This may be due to missing bone fragments, or that the surgeon has had to remove dead or damaged bone tissue, so that the damage becomes too large for the bone to heal. If these injuries are not treated, there is a risk of severe complications. Traditionally, orthopedists have treated bone injuries that do not heal themselves using the patient's own bone tissue transplanted from another part of the bone structure, so-called autograft, or through donated bone tissue, known as allograft.

TRADITIONAL TREATMENT STANDARD

Since autograft consists of the patient's own bone tissue, tolerance and healing are usually good. However, autograft requires an additional surgical intervention (as a rule at the hip bone) to harvest the bone tissue to be transplanted. The availability of bone tissue may also be limited in relation to the need. Each procedure takes extra surgical resources from the healthcare system, increases the risk of infections which could extend the period of medical care. Nearly 50 percent of patients experience restrictions on daily activities for up to six months as well as long-term pain from the procedure. There are studies¹ that show that many patients even experience pain up to ten years after the procedure. Allograft is affected by limited access and quality and poses a risk of transmission of viral diseases.



1. Long-term Autograft Harvest Site Pain After Ankle and Hindfoot Arthrodesis. Judith F. Baumhauer et al.



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

CERAMENT is remodeled into endogenous bone, which means that the original injury is replaced by the patient's own bone within six to twelve months. The CERTiFy trial, a randomized controlled trial of 135 patients, showed that CERAMENT is an equal alternative to the previous gold standard treatment of autograft.

CERAMENT is a synthetic bone substitute, effectively eliminating the need for additional surgical procedures to harvest bone tissue and hence the risk of shortage of material. Studies have shown that many patients experience restrictions in daily activities for up

to six months after the procedure, as well as long-term pain from the donor site.

The great advantages of CERAMENT are:

- ➔ More efficient use of healthcare resources
- ➔ Easy to use
- ➔ Unlimited availability
- ➔ No need to take bone from donors
- ➔ Elimination of complications such as long-term pain

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

Chronic bone infection, open trauma fractures, and unsuccessful bone healing are a few of the conditions that are strongly associated with the risk of (re)infection. Postoperative infection is not only associated with significant suffering for the individual, but also involves an extensive use of resources and a cost burden for society-at-large. Hoekstra et al¹ (BE) showed that the healthcare costs for patients who suffered a deep infection were on average five times higher than for those who did not get an infection, in the case of severe tibia fractures. The combination products CERAMENT G and CERAMENT V effectively promote and protect bone healing by eluting high-dose local antibiotics at levels that eliminate bacterial growth. With CERAMENT G and CERAMENT V, a high local concentration of antibiotics is maintained, for approximately 30 days with negligible systemic influence and side effects. Treatment with CERAMENT G and CERAMENT V has shown a drastic reduction in re-infection in cases of chronic bone infection and elimination of infection incidence in open tibia fractures (see section Clinical evidence, page 16). CERAMENT G and CERAMENT V enable healthcare to perform single-stage opera-

tions in connection with injuries caused by infection or when there is a high risk of infection. This contributes to fewer days of care in hospitals and thus better healthcare economy.

As CERAMENT has been proven to be as effective as autograft in healing bone injuries, the need for an additional operation is eliminated, resulting in better utilization of resources concerning both surgical teams and operating theaters. A product that can both regenerate bone and at the same time elute high doses of local antibiotics over approximately 30 days has also opened up the possibility of using single-stage surgery in the treatment of bone infections and open fractures.

The benefits of CERAMENT G and CERAMENT V

- ➔ High local antibiotic concentration without systemic impact
- ➔ Possibility of treating with a surgical single-stage operation
- ➔ Increased possibility of being infection-free
- ➔ Increased possibility of rapid bone healing
- ➔ Reduced risk of amputation

A Belgian study by Hoekstra et al¹ involving 358 patients, studied the costs of tibia fractures. The study showed that the medical costs for patients affected by a deep infection were on average five times higher than for those who did not get an infection, which resulted in the cost of treatment increasing from EUR 9,500 to EUR 48,700.

1. Hoekstra et al. Economics of open tibial fractures: the pivotal role of length-of-stay and infection. Health Econ Rev 2017;7:32



MARKET EXPANSION

Continued commercial progress despite the impact from the pandemic

During the year, we have further strengthened our position in North America as well as revitalizing our distributor markets, including the establishment of hybrid models in Italy and Spain, but also including the market expansion to Australia and South Africa that began the year before. The hybrid model involves qualified personnel from BONESUPPORT working side by side with the local distributor's sales force. The COVID-19-pandemic has also had a significant impact on market conditions in 2021. Despite the impact of the pandemic, growth amounted to 18 percent, 23 percent at a constant exchange rates. The growth is mainly driven by the strengthened customer base in North America together with the larger GPO contracts signed, and a periodically and geographically dispersed recovery from the pandemic in EUROW.

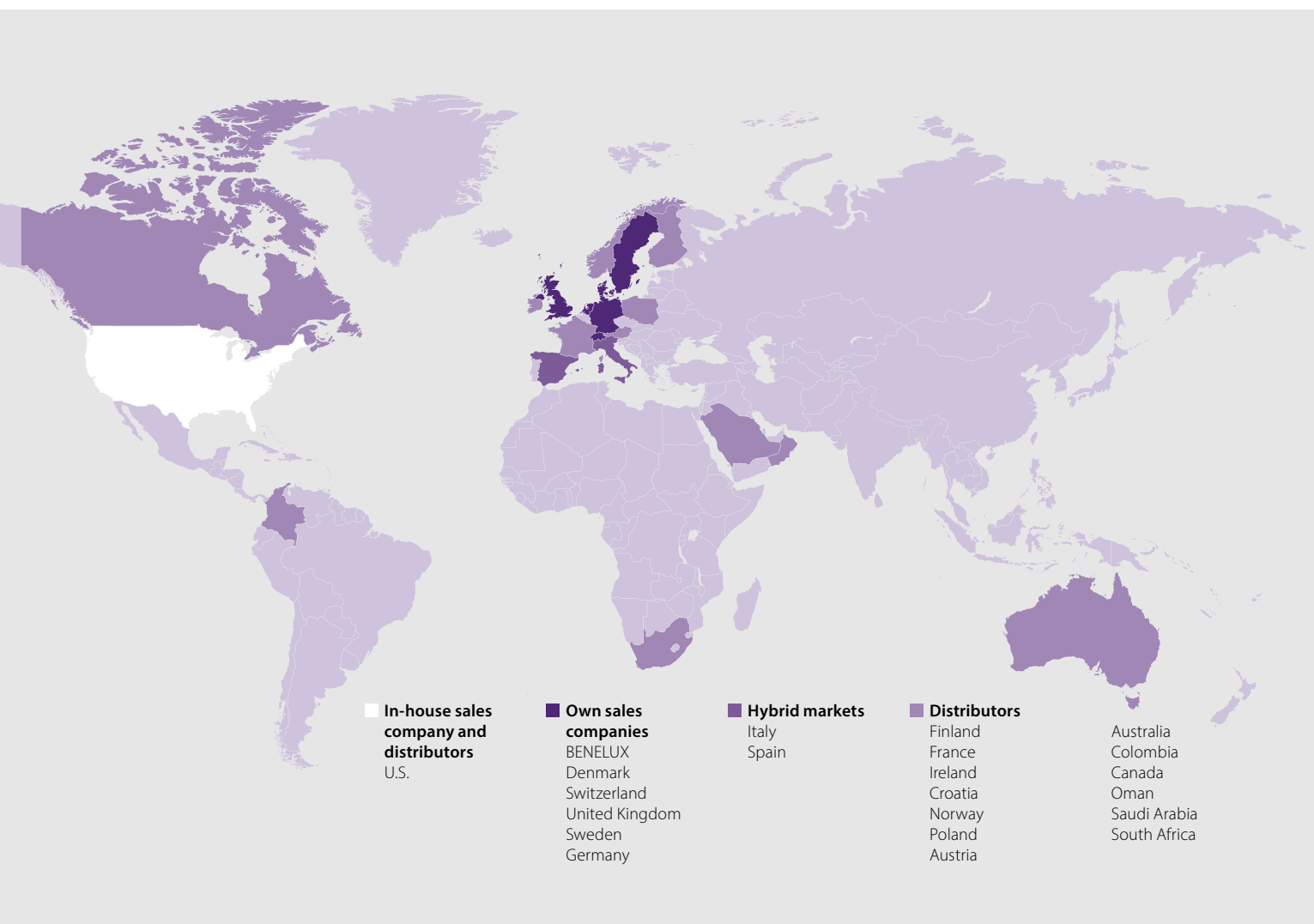
Successful customer base expansion in North America

The successful customer base expansion that has been ongoing in the U.S. since we shifted distribution strategy almost three years ago, continues to deliver stable sales growth. The increasing market penetration can be attributed, among other things, to the contracts signed with larger Group Purchasing Organization (GPO) in previous years and which were expanded with Premier during the year, one of America's largest purchasing networks. This has enabled the introduction of CERAMENT BVF in a variety of hospitals and clinics that have not previously been addressed and informed about the benefits of CERAMENT.

With a broad and loyal customer base in the U.S., we have built a strong foundation for continued geographical expansion and increased market share. At the end of the year, our commercial organization in the United States had 19 employees and more than 40 contracted distributors. BONESUPPORT reports the net sales to the customer on whom the distributors receive a commission.



1. Revenue growth in constant exchange rate, CER



Continued commercial progress in EUROW despite the pandemic

In Europe, CERAMENT is sold by both the company's own sales organization and by distributors. Germany, United Kingdom, Switzerland, Sweden, Denmark and BENELUX countries are key markets where BONESUPPORT has its own sales representatives. In other European markets and in other parts of the world (ROW), the company cooperates with specialist distributors.

Despite the continued impact of the COVID-19 pandemic on marketing and sales opportunities, we have continued to strengthen our market presence during the year, partly by establishing a hybrid model in Italy and Spain, and partly through the market expansion to Australia and

South Africa that began the year before. The hybrid involves qualified local staff from BONESUPPORT working side by side with the local distributor's sales representatives.

During the year, we have built on the positive and appreciated experiences of our digital educations and meetings that continue to be well attended and have received high score on these. Periodically, the COVID-19 infection rate in society has enabled the physical meetings that are so important for our new customer processing, but we have continuously, with large geographical differences, experienced periods of extensive lockdowns and difficult priorities in healthcare systems.



1. Revenue growth in constant exchange rate, CER

THE GLOBAL MARKET FOR BONE GRAFT AMOUNTS TO USD 3.3 BILLION

Orthopaedic diseases and injuries are the second most common cause of physical impairments. The demographic structure is a driving factor for an increasing need for treatment of the diseases of the organs of movement: an increasing number of elderly people leads to higher incidence of osteoporosis and osteoarthritis combined with the desire to remain active longer and an increased sporting activity.

Bone has the ability to heal completely, without leaving any traces of injury. However, bone damage that leads to voids and bone defects may occur when the damage to the bone is too large to heal sponta-

neously or when the natural healing process is inhibited, for instance in case of infection. The most common underlying causes of bone voids and bone defects are complicated fractures (trauma), revision arthroplasty (replacement of joint prostheses), bone infection or benign bone tumors. The obvious benefits of synthetic bone grafts mean that their use will grow steadily, at the expense of autograft and allograft. BONESUPPORT's CERAMENT products are synthetic bone grafts and are unique in their ability to remodel to bone within 6-12 months and, in the case of CERAMENT G and CERAMENT V, to release antibiotics to protect the bone healing process from infection.

Total bone graft market
USD 3.3 billion

61%

Indications where
CERAMENT is not yet
approved:

Spine and Cranio-
Maxillofacial

39%

Approved
indications for
CERAMENT

BONESUPPORT FOCUS MARKET REPRESENTS
USD 0.7 BILLION OF THE ADDRESSABLE GLOBAL
BONE GRAFT MARKET OF USD 1.3 BILLION.

The market for bone grafts is growing by 5% per year

BONESUPPORT's
addressable market
USD 1.3 billion

Other countries

25% U.S.

25% Top 5 Europe

BONESUPPORT
focus market

720 thousand surgical
procedures per year

USD 0,7 billion

INDICATIONS AND TREATMENT OPTIONS

Previous standard treatment (organic grafts/transplantation):

In about half of all patients, everyday activities are adversely affected¹ for up to six months after treatment with autograft due to pain at the donation site. 39% of patients experience long term pain from the donor site.

Allograft fails on between 25-50% of occasions^{2,3} requiring additional treatment stages.

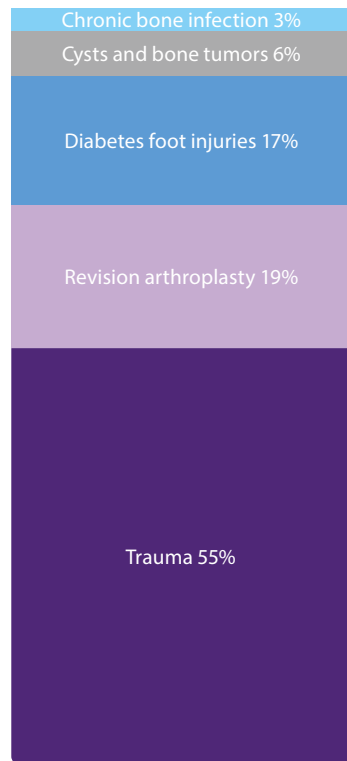
1. Lementovski et al. 'Acute and chronic complications of intracortical iliac crest bone grafting versus the traditional corticocancellous technique for spinal fusion surgery.' Orthopedics (2010);33.

2. <http://www.surgeryencyclopedia.com/A-Ce/Bone-Grafting.html>

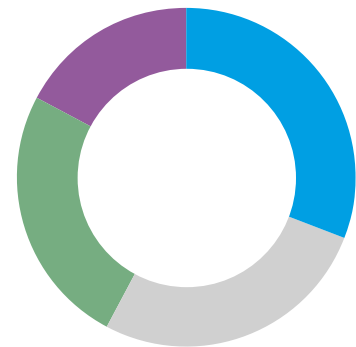
3. Zheng et al, Mechanism of bone allograft failure, J Bone Joint Surg Br 2002 vol, 84-B no, SUPP III 234

4. Refers to addressable market

Indications for bone graft



Treatment options bone graft⁴



■ Synthetic bone graft 31%
 ■ Allograft 27%
 ■ Autograft 25%
 ■ Allograft DBM 17%



RESEARCH AND DEVELOPMENT

BONESUPPORT's clinical development program focuses on further developing CERAMENT's properties, broadening clinical application areas and leveraging CERAMENT's unique drug-eluting properties via the development of combination products which promote bone healing.

A number of combinations with CERAMENT have been studied to add osteoinductive properties, i.e. the capability to actively stimulate bone healing. Among other research activities, the company has conducted research in the form of preclinical candidates which combined CERAMENT with bisphosphonates, bone morphogenic proteins (BMP), bone marrow aspirate (BMA) and demineralized bone matrix (DBM). Priority product candidates for own development are CERAMENT combined with bisphosphonate and CERAMENT combined with

DBM, while CERAMENT combined with BMP is a candidate for potential partner development.

Bisphosphonate is a well-established substance for the treatment of osteoporosis and is used to inhibit the activity of osteoclasts, resulting in improved bone healing and bone density. Demineralized bone matrix is based on allograft which is reduced in minerals. The material has been shown to have wide usage in conditions and situations where natural bone regrowth is weak.

Preclinical research has shown that the addition of zoledronic acid to CERAMENT can increase bone volume and improve the anchoring of screw implants. Further preclinical research has shown that the combination of CERAMENT, zoledronic acid and bone morphogenic protein-2 (BMP-2) can also be used in reconstruction of large segment defects instead of bone transplantation.

CLINICAL EVIDENCE, A STRATEGIC CORNERSTONE

One of the three cornerstones of BONESUPPORT's strategy is to provide industry-leading scientific and clinical evidence that validates the many benefits of CERAMENT. Already today there is a comprehensive database of more than 240 research publications and abstracts of preclinical and clinical studies with CERAMENT.

RESULTS FROM CERTIFY DRIVES CHANGE IN STANDARD OF CARE

CERTiFY¹ is a randomized, controlled clinical trial

conducted at 20 trauma centers in Germany with 135 patients. The study, which was done on tibia plateau fractures, shows that CERAMENT BVF can replace autograft as the standard of care. The study confirmed that CERAMENT has the ability to be converted to bone. In addition, treatment with CERAMENT BVF resulted in significantly lower patient-experienced post-operative pain and a significantly lower blood loss. BONESUPPORT expects the results of the study published in The Journal of Bone and Joint

Surgery in December 2019 to represent a milestone in driving change in the standard of care and that more clinics in consultation with the patient will choose CERAMENT over autograft.

THE SOLARIO STUDY

BONESUPPORT supports the SOLARIO study (Short or Long Antibiotic Regimes in Orthopedics), with the aim of investigating if synthetic bone graft substitutes containing antibiotics can lead to shorter treatment time com-

1. Hofmann et al. Autologous Iliac Bone Graft Compared with Biphasic Hydroxyapatite and Calcium Sulfate Cement for the Treatment of Bone Defects in Tibial Plateau Fractures, The Journal of Bone and Joint Surgery: February 5, 2020 - Volume 102 - Issue 3 - p 179-193.



pared to systemic antibiotics and thereby reduce risk of antibiotic resistance, side effects and additional costs. The study is led by the Oxford University Hospital's NHS Foundation Trust in collaboration with EBJIS (European Bone and Joint Infection Society). SOLARIO is a randomized unblinded European multicenter study that is expected to include 500 patients. The first patient was recruited in February 2019 and the study is expected to be closed during Q1 2023. A positive result of the study may contribute to a paradigm

shift in the protocol for treating bone infections.

THE CONVICTION STUDY

The French CRIOAc² Network has initiated CONVICTION, a randomized controlled trial to evaluate the efficacy of CERAMENT G in the treatment of osteomyelitis. The French Ministry of Health has decided to fund the study. A research grant from BONESUPPORT to partially finance the products used in the study, has been awarded.

The study will evaluate the effectiveness of CERAMENT G in the treatment of osteomyelitis. The study is a national multicenter study and will be conducted by clinics that are part of the CRIOAc network.

A positive outcome of the study would mean that a large commercial opportunity will arise in the French market and that improved reimbursement status is obtained.

2. CRIOAc (Reference Center for Osteoarticular Infections) is a health care network in France that is implemented through a nationwide health ministry program to improve outcomes in the management of bone and joint infections.

HEALTH ECONOMICS

One of the largest challenges when introducing new and innovative healthcare treatment is to ensure that healthcare systems around the world understand the value of the treatment and include it in the care offered to the patient. BONESUPPORT undertakes a variety of activities to ensure that the company's products are included in the remuneration systems where our products are marketed.

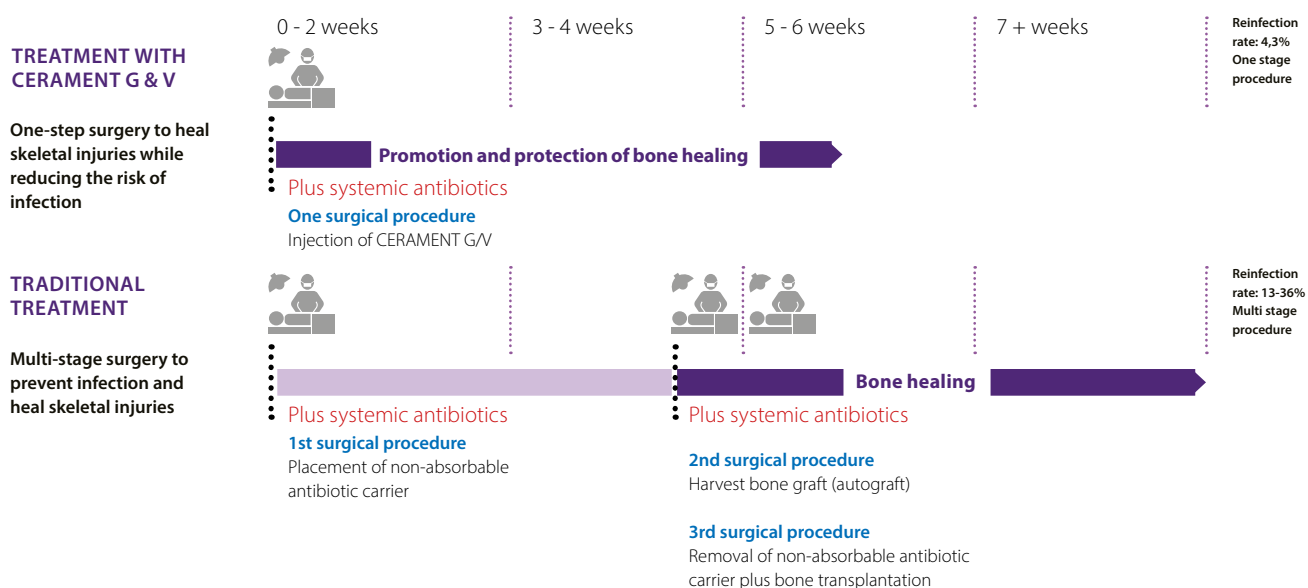
One of the obvious health economic benefits that comes from the clinical benefits CERAMENT offers is a reduced utilization of healthcare resources. A reduced number of re-infections as a result of treatment with CERAMENT G and CERAMENT V in a one-step procedure naturally leads to fewer return visits and fewer surgeries and, as a consequence, fewer hospital stays. Improved clinical outcomes also have a positive

impact on society as a whole - such as reduced sick leave, reduced need for rehabilitation and care. The significance of health benefits and the calculation models for evaluating the cost-effectiveness of health benefits differ between different healthcare systems. Our teams therefore work closely with local expertise to increase our ability to include the CERAMENT platform more quickly in replacement systems in new markets.





CERAMENT G AND CERAMENT V - PROVIDE A MORE COST-EFFECTIVE MEDICAL CARE WITH FEWER SURGICAL PROCEDURES AND SHORTER PERIODS OF HOSPITALIZATION



CERAMENT G and CERAMENT V free up healthcare resources ...



HEALTH ECONOMIC MODEL OSTEOMYELITIS USA

One of the major projects that has been started in 2021 is a cost and benefit analysis of what a change of treatment regime to a one-step procedure with CERAMENT G could mean for the American healthcare system. The modeling, which is based on av-

ailable clinical data and cost data from CMS, Centers for Medicare & Medicaid Services, takes place in collaboration with national expertise in health economics and clinical orthopedics. The goal is for this study to be completed in the second quarter of 2022.

CERAMENT G OR CERAMENT V CONTRIBUTES TO REDUCED DAYS OF CARE IN PATIENTS WITH BONE INFECTION¹

The Nuffield Orthopaedic Center (NOC) has shown that they have been able to reduce the degree of re-infection in osteomyelitis patients by 56 percent compared to their previous standard of treatment. In an analysis involving approximately 25,000 patients who underwent surgical treatment for osteomyelitis in 2013-2017, the patient group treated at NOC after the introduction of CERAMENT G or CERAMENT V in a one-step procedure was compared with patients cared for at other hospitals in England. The results presented in *The Journal of Bone and Joint Infection*¹ showed that CERAMENT G or CERAMENT V in a one-step procedure contributed to significantly improved patient outcomes. The hospital stay, in connection with osteomyelitis surgery and the following two years,

were on average 16 days shorter for the group that received CERAMENT G and CERAMENT V at NOC. In addition, patients at NOC had a significantly lower risk of amputation (6.47 percent) compared to the Rest of England control group (12.71 percent). With the addition of CERAMENT G or CERAMENT V in the treatment of osteomyelitis, the total saving in the number of days of care associated with surgery and subsequent care, could amount to approximately GBP 44 million annually, calculated on 6,250 treated patients per year.

1. Ferguson, J et al. A retrospective cohort study comparing clinical outcomes and healthcare resource utilisation in patients undergoing surgery for osteomyelitis in England: a case for reorganising orthopaedic infection services, *J. Bone Joint Infect.*, 6, 151-163

REDUCED RISK OF DEEP INFECTIONS WITH CERAMENT G AND CERAMENT V

Another area where CERAMENT G and CERAMENT V could help reduce healthcare costs is in the treatment of open tibial fractures. Open tibial fractures represent about 15 percent¹ of all tibial fractures and have a high incidence of infection, with no bone healing as a result. Bone infections often lead to great suffering for the patient and very high healthcare costs.

In a Belgian study by Hoekstra et al² of 358 patients, the cost of tibial fractures was studied. The study showed that healthcare costs for patients affected by a deep infection were on average five times higher than for those who did not get an infection, resulting in the cost of treatment increasing from EUR 9,500 to EUR 48,700. There are a number of studies that show that CERAMENT contributes to cost-effective care by reducing the

number of deep infections. One of these is a study by Aljawadi et al³ on 80 patients with severe open tibial fractures treated with CERAMENT G in a one-step procedure. In the study, one patient (1.3 percent) suffered from a deep infection compared with historical references of up to 52 percent incidence of infection. This shows that one-step treatment with antibiotic-eluting CERAMENT for open tibial fractures can effectively reduce the incidence of cost-driving infections.

2. Hoekstra et al. Economics of open tibial fractures: the pivotal role of length-of-stay and infection. *Health Econ Rev* 2017;7:32

3. Aljawadi, A et al. Adjuvant Local Antibiotic Hydroxyapatite Bio-Composite in the management of open Gustilo Anderson IIIB fractures. *Journal of Orthopaedics*, 2020; 18: 261-266

... and leads more quickly to improved quality of life.

SUSTAINABILITY

BONESUPPORT operates within medical technology, a highly regulated environment that places high demands on products, organization, and operations. Sales are made globally, partly directly through own established subsidiaries, and partly indirectly through collaborations with distributors.

DEVELOPMENT IN 2021

In 2021, BONESUPPORT has continued with its systematic sustainability work. We work cross-functionally, and all employees have the opportunity to contribute. Our ambition remains high to further strengthen and integrate sustainability issues into all our work, so that the environment, sustainability and governance continue to be an integral part of our way of working.

In 2021 we have, among other things, developed and implemented a global travel policy that takes sustainability into account from several perspectives - the people, the environment as well as costs.

GOVERNANCE AND RESPONSIBILITY

The Board of Directors has overall responsibility for the group and is therefore ultimately responsible for the company's sustainability work. The Board of Directors has adopted policy documents and guidelines regarding environmental issues, anti-corruption, and respect for human rights, as well as a code of conduct that applies to all employees within the group.

The CEO is responsible for implementing the Board's decisions and within the management team Kristina Ingvar, Executive Vice President Quality Management & Regulatory Affairs, is responsible for sustainability work. There is also a working group on sustainability issues within the group.

BONESUPPORT CODE OF CONDUCT

BONESUPPORT's Code of Conduct describes the basis for how employees should act in contacts with external stakeholders such as customers, partners, hospital employees, and also internally in relation to colleagues. All employees must annually take note of the Code of Conduct and confirm that they have understood its content. The Code of Conduct is evaluated on an ongoing basis and adopted annually by BONESUPPORT's Board of Directors.

There is a whistleblowing function that employees can use to report suspected violations of the

Code of Conduct. In order to guarantee independence and anonymity, BONESUPPORT has chosen for all reporting and investigation through the whistleblowing function to be handled by an external party.

QUALITY

BONESUPPORT works with medical technology, where good quality is a prerequisite for safe and efficient products and therefore works long-term with quality issues:

- ➔ We comply with international standards for medical devices
- ➔ We carry out inspections of contract manufacturers and other subcontractors on a regular basis
- ➔ We are regularly inspected by accredited bodies that certify the activities
- ➔ Our quality system is certified according to ISO 13485

OUR VIEW OF ANTIBIOTIC USE

Antimicrobial Resistance (AMR) is an increasing threat to global public health and collaboration is important in order to counteract this. BONESUPPORT is committed to the responsible use of antibiotics and supports antibiotic stewardship.

OUR VIEW OF ANIMAL TESTING

As part of research and development in the medical device industry, it is sometimes necessary to carry out experiments on animals, as this is requested by the responsible authorities. Strict ethical deliberations are made before animal testing is initiated or funded by BONESUPPORT. Alternative methods, such as mathematical modelling or in vitro biological systems, are used if possible. If animal studies are deemed necessary, BONESUPPORT strives to involve as few animals as possible. The protocol is designed to be as gentle as possible for the animals and, in accordance with the legislation, the study protocol is always approved by an ethics committee. BONESUPPORT takes animal welfare very seriously.





ENVIRONMENT

BONESUPPORT works actively to reduce the group's environmental impact. This applies to everything from small efforts in daily work, such as waste sorting, to long-term work with manufacturing and transport. In 2021, the company's work on the digitization of paper-based systems has continued, which also contributes to reduced paper consumption.

From an environmental perspective, the products in the CERAMENT platform have many advantages. The main component of the products is ceramic powder, which is produced in processes that do not cause harmful environmental impacts, such as pollution or hazardous waste. The powder is then mixed with a water-based liquid, which does not contain organic solvents. This means that the product is also safe for the health-care professional who handles it. Our development laboratory in Lund is regularly checked by the environmental administration in Lund municipality with regards to the handling of chemicals and waste.

The production of BONESUPPORT's products is undertaken through contract manufacturers and supplier control is a high priority area. Suppliers are carefully selected, and high demands are placed on their compliance with current regulations. Where possible, priority is given to suppliers who carry out active environmental work. BONESUPPORT's main contract manufacturer is certified according to the international standard ISO 14001. All materials and components are carefully controlled by BONESUPPORT. Production takes place in cleanrooms, a strictly controlled environment without pollution.

In 2021, strategic work was initiated to carry out a review of the entire production chain including transport. The purpose of this is to identify the areas with the greatest environmental impact, in order to be able to target future improvement measures where they are most needed. However, due to the pandemic and the global impact on supply chains that has arisen, this work has had to be postponed and will thus continue in 2022.

AGENDA 2030 AND THE 17 SUSTAINABLE DEVELOPMENT GOALS

Agenda 2030 consists of 17 Sustainable Development Goals (SDGs) aimed at eradicating poverty, halting climate change and creating peaceful and safe societies. BONESUPPORT has identified the following sustainability goals as the most essential to the business and where BONESUPPORT has the greatest opportunity to influence:



ESG dimension (UN's global sustainable development goals)	Category	Target 2022	Result 2021
Existing goals:			
Social (3, 12)	Product/patient safety	Zero-vision product recalls	No product recalls
Social (3)	Company culture	Team development work carried out in at least five teams	5
Social (3)	Employee turnover	6% +/- 2%	8%
Social (3)	Puls survey	Employee Engagement Score < 7.8	Implemented globally in 2022
Environmental (12)	Environment	> 5 A-suppliers certified according to ISO 14001	6 suppliers certified according to ISO 14001
Governance (12)	Code of conduct	Zero-vision regarding the occurrence of corruption, bribery or fraud or related investigations	No instance of corruption, bribery or fraud or related investigations
New goals:			
Social/Environmental (12)	Digitization	>1 additional document category digitized	New goal



EMPLOYEES

BONESUPPORT has for four years worked with individual goals for all employees. Each of us is measured both on financial and qualitative measures. The latter are based on the company's overall strategic goals, which are broken down for each function and individual in collaboration between functions to coordinate our workday and ensure that we all work in the same direction. This well-structured and consistent work contributes to our performance culture.

During the autumn of 2021, we have carried out self-assessments of our culture in the teams. These have shown that our culture has become stronger since we initiated the work. The passion and the commitment that exists for our company and our products are very strong. This is shown in very high results regarding areas such as leadership, engagement, culture and eNPS¹ in the pulse surveys we started with during the year in Lund.

During the pandemic years, our culture proved to be so strong that all functions and countries participated in voluntary temporary wage cuts to keep costs down at a time when sales were heavily affected by the pandemic. We believe that our culture was also strengthened by this.

Our employee turnover has remained low even during the past year. Since we have a need to drive improvements, a balanced staff turnover is preferable to create dynamic. The employee turnover this year was 8 percent, which was slightly higher than in 2020.

The fact that the market conditions changed in 2021 was obvious to us in the search for competence. Own recruitment had to be largely replaced by recruitment with the help of partners. With the help of a scalable and well-functioning process, we have managed to keep both the cost and the average time for a recruitment at a reasonable level. In our recruitment processes, we strive for the best skills at both individual and group level and strive for diversity in all respects. Diversity has many aspects: age, gender, ethnicity, culture and personality. With a focus on this, we also create value and diversity at the company level.

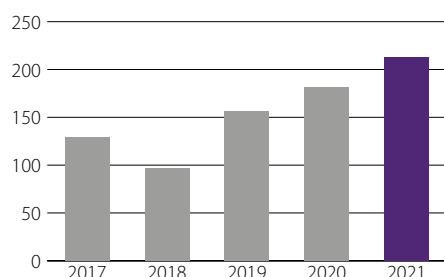
GOALS 2022

- ➔ A main focus of BONESUPPORT is patient and product safety. The goal for 2022 is a zero-vision for product recalls.
- ➔ Since the production of BONESUPPORT's products takes place through contract manufacturers, it is important that critical suppliers/contract manufacturers conduct active environmental work. One goal for 2022 is that at least five of BONESUPPORT's most important suppliers/contract manufacturers, so-called A suppliers, shall be certified according to the international environmental standard ISO 14001 or another comparable standard.
- ➔ Impacted by the pandemic, we, like other companies, have developed our ability to work virtually instead of physically, with the aim of maintaining and developing both people and productivity. The ongoing digitization will continue, with the goal for 2022 to digitize at least one additional document category.
- ➔ Continued focus on further developing our culture and structure. The work includes, among other things, continuing a team development concept initiated in 2021, which includes, among other things, cultural self-assessment. Five teams have started team development work according to the concept, and the goal for 2022 is to start up this team development work in several parts of the organization, with the ambition to reach at least five more teams in 2022.
- ➔ Our target for 2021 for staff turnover was six percent plus/minus two percentage points. We landed at eight percent, which is within the target (previous year 4.5 percent). For 2022, our target will remain at six percent plus/minus two percentage points.
- ➔ In 2022, the goal is to implement the model for employee survey that has been tested regionally in 2021, on a global basis. The aim is also to reach an average during the year regarding Employee Engagement Score of at least 7.8 percent.

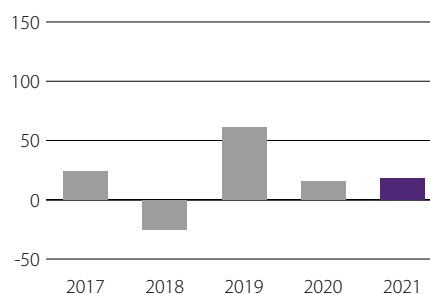
1. eNPS is a method that measures how willing employees are to recommend their workplace to others

Operations in overview

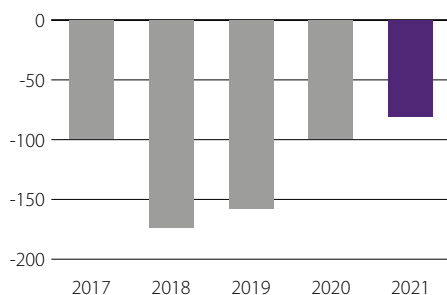
NET SALES 2017-2021, SEKm



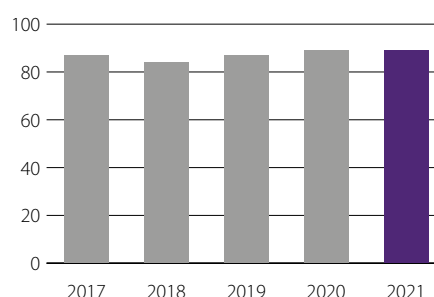
REVENUE GROWTH 2017-2021, %



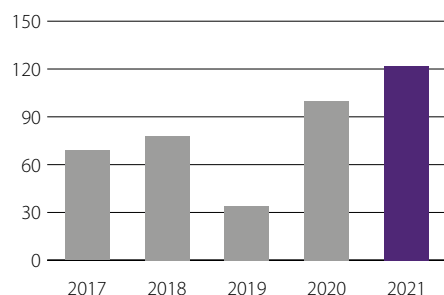
OPERATING PROFIT/LOSS 2017-2021, SEKm



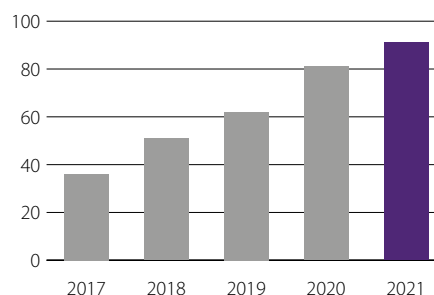
GROSS MARGIN 2017-2021, %



**NET SALES SEGMENT NA
2017-2021, SEKm**



**NET SALES SEGMENT EUROW
2017-2021, SEKm**



DIRECTORS' REPORT AND FINANCIAL STATEMENTS 2021

DIRECTORS' REPORT

GROUP

GENERAL INFORMATION

BONESUPPORT HOLDING AB (publ), org.no. 556802-2171, registered in Lund, is the parent company of BONESUPPORT AB. BONESUPPORT is a rapidly growing orthobiologics company in the commercial phase that primarily targets the major orthopedic markets in the U.S. and Europe. BONESUPPORT was founded in 1999 and has its registered office in Lund with wholly owned subsidiaries in the U.S., United Kingdom, Germany, Sweden, Denmark, Switzerland, Spain, Italy and the Netherlands.

BONESUPPORT develops and commercializes innovative injectable bio-ceramic bone graft substitutes that remodel to the patient's host bone and have the ability to release drugs. BONESUPPORT's bone graft substitutes are based on the proprietary technology platform CERAMENT. To date, three primary commercial products have been developed:

- **CERAMENT®|BVF** (BONE VOID FILLER) injectable ceramic bone graft substitute that remodels to host bone.
- **CERAMENT®|G** injectable ceramic bone graft substitute that remodels to host bone and elutes Gentamicin during the critical first 30 days of bone healing. CERAMENT G constitutes a unique addition to the treatment and prevention of bone infection.
- **CERAMENT®|V** injectable ceramic bone graft substitute that remodels to host bone and elutes Vancomycin during the critical first 30 days of bone healing. CERAMENT V constitutes a unique addition to the treatment and prevention of bone infection.

All three products are marketed in several markets in Europe and the rest of the world, but in the U.S. so far only CERAMENT BVF has been given U.S. Food and Drug Administration (FDA) approval for use. The work to get a market approval for CERAMENT G in the US is ongoing but final notification is impacted by delays within the FDA.

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

BONESUPPORT has all the necessary skills to take a medical device from the research and development stage through sales to the end customers. Most of the production is outsourced to third parties. BONESUPPORT controls the product flow from supplier to customer.

The products are based on an innovative technology backed by a patent portfolio of approximately 100 registered and/or pending patents. BONESUPPORT has fifteen years of documented experience of safety and efficacy and estimates, based on sales data, that more than 70,000 treatments have been performed with its products worldwide. There is great market potential in trauma, chronic osteomyelitis, revision arthro-

plasty, bone tumors and foot infections due to diabetes. The company's research focuses on continuing to further develop and refine the current technology and to extend it to additional indications through the release of other drugs.

MULTI-YEAR OVERVIEW - GROUP

	2021	2020	2019	2018	2017
Net sales, SEKm	212.9	180.9	155.5	96.6	129.3
Net sales growth, %	17.7	16.3	60.9	-25.3	23.6
Gross profit, SEKm	189.7	161.6	135.9	81.5	112.4
Gross margin, %	89.1	89.4	87.4	84.3	87.0
Operating result, SEKm	-80.7	-98.6	-158.1	-174.4	-99.3
Net loss, SEKm	-85.5	-101.4	-161.1	-176.4	-128.9
Equity, SEKm	265.7	398.9	124.3	278.5	450.8
Net debt, SEKm	-185.0	-343.3	-81.7	-261.5	-434.7
Operating cash flow, SEKm	-83.4	-100.3	-163.8	-171.6	-107.5
Cash at year end, SEKm	206.5	353.7	92.1	261.5	533.4
Earnings per share before and after dilution, SEK	-1.34	-1.72	-3.10	-3.46	-3.24
Average number of employees*	92	86	78	72	57
Net sales per employee, SEKt	2 314	2 103	1 993	1 342	2 268

* Average full-time equivalent.

For definitions and calculations of alternative performance measures see page 77.

SIGNIFICANT EVENTS IN 2021

- In February 2021, the company announced that the U.S. Food and Drug Administration (FDA) had informed BONESUPPORT that the company's De Novo application for CERAMENT G for bone infection requires additional information and clarification. The requested supplements were submitted in September to the FDA. At the end of February 2022, the FDA announced that final notification of the De Novo application is delayed, as a lagging effect of the pandemic and high workload within the agency.
- In April, the company was awarded a GPO-contract with Premier. Premier is a leading healthcare and purchasing network with over 4,100 U.S. affiliated hospitals.
- In July, the company received "breakthrough device designation" for CERAMENT G for the indication trauma.
- The company announced in September that the results of the company's Investigational Device Exemption (IDE) study FORTIFY were non-conclusive. The primary safety parameter for CERAMENT G was met.
- In December, Michael Wrang Mortensen joined the company in the newly established role as Executive Vice President (EVP) Research & Development (R&D) and Operations.

REVENUES

Revenue is generated through three channels:

- A combination of our own sales company and distributors in the U.S.
- Direct sales in key markets in Europe with own sales organization
- Sales through distributors in all other markets

During 2021, the focus has been on continued commercial development, establishment of hybrid structure in Spain and Italy as well as adaptation to prevailing circumstances as a result of the pandemic. During the year, there has been ongoing evaluation of contracted distributors in order to optimize the market presence of CERAMENT and to ensure both geographical coverage and for various indications.

Net sales amounted to SEK 212.9 million (180.9), an increase of 18 percent (23 percent at constant exchange rates). The NA segment increased by 22 percent (31 percent at constant exchange rates) to SEK 121.7 million (99.7) and the EUROW segment increased by 12 percent (13 percent in constant exchange rates) to SEK 91.2 million (81.1).

SALES AND MARKETING

In the U.S., CERAMENT BVF is distributed through BONESUPPORT's distributor network, which at year-end amounted to more than 40 distributors supported by our commercial platform, of our directly employed and specially trained U.S. sales and marketing organization. At year end, the U.S. commercial organization had 21 (22) employees.

In Europe, BONESUPPORT currently has direct sales with 31 (29) sales representatives in the U.K., Germany, Switzerland, Sweden, Denmark and the Benelux countries. BONESUPPORT sells via distributors in Finland, France, Ireland, Italy, Croatia, Norway, Poland, Spain and Austria. BONESUPPORT also sells through distributors in a small number of selected countries outside North America and Europe. The company has established a hybrid model in Italy and Spain, with qualified local staff from BONESUPPORT working side by side with the local distributors' sales representatives.

RESEARCH AND DEVELOPMENT

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

A number of combinations with CERAMENT have already been studied to supply osteoinductive properties, i.e. the capability to actively stimulate bone healing. Among other research activities, the company has conducted research in the form of preclinical candidates which combined CERAMENT with bisphosphonates, bone-joint proteins (BMP), bone marrow aspirates (BMA) and demineralized bone matrix (DBM). Prioritized product candidates for own development are CERAMENT combined with bisphosphonate and CERAMENT combined with DBM, while CERAMENT combined with BMP is a candidate for potential partner development. Bisphosphonate is a well-established substance in treatment

of osteoporosis and is used to inhibit the activity of osteoclasts, which results in improved bone healing and bone density. Demineralized bone

matrix is based on allograft reduced on minerals. The material has been shown to be widely used in conditions and situations where the patient has weak natural bone regeneration. Preclinical research has shown that the addition of zoledronic acid to CERAMENT may increase bone volume and improve the anchoring of screw implants. Further preclinical research has shown that the combination CERAMENT, zoledronic acid and bone morphogenic protein-2 (BMP-2) can also be used in the reconstruction of large segment defects instead of bone grafting.

One of the three cornerstones of BONESUPPORT's strategy is to provide compelling scientific and clinical evidence that validates the many benefits of CERAMENT. There is already an extensive database of more than 240 research publications and abstracts of preclinical and clinical studies with CERAMENT.

CERTify¹ was a randomized controlled trial conducted at 20 trauma centers in Germany, involving a total of 135 patients. The clinical trial, conducted on tibial plateau fractures, shows that CERAMENT BVF can replace autograft as a treatment standard. The trial confirmed that CERAMENT remodels to bone. In addition, treatment with CERAMENT BVF led to significantly lower patient-perceived postoperative pain and significantly reduced loss of blood. The study, published in The Journal of Bone & Joint Surgery in December 2019, is an important tool for driving change in the standard of care, which means that more and more clinicians, in consultation with the patient, are choosing CERAMENT over autograft

BONESUPPORT supports the **SOLARIO trial** (Short or Long Antibiotic Regimens in Orthopaedics) to investigate whether synthetic bone graft substitute containing antibiotics can lead to shorter treatment times compared to systemic antibiotic treatment, thereby reducing the risk of antibiotic resistance, side effects and additional costs. The trial is led by Oxford University Hospitals NHS Foundation Trust in collaboration with EBJIS - The European Bone and Joint Infection Society. The SOLARIO trial is a randomized controlled open-label European multicenter trial that is estimated to recruit 500 patients. The first patient was recruited in February 2019 and the trial is expected to end in the first quarter of 2023. If the trial shows a positive outcome, it will certainly contribute to a paradigm shift in the treatment of bone infections.

The French CRIoAc² healthcare network has initiated **CONVICTION**, a randomized controlled trial to evaluate the effectiveness of CERAMENT G in the treatment of chronic osteomyelitis. The French Ministry of Social Affairs and Health has made the decision to finance the trial with a research grant from BONESUPPORT partially financing the cost of the products used in the trial. The trial will evaluate the effectiveness of CERAMENT G in the treatment of osteomyelitis. The trial is a national multicenter trial and will be conducted by clinicians included in the CRIoAc Network. A positive outcome from the trial would open up significant commercial potentials in the French market and it would be possible to obtain improved compensation status.

HEALTH ECONOMICS

One of the largest challenges when introducing new and innovative treatment is to ensure that healthcare systems around the world understand the value of the treatment and includes it in the care offered to the

1. Hofmann et al. Autologous Iliac Bone Graft Compared with Biphasic Hydroxyapatite and Calcium Sulfate Cement for the Treatment of Bone Defects in Tibial Plateau Fractures, The Journal of Bone and Joint Surgery: February 5, 2020 - Volume 102 - Issue 3 - p 179-193

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

patient. BONESUPPORT undertakes a variety of activities to ensure that the company's products are included in the remuneration systems where our products are marketed.

One of the obvious health economic benefits that comes from the clinical benefits CERAMENT offers is a reduced utilization of healthcare resources. A reduced number of re-infections as a result of treatment with CERAMENT G and CERAMENT V in a one-step procedure naturally leads to fewer return visits and fewer surgeries and, as a consequence, fewer hospital stays. Improved clinical outcomes also have a positive impact on society as a whole - such as reduced sick leave, reduced need for rehabilitation and care. The significance of health benefits and the calculation models for evaluating the cost-effectiveness of health benefits differ between different healthcare systems. Our teams therefore work closely with local expertise to increase our ability to include the CERAMENT platform more quickly in replacement systems in new markets.

One of the major projects that has been started is a cost and benefit analysis of what a change of treatment regime to a one-step procedure with CERAMENT G could mean for the American healthcare system. The modeling, which is based on available clinical data and cost data from CMS, Centers for Medicare & Medicaid Services, takes place in collaboration with national expertise in health economics and clinical orthopedics.

The Nuffield Orthopaedic Center (NOC) has shown that they have been able to reduce the degree of re-infection in osteomyelitis patients by 56 percent compared to their previous standard of treatment. In an analysis involving approximately 25,000 patients who underwent surgical treatment for osteomyelitis in 2013-2017, the patient group treated at NOC after the introduction of CERAMENT G or CERAMENT V in a one-step procedure was compared with patients cared for at other hospitals in England. The results presented in *The Journal of Bone and Joint Infection*¹ showed that CERAMENT G or CERAMENT V in a one-step procedure contributed to significantly improved patient outcomes. The hospital stay, in connection with osteomyelitis surgery and the following two years, were on average 16 days shorter for the group that received CERAMENT G and CERAMENT V at NOC. In addition, patients at NOC had a significantly lower risk of amputation (6.47 percent) compared to the Rest of England control group (12.71 percent). With the addition of CERAMENT G or CERAMENT V in the treatment of osteomyelitis, the total saving in the number of days of care associated with surgery and subsequent care, could amount to approximately GBP 44 million annually, calculated on 6,250 treated patients per year.

Another area where CERAMENT G and CERAMENT V could help reduce healthcare costs is in the treatment of open tibial fractures. Open tibial fractures represent about 15 percent of all tibial fractures and have a high incidence of infection, with no bone healing as a result. Bone infections often lead to great suffering for the patient and very high healthcare costs. In a Belgian study by Hoekstra et al² of 358 patients, the cost of tibial fractures was studied. The study showed that healthcare costs for patients affected by a deep infection were on average five times higher than for those who did not get an infection, resulting in the cost of treatment increasing from EUR 9,500 to EUR 48,700. There are a number of studies that show that CERAMENT contributes to cost-effective care by reducing the number of deep infections. One of these is a study by Aljawadi et al³ on 80 patients with severe open tibial fractures treated with CERAMENT G in a one-step procedure. In the study, one patient (1.3

percent) suffered from a deep infection compared with historical references of up to 52 percent incidence of infection. This shows that one-step treatment with antibiotic-eluting CERAMENT for open tibial fractures can effectively reduce the incidence of cost-driving infections.

STAFF AND ORGANIZATION

The average number of employees in 2021 was 92 (86) for the group. Of these, 55 percent (55) worked within in Sales and marketing and 24 percent (24) within Research and development.

EXPENSES AND RESULTS

Gross profit

As a result, mainly of the increased net sales in North America, an increased gross profit of SEK 189.7 million (161.6) was reported, corresponding to a gross margin of 89.1 percent (89.4).

Operating expenses

As in the previous year, the year was marked by the COVID-19 pandemic and the dampening effect it had on sales but also through certain reduction of the cost base, although not in line with the large savings reported for 2020.

Sales and marketing costs excluding sales commissions to distributors in the U.S. increased to SEK 139.3 million (123.8). The increase is partly due to the large cost reductions that affected the previous year and a gradually increasing level of activity in 2021, during periods of reduced pandemic measures, and partly due to the establishment of a hybrid structure in southern Europe. Sales commissions to distributors in the United States increased in line with sales growth by SEK 7.0 million to SEK 38.6 million (31.6). Research and development costs decreased to SEK 53.0 million (57.9), the decrease is mainly explained by the fact that the FORTIFY study was completed during the second half year. Administrative expenses decreased to SEK 44.1 million (45.5) and include costs within the framework of active incentive programs with SEK 5.6 million (8.7). Of the total operating expenses, depreciation amounted to SEK 6.5 million (6.9).

Operating profit/loss

Operating profit/loss amounted to SEK -80.7 million (-98.6). The increase in sales contributed positively with improved gross profit while operating costs increased as a result of higher sales commissions and investments in the hybrid model in southern Europe, but is also related to the cost reductions which affected the previous year as a result of the COVID-19 pandemic.

Net financial items

Net financial items amounted to SEK -1.2 million (-0.4), of which all regarded interest expenses.

Loss for the year

For the reasons described above, the loss for the year amounted to SEK -85.5 million (-101.4).

INVESTMENTS

Investments amounted to SEK 0.8 million (2.3) for capitalized development expenses during the year, and SEK 2.6 million (0.3) for equipment and tools.

1. Ferguson, J et al. A retrospective cohort study comparing clinical outcomes and health care resource utilisation in patients undergoing surgery for osteomyelitis in England: a case for reorganising orthopaedic infection services, *J. Bone Joint Infect.*, 6, 151-163.

2. Hoekstra et al. Economics of open tibial fractures: the pivotal role of length-of-stay and infection. *Health Econ Rev* 2017; 7:32.

3. Aljawadi, A et al. Adjuvant Local Antibiotic Hydroxyapatite Bio-Composite in the management of open Gustilo Anderson IIIB fractures. *Journal of Orthopaedics*, 2020; 18: 261-266.

FINANCIAL POSITION AND CASH FLOW

Cash and cash equivalents amounted to SEK 206.5 million (353.7) at year-end, a decrease of SEK 147.3 million since the beginning of the year. The change mainly consists of cash flow from operating activities amounting to SEK -82.4 million (-100.3) mainly attributable to the operating loss, and by a share swap agreement of SEK -62.3 million. During the third quarter of 2021, BONESUPPORT, in accordance with a resolution from the annual general meeting 2021, exercised its authorization to enter into a share swap agreement to secure the commitments in the group's incentive programs that the annual general meeting had decided to implement. A total of 786,000 shares were hedged during the third quarter at an average value of SEK 79.30 per share, a total value of SEK 62.3 million.

At the end of the year, equity amounted to SEK 265.7 million (398.9), of which SEK 40.9 million (40.6) were share capital.

QUALITY SYSTEMS AND PRODUCT APPROVAL

BONESUPPORT's quality system complies with the Medical Device Directive 93/42/EEC, ISO 13485 "Medical Device-Quality management system-Requirements for regulatory purposes", the FDA's Quality System Requirements and other national regulations. Implementation of the new EU regulatory framework Regulation on Medical Devices 2017/745 is going according to plan.

The company's products are class III products in Europe, undergoing extensive design verification/validation before being assessed and approved for CE marking by the testing body, the British Standards Institute.

ENVIRONMENT

The company's operations are not subject to authorization under the Environmental Code. During the year, the company continued to work with the work environment.

OPERATIONAL AND FINANCIAL RISKS

During 2018, we conducted a significant strategic review of operations. There are many potential application areas for the CERAMENT platform. In our strategy, we have chosen to focus on those areas where there is strong clinical evidence of CERAMENT's therapeutic benefits, i.e. trauma, revision arthroplasty, osteomyelitis, foot and ankle surgery and bone tumors. By concentrating our resources on these indications, we address a market of approximately 720,000 surgical procedures per year.

Our strategy is based on three pillars:

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

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

There is currency exposure, primarily to USD, GBP and EUR. Since the revenues are mainly generated in these currencies, a weak SEK has a positive effect.

BONESUPPORT's results have been affected, and will continue to be affected in the future, by several factors wholly or partly outside the company's control. In addition to the above, the following is a descrip-

tion of the main factors that BONESUPPORT believes have affected the results of the business and which can be expected to continue to affect the company's results.

- Risks related to the regulatory environment for medical devices and combination products, such as the high costs of complying with applicable regulatory frameworks, in particular as regards the requirements arising from the EU Directive on medical devices, and corresponding national and regional medical devices legislation, and the effects of amended regulations as well as the consequences resulting from failure to comply with the applicable regulatory framework.
- Risks related to the conduct and outcome of clinical trials, such as time-consuming and costly clinical trials and may be delayed, become more expensive or be discontinued as a result of a number of factors including lack of authorization for the conduct of studies, lack of patient recruitment, undesirable side effects or lack of required clinical efficacy.
- Risks related to a lack of market acceptance from healthcare providers, patients and healthcare payers, for example based on perceived advantages over competing treatments, the presence and extent of side effects and costs of treatment compared to competing treatments, and risks related to a lack of availability of adequate reimbursement systems that may lead to a reluctance to use the company's products.
- Risks that BONESUPPORT does not achieve sufficient revenue or cash flow to finance its operations in the future or is unable to obtain the necessary funding where necessary.
- Risks related to manufacturing, supply and warehousing, such as the company's suppliers and manufacturers not fulfilling their commitments or having their operations curtailed as a result of government intervention, which would risk entailing time-consuming and costly processes for the company to replace/find new suppliers.
- Risks related to competition and that the company has a limited product portfolio based on a technology platform such that competing products may prove to be better or achieve greater market acceptance or that the company's product candidates do not show sufficient potential for further development, which could lead to failure to obtain market approval.
- Risks related to key employees and qualified personnel, such as the company's dependence on its senior executives and other key personnel and if the company loses key employees, or fails to recruit the necessary personnel, may lead to delays or interruptions in the continued business and product development.
- Risks related to intellectual property rights such as the company's patent protection not being sufficient to adequately protect its operations, that the company infringes the intellectual property rights of third parties or that the company becomes involved in intellectual property disputes.
- Risks related to potential product liability claims and insurance issues such that the company faces significant liability risks if its products or product candidates should cause patients to suffer side effects involving illness, bodily injury or death, and that the company's insurance coverage cannot be maintained or provide adequate protection.
- Risks related to a continued and persistent COVID-19 pandemic and the impact on healthcare systems, our operations and our staff.

A more detailed description of risks is given in Note 2. Regarding the group's internal control and risk management system in connection with the preparation of consolidated accounts, please refer to the Corporate Governance Report.

LEGAL DISPUTES

BONESUPPORT has no ongoing or known potential legal disputes within the group.

LONG TERM STRATEGIC ACTIVITIES

BONESUPPORT's strategy can be broken down into the following main activities:

- Produce compelling clinical and health economic data.
- Commercial focus on selected markets and indications.
- Regulatory market approval for CERAMENT G in the U.S.
- Develop new products that meet market needs in the short, medium and long term.

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

A number of combinations with CERAMENT have been studied to supply osteoinductive properties, i.e. the capability to actively stimulate bone healing. Among other research activity, the company has conducted research using preclinical candidates which combined CERAMENT with bisphosphonates, bone-joint proteins (BMP), bone marrow aspirates (BMA) and demineralized bone matrix (DBM). Priority product candidates for own development are CERAMENT with bisphosphonate and CERAMENT with DBM, while CERAMENT with BMP is a candidate for potential partner development.

OUTLOOK

The strengthened commercial platform, both in the U.S. and in Europe, the results of our clinical trials and the launch of new products mean that we expect a strong sales increase after the COVID-19 pandemic and an annual sales growth of around 40 per cent.

THE BOARD OF DIRECTORS AND ITS WORK

Håkan Björklund, Björn Odlander, Lars Lidgren, Tone Kvåle, Lennart Johansson and Simon Cartmell were re-elected at the Annual General Meeting in May 2021. Lennart Johansson was re-elected Chairman of the Board.

The work of the Board of Directors is governed by rules of procedure that are revised and adopted by the Board at least once a year. The Rules of Procedure mainly contain provisions for the work of the Board of Directors, as well as instructions for the division of duties between the Board of Directors and the CEO, as well as instructions for financial reporting. The Swedish Code of Corporate Governance applies. More details are given in the Corporate Governance Report.

CORPORATE GOVERNANCE

The company has chosen to issue the Corporate Governance Report separately to the Annual Report. The Corporate Governance Report can be found on page 69.

THE BOARD OF DIRECTOR'S PROPOSALS FOR PRINCIPLES OF REMUNERATION TO SENIOR EXECUTIVES

Pursuant to the Swedish Companies Act, the Annual General Meeting shall decide on guidelines for remuneration of the CEO and other senior executives. At the Annual General Meeting on May 2021, guidelines

were adopted with primarily the content below. The guidelines that were adopted 2021 apply until further notice.

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

The guidelines shall be applied to the remuneration agreed, and changes made to already agreed remuneration, after the guidelines have been adopted by the Annual General Meeting 2021. The guidelines do not cover remuneration resolved by the General Meeting, such as fees to Board members or share-related incentive programs.

The company's starting point is that remuneration shall be at a market and competitive level and shall consist of the following components: fixed salary, variable cash remuneration, pension benefits and other benefits. The level of remuneration for each individual executive shall be based on factors such as duties, expertise, experience, position and performance. In addition, the Annual General Meeting may – and independently of these guidelines – resolve on, for example, share and share price-related remuneration.

In the case of employment relationships governed by rules other than Swedish regulations, appropriate adjustments may be made, in respect of pension benefits and other benefits, to comply with such mandatory rules or established local practice, taking into account, as far as possible, the overall purpose of these guidelines.

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

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

Compliance with criteria for the payment of variable cash remuneration shall be measured over a period of one year. The annual variable cash remuneration may not exceed 75 percent of the fixed annual salary for the CEO and not more than 40 percent of the fixed annual salary of other senior executives, the individual highest level being determined, inter alia, in the light of his or her position. The variable cash remuneration shall not be pensionable, subject to mandatory collective agreement provisions.

The variable cash remuneration shall be linked to one or more predetermined and measurable criteria that may be financial, such as net sales and operating profit, or non-financial, such as qualitative targets. The variable cash remuneration shall be less than 40 percent dependent on non-financial criteria. Clearly and measurably linking the remuneration of senior executives to BONESUPPORT's financial and operational development, promotes the implementation of the company's business strategy, long term interests and sustainability.

Once the measurement period for compliance with the criteria for the payment of variable cash remuneration has been completed, the extent to which the criteria have been met shall be assessed. The Remuneration Committee is responsible for such assessment. Compliance with financial criteria shall be determined based on the latest financial information published by the company. The Board of Directors shall have the possibility to recover, in whole or in part, variable remuneration paid on the basis of information that has subsequently been found to be incorrect.

Pension benefits, including health insurance, shall be defined contribution to the extent that the executive is not covered by a defined benefit pension in accordance with mandatory collective agreement provisions. Premiums for defined contribution pensions, including health insurance, may amount to a maximum of 40 percent of the fixed annual salary.

Other benefits may include life insurance, medical insurance and car benefit. Senior executives shall be employed until further notice or for a certain period of time. In the event of termination by BONESUPPORT, the notice period may not exceed 12 months. Severance pay, in addition to salary and other remuneration during the notice period, may not exceed an amount equal to twelve times the monthly salary. In the event of resignation by the senior executive, the notice period may not exceed six months.

In addition, compensation may be paid for any commitment to restrict competition in order to compensate for any loss of income. Such remuneration shall be paid only to the extent that the former senior executive is not entitled to severance pay. The remuneration shall be based on the fixed salary at the time of termination and shall amount to a maximum of 60 percent of the fixed salary at the time of termination, subject to mandatory collective agreement provisions, and shall be paid for the duration of the anti-competition undertakings, which shall not exceed 12 months after termination of employment.

To the extent that the Board Member performs work on behalf of the company, in addition to the work of the Board of Directors, a market-based consulting fee for such work may be paid to a Board Member or to a company controlled by a Board Member, provided that the services contribute to the implementation of BONESUPPORT's business strategy and the safeguarding of BONESUPPORT's long term interests, including its sustainability.

The Board of Directors has set up a Remuneration Committee. The Remuneration Committee's tasks include preparing the Board's resolution on proposals for guidelines for remuneration to senior executives. The Board of Directors shall prepare proposals for new guidelines at least every four years and shall submit the proposal for resolution at the Annual General Meeting. The guidelines shall remain in force until new guidelines have been adopted by the Annual General Meeting. The Remuneration Committee shall also monitor and evaluate programs for variable remuneration to company management, the application of guidelines for remuneration to senior executives and the current remuneration structures and levels in the company. The members of the Remuneration Committee are independent in relation to the company and company management. The CEO or other members of the executive management may not be present at the Board's discussion of and decisions on remuneration-related matters, to the extent that they are affected by the issues.

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

In addition to the commitments to pay ongoing remuneration such as salary, pension and other benefits, there is no previously resolved remuneration to any senior executive that has not become due for payment. For further information on remuneration to senior executives, see Note 11.

PARENT COMPANY

REVENUES, LOSS AND FINANCIAL POSITION

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

In 2021, management fees were charged within the group. In the parent company, SEK 43.6 million (39.4) has been recognized as net sales and SEK 49.5 million (47.5) as administrative costs. The parent company's operating expenses amount to SEK 51.1 million (46.2).

During the year, unconditional shareholder contributions of SEK 125.0 million were made to BONESUPPORT AB, compared to SEK 105.0 million the previous year. The profit/loss for the year amounted to SEK -3.1 million (-3.1).

Equity has increased to SEK 1,268.3 million (1,265.2). Cash and bank balances amounted to SEK 181.3 million (338.1) at the end of the year.

FINANCIAL RISKS

The parent company's financial risks are essentially the same as the group's.

OWNERSHIP AT DECEMBER 31, 2021

The largest shareholders at the end of the year were Avanza Pension 11.0%, HealthCap V LP 10.1%, Swedbank Robur Fonder 6.3%, Stiftelsen Industriefonden 5.8%, Third Swedish National Pension Fund 5.6%, State Street Bank and Trust 4.9%, and Fourth Swedish National Pension Fund 4.8%.

THE SHARE

The company has ordinary shares and class C-shares. The quotient book value of the shares is SEK 0.625 per share. As of December 31, 2021, the total number of ordinary shares amounted to 64,164,672 (63,764,222) divided among 7,453 shareholders (5,977), and the total number of class C-shares amounted to 1,290,000 (1,235,000). The ordinary shares entitle to one vote each and the C-shares entitle to one tenth of a vote each.

According to the Articles of Incorporation, the number of shares shall be not less than 29,000,000 (29,000,000) and not more than 116,000,000 (116,000,000).

Own shares

BONESUPPORT HOLDING AB holds all class C-shares.

Pursuant to authorization from the Annual General Meeting on May 22, 2018, the Board of Directors of BONESUPPORT HOLDING AB resolved to issue 505,000 class C-shares and then immediately repurchase them. The shares were issued and repurchased in accordance with the Performance Share Program Employees 2018/2021 and the performance share program Board of Directors 2018 adopted by the Annual General Meeting on May 22, 2018. SEK 315,625 was paid for the class C-shares in 2019.

Pursuant to authorization from the Annual General Meeting on May 14, 2019, the Board of Directors of BONESUPPORT HOLDING AB resolved to issue 730,000 class C-shares and then immediately repurchase them. The shares were issued and repurchased in accordance with the Performance Share Program Employees 2019/2022 adopted by the Annual General Meeting on May 19, 2019. SEK 456,250 was paid for the class C-shares during the year.

Pursuant to authorization from the Annual General Meeting on May 19, 2020, the Board of Directors of BONESUPPORT HOLDING AB resolved to issue 55,000 class C-shares and then immediately repurchase them. The shares were issued and repurchased in accordance with the Performance Share Program Employees 2020/2023 adopted by the Annual General Meeting on May 19, 2020. SEK 34,675 was paid for the class C-shares during the year.

The share of the class C-shares in the share capital amounts to two (two) percent.

THE BOARD OF DIRECTORS' PROPOSAL FOR APPROPRIATION

Appropriation parent company, SEK	
Unrestricted equity in the parent company	
Share premium reserve	1 563 670 389
Accumulated losses	-333 110 703
Net loss for the year	-3 141 005
Total unrestricted equity in the parent company	1 227 418 682

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

CONSOLIDATED INCOME STATEMENT

SEKt	Note	2021	2020
Net sales	4	212 885	180 860
Cost of sales	4, 6, 7	-23 182	-19 256
Gross profit	4	189 703	161 604
Selling expenses	6, 7, 10, 11, 21	-139 274	-123 818
Sales commissions	4, 6	-38 571	-31 598
Research and development expenses	6, 7, 10, 11	-53 009	-57 898
Administrative expenses	6, 7, 8, 10, 11, 12	-44 122	-45 492
Other operating income	13	11 308	12 188
Other operating expenses	6, 14	-6 704	-13 547
Operating profit/loss	4	-80 669	-98 561
Loss from financial items			
Interest income		0	5
Interest expenses		-1 168	-445
Net financial items	4	-1 168	-440
Profit/loss before income tax	4	-81 837	-99 001
Income tax	16	-3 694	-2 411
Net profit/loss for the year		-85 531	-101 412
Attributable to:			
Equity holders of the parent		-85 531	-101 412
Earnings per share calculated on earnings attributable to equity holders of the parent			
Earnings per share before and after dilution, SEK	23	-1.34	-1.72

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

SEKt	2021	2020
Loss for the year	-85 531	-101 412
Other comprehensive income		
<i>Other comprehensive income to be reclassified to profit or loss in subsequent periods:</i>		
Exchange differences on translation of foreign operations	1 023	-834
Other comprehensive income of the year	1 023	-834
Total comprehensive income of the year	-84 508	-102 246
Attributable to:		
Equity holders of the parent	-84 508	-102 246
Total comprehensive income of the year	-84 508	-102 246

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

CONSOLIDATED BALANCE SHEET

SEKt	Note	December 31, 2021	December 31, 2020
ASSETS			
Non-current assets			
<i>Intangible assets</i>	18		
Capitalized development expenses		5 968	6 115
Patents		2 397	2 725
Total intangible assets		8 365	8 840
<i>Tangible assets</i>			
Right of use assets	26	22 504	11 840
Equipment and tools	19	4 574	3 163
Total tangible assets		27 078	15 003
Total non-current assets		35 443	23 843
Current assets			
<i>Inventories</i>	17		
Raw materials and consumables		34 234	30 951
Finished goods and goods for resale		17 528	14 604
Total inventories		51 762	45 555
<i>Current receivables</i>			
Trade receivables	21, 25	38 413	32 108
Other operating receivables	21, 25	6 126	5 317
Prepaid expenses	22	3 219	3 359
Deferred income	22	2 492	1 299
Total current receivables		50 250	42 083
Cash and cash equivalents	25, 27	206 464	353 737
Total current assets		308 476	441 375
TOTAL ASSETS		343 919	465 218

CONSOLIDATED BALANCE SHEET

SEKt	Note	December 31, 2021	December 31, 2020
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the parent			
Share capital	23	40 909	40 625
Other paid-in capital		1 563 670	1 557 639
Translation reserve		129	-894
Fund for development expenses		5 490	5 352
Accumulated losses including loss for the year		-1 344 494	-1 203 823
Total equity		265 704	398 899
Non-current liabilities			
Leasing debt	25, 26	16 152	5 622
Provisions	24	363	329
Total non-current liabilities		16 515	5 951
Current liabilities			
Leasing debt	25, 26	5 270	4 858
Trade payables	25	18 719	12 680
Income tax payable		1 903	4 985
Other operating liabilities		5 625	6 974
Accrued expenses	22, 25	30 183	30 871
Total current liabilities		61 700	60 368
Total liabilities		78 215	66 319
TOTAL EQUITY AND LIABILITIES		343 919	465 218

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

SEkt	Share capital	Paid but not registered share issue	Other paid-in capital	Translation reserve	Fund for development expenses	Accumulated losses including net loss for the year	Total equity
As at January 1, 2020	32 826	100	1 191 775	-60	3 552	-1 103 884	124 309
Comprehensive income							
Net loss for the year						-101 412	-101 412
Other comprehensive income							
Exchange differences on translation of foreign operations				-834			-834
Total comprehensive income	0	0	0	-834	0	-101 412	-102 246
Transactions with equity holders							
Change in fund for development expenses					1 800	-1 800	0
New share issue, employee stock option programs	780	-100	10 569				11 249
Directed share issue	6 563		371 437				378 000
Transaction costs, directed share issue			-16 142				-16 142
New share issue and repurchase of own C-shares	456					-456	0
Share-based payment transactions						3 729	3 729
Total transactions with equity holders	7 799	-100	365 864	0	1 800	1 473	376 836
As at January 1, 2021	40 625	0	1 557 639	-894	5 352	-1 203 823	398 899
Comprehensive income							
Net loss for the year						-85 531	-85 531
Other comprehensive income							
Exchange differences on translation of foreign operations				1 023			1 023
Total comprehensive income	0	0	0	1 023	0	-85 531	-84 508
Transactions with equity holders							
Share swap						-62 333	-62 333
Change in fund for development expenses					138	-138	0
New share issue, employee stock options and warrants	250		6 031				6 281
New share issue and repurchase of own C-shares	34					-34	0
Share-based payment transactions						7 365	7 365
Total transactions with equity holders	284	0	6 031	0	138	-55 140	-48 687
As at December 31, 2021	40 909	0	1 563 670	129	5 490	-1 344 494	265 704

For treatment of the share swap, see Note 23.

CONSOLIDATED STATEMENT OF CASH FLOWS

SEKt	Note	2021	2020
Operating activities			
Operating loss		-80 669	-98 561
Non-cash adjustments	28	6 757	20 781
Interests received		0	5
Interests paid		-1 168	-6
Income tax paid		-3 761	-4 970
Net cash flows from operating activities before changes in working capital		-78 841	-82 751
<i>Changes in working capital</i>			
Increase (-) in inventories		-117	-13 202
Increase (-) in operating receivables		-5 421	-2 916
Increase (+)/decrease (-) in operating liabilities		958	-1 406
Net cash flows from operating activities		-83 421	-100 275
Investing activities			
Investments in intangible assets	18	-808	-2 312
Investments in equipment and tools	19	-2 608	-346
Net cash flows from investing activities		-3 416	-2 658
Financing activities			
Share swap		-62 333	0
New share issue, employee stock options and warrants		6 281	11 248
Directed share issue		0	378 000
Transaction costs, directed share issue		0	-16 142
Repayments of leasing debt	26	-5 509	-7 768
Net cash flows from financing activities		-61 561	365 338
Net cash flows		-148 398	262 405
Cash and cash equivalents as at beginning of the year	25	353 737	92 065
Net foreign exchange difference		1 125	-733
Cash and cash equivalents as at end of the year	25	206 464	353 737

For treatment of the share swap, see Note 23.

PARENT COMPANY INCOME STATEMENT

SEKt	Note	2021	2020
Net sales	5	43 646	39 371
Administrative expenses	5, 8, 10, 11	-49 542	-47 462
Other operating income	13	121	1 642
Other operating expenses	14	-1 659	-331
Operating loss		-7 434	-6 780
Result from financial items			
Other interest income and similar income	15	5 565	4 624
Other interest expenses and similar expenses	15	-1 272	-966
Net financial items		4 293	3 658
Result before taxes		-3 141	-3 122
Income tax	16	0	0
Loss for the year		-3 141	-3 122

Parent company loss for the year equals comprehensive income

PARENT COMPANY BALANCE SHEET

SEKt	Note	December 31, 2021	December 31, 2020
ASSETS			
Non-current assets			
<i>Non-current financial assets</i>			
Participations in group companies	20, 25	956 652	831 652
Receivables on group companies	25	172 020	132 427
Total non-current financial assets		1 128 672	964 079
Total non-current assets		1 128 672	964 079
Current assets			
Current receivables			
Other receivables	21	47	0
Prepaid expenses	22	660	633
Total current receivables		707	633
Cash	25	181 275	338 114
Total current assets		181 982	338 747
TOTAL ASSETS		1 310 654	1 302 826

PARENT COMPANY BALANCE SHEET

SEKt	Note	December 31, 2021	December 31, 2020
EQUITY AND LIABILITIES			
Equity			
<i>Restricted equity</i>			
Share capital	23	40 909	40 625
Total restricted equity		40 909	40 625
<i>Unrestricted equity</i>			
Share premium reserve		1 563 670	1 557 639
Accumulated losses		-333 110	-329 954
Loss for the year		-3 141	-3 122
Total unrestricted equity		1 227 419	1 224 563
Total equity		1 268 328	1 265 188
Non-current liabilities			
Liabilities to group companies		35 043	27 411
Total non-current liabilities		35 043	27 411
Current liabilities			
Trade payables	25	141	550
Other liabilities		810	2 598
Accrued expenses	22, 25	6 332	7 079
Total current liabilities		7 283	10 227
TOTAL EQUITY AND LIABILITIES		1 310 654	1 302 826

PARENT COMPANY STATEMENT OF CHANGES IN EQUITY

SEKt	Share capital	Paid but not registered share issue	Share premium reserve	Accumulated losses	Total equity
As at January 1, 2020	32 826	100	1 191 775	-329 499	895 202
Comprehensive income					
Loss for the year				-3 122	-3 122
Total comprehensive income	0	0	0	-3 122	-3 122
Transactions with equity holders					
New share issue, employee stock option programs	780	-100	10 569		11 249
Directed share issue	6 563		371 437		378 000
Transaction costs, directed share issue			-16 142		-16 142
New share issue and repurchase of own C-shares	456			-456	0
Total transactions with equity holders	7 799	-100	365 864	-456	373 108
As at January 1, 2021	40 625	0	1 557 639	-333 077	1 265 188
Comprehensive income					
Loss for the year				-3 141	-3 141
Total comprehensive income	0	0	0	-3 141	-3 141
Transactions with equity holders					
New share issue, employee stock option programs and warrants	250		6 031		6 281
New share issue and repurchase of own C-shares	34			-34	0
Total transactions with equity holders	284	0	6 031	-34	6 281
As at December 31, 2021	40 909	0	1 563 670	-336 251	1 268 328

PARENT COMPANY STATEMENT OF CASH FLOWS

SEKt	Note	2021	2020
Operating activities			
Operating loss		-7 434	-6 780
Interest received		5 566	4 624
Interests paid		-1 273	-966
Net cash flows from operating activities before changes in working capital		-3 141	-3 122
<i>Changes in working capital</i>			
Increase (-)/decrease (+) in operating receivables		-74	21 677
Increase (+)/decrease (-) in operating liabilities		4 688	-12 257
Net cash flows from operating activities		1 473	6 298
Investing activities			
Shareholders' contribution		-125 000	-105 000
Net cash flows from investing activities		-125 000	-105 000
Financing activities			
New share issue, employee stock options and warrants		6 281	11 248
Directed share issue		0	378 000
Transaction costs, directed new share issue		0	-16 142
Change in balances towards group companies		-39 593	-9 839
Net cash flows from financing activities		-33 312	363 267
Net cash flow		-156 839	264 565
Cash as at beginning of the year	25	338 114	73 549
Cash as at end of the year	25	181 275	338 114

NOTES

NOTE 1

GENERAL INFORMATION, ACCOUNTING POLICIES

GENERAL INFORMATION

BONESUPPORT operates within orthopedic products and develops and commercializes innovative injectable bio-ceramic bone graft substitutes that remodel to the patient's host bone and have the ability to release drugs. BONESUPPORT's marketed synthetic bone graft substitutes are CERAMENT BVF, CERAMENT G and CERAMENT V, all of which are based on the innovative and patented CERAMENT technology platform.

BONESUPPORT HOLDING AB (publ) is a limited liability company with its registered office in Lund, Sweden. The address of the head office is Scheelevägen 19, SE-223 70 Lund, Sweden.

The Board of Directors approved these consolidated accounts on March 16, 2022 and they will be presented before the Annual General Meeting for adoption on May 19, 2022.

THE GROUP'S ACCOUNTING PRINCIPLES

The main accounting principles applied at the time of the prepared consolidated accounts are set out below. These principles have been applied consistently for all the years presented unless otherwise stated.

The consolidated accounts are prepared in accordance with International Financial Reporting Standards (IFRS) issued by the International Financial Accounting Standards Board (IASB) as adopted by the EU. Furthermore, 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 company's functional currency is SEK and all amounts are in SEK thousand unless otherwise stated.

Implementation of new accounting principles

The accounting policies applied include new and changed standards mandatory for the first time for fiscal years beginning January 1, 2021. None of these have had a material impact on the group's financial statements.

New or amended IFRS standards effective from 2022 or later have not been applied in the preparation of these financial statements. The assessment is that these will not have a material impact on the group's financial results and financial position.

ESTIMATES, ASSUMPTIONS AND ASSESSMENTS

When preparing the company's financial statements, a number of assessments and estimates, as well as assumptions, have been made that affect the application of accounting policies and the reported amounts in the income statements and balance sheets. Actual outcomes may differ from these estimates and assessments. Estimates and assessments are continuously evaluated and based on historical experience and other factors, including expectations of future events.

The areas of the consolidated accounts containing a significant degree of estimates, assumptions or assessments are described in Note 3.

Current assets and current liabilities are expected to be recovered or paid within one year. Other balance sheet items are expected to be recovered or paid later.

BASIS FOR CONSOLIDATION

The consolidated accounts cover the parent company and its subsidiaries. The financial statements of the parent company and the subsidiaries included in the consolidated accounts relate to the same period and are prepared in accordance with the accounting principles applicable to the group. All intra-group balances, revenues, costs, gains or losses arising in transactions between the companies covered in the consolidated accounts are eliminated in full.

SUBSIDIARIES

Subsidiaries are companies in which the parent holds, directly or indirectly, more than half of the voting rights or otherwise has a controlling interest.

A subsidiary is included in the consolidated accounts from the date of acquisition, which is the date on which the parent company acquired controlling interest, and is included in the consolidated accounts until the date on which that controlling interest ceases.

Subsidiaries are recognized according to the acquisition method. The purchase price for the acquisition of a business consists of the fair value of transferred assets, liabilities and issued shares. The purchase price also includes the fair value of all assets or liabilities that are a consequence of the agreed contingent purchase price. Identifiable acquired assets and assumed liabilities are initially measured at fair value on the date of acquisition.

TRANSLATION OF FOREIGN SUBSIDIARIES' FINANCIAL STATEMENTS

Items on the balance sheets of subsidiaries are valued in the relevant functional currency, which is the same as the country's local currency. The group's financial statements are presented in SEK, which is the parent company's functional currency. The income statements and balance sheets of the foreign subsidiaries are translated into SEK. The balance sheets are translated at the exchange rates on the balance sheet date. The profit and loss accounts are translated using the average rates for the year. The exchange differences on translation do not affect profit or loss for the year but are recognized in other comprehensive income in the consolidated accounts and accumulated. The following exchange rates have been used for translations:

	USD	EUR	CHF	GBP	DKK
Closing day rate December 31, 2021	9.044	10.245	9.894	12.211	1.378
Average rate 2021	8.582	10.145	9.385	11.802	1.364
Closing day rate December 31, 2020	8.214	10.074	9.288	11.139	1.353
Average rate 2020	9.204	10.487	9.798	11.798	1.407

CASH FLOW STATEMENT

The cash flow statement has been prepared according to the indirect method. The reported cash flow covers only transactions involving inward or outward payment.

REVENUE RECOGNITION

The group's revenues are mainly generated through one revenue stream, the sales of CERAMENT products. Sales revenue is recognized when the performance obligation is fulfilled, i.e. when control of an item is transferred to the buyer. For our customers, the delivery terms of Ex Works BONESUPPORT's warehouse are applied, which means that the control passes to the buyer when the goods leave the warehouse. Some customers, however, keep consignment stocks. In these cases, the income is recognized when withdrawals from consignment stocks are made.

Revenue is generated through three channels:

- A combination of own sales company and distributors in the U.S.
- Direct sales in six countries in Europe
- Sales through distributors in all other markets

Sales in the U.S. and in countries with direct sales are made to end customers. For sales in the U.S., the assessment has been made that contracted distributors constitute agents and the end customer is BONESUPPORT's customer. Distributors receive commission on generated sales to end customers as compensation for their service as agents. This is recognized as a sales commission when the income is reported as the depreciation period for these would otherwise have been for a shorter period than one year, based on the practical exception in IFRS 15.94. BONESUPPORT has its own inventory in the U.S. from which delivery takes place directly to the end customer, and the distributors never get control over the goods.

For distributor markets outside the U.S., sales are made to the distributor. Delivery to these distributors takes place from BONESUPPORT's warehouse in Lund. Control of the goods passes to the distributor as soon as they leave BONESUPPORT's inventory and the revenue is recognized at the same time.

The sales agreements do not contain any right of return, this applies to both distributors and end customers. Guarantee costs in accordance with IAS 37 exist but amount to immaterial amounts, which is why no provision is made. For warehousing distributors, no return of products may take place without prior permission from BONESUPPORT. BONESUPPORT has an agreed opportunity but no obligation to take back products and in recent years has in principle not used that opportunity. BONESUPPORT therefore makes the assessment that there is no need to provision for returns.

In general, 30 day payment terms are applied to the company's direct markets. For sales to distributors, market-adjusted terms of up to 90 days are applied.

INTANGIBLE ASSETS

Capitalized development expenses and patents:

Expenditure on the development of new products is recognized as an intangible fixed asset once it has received regulatory approval from licensing authorities and if such high-collateral expenditure will bring economic benefits to the enterprise. Capitalized development expenses are recognized as intangible assets and amortization is made from the time the product is ready to use. The amortization period is the

useful life, but never longer than ten years. Development expenditure that does not meet these criteria is written off.

Externally acquired patents are activated and reported as patents.

All intangible assets are assessed annually for any impairment requirement.

LEASING

For leases where BONESUPPORT is the lessee, IFRS 16 Leases is applied. The company has no leases where it is the lessor.

At the beginning of a contract, it is assessed whether it is a lease that should be recognized as leasing. All leases in which the company is a lessee are recognized as leases.

The lease liability is initially valued at the present value of future lease payments, discounted at the group's marginal loan rate. Lease payments included in the valuation of lease liabilities include fixed fees less any deduction for benefits associated with the contract; variable lease payments that depend on an index or price; amounts expected to be paid by the lessee under residual value guarantees; the exercise price of an option to purchase if the lessee is reasonably certain to exercise such an option; and penalties payable in the event of termination of the contract, if the lease period reflects that the lessee will exercise an opportunity to terminate the lease.

The lease liability is presented on its own rows in the balance sheet, with a breakdown according to maturity. The lease liability is recognized in subsequent periods by increasing the liability to reflect the effect of interest and decreasing it to reflect the effect of lease payments made. The lease liability is revalued with a corresponding adjustment of the right-of-use asset in accordance with the rules set out in IFRS 16.

The right-of-use asset is initially recognized at the value of the lease liability, with additions for lease payments made at the start date of the agreement and initial direct expenses. The right-of-use asset is recognized in subsequent periods at cost, less depreciation and any impairment losses. The same principles apply to impairment of the right-of-use asset as those described in the Equipment and Tools section.

The right-of-use asset is depreciated over the estimated useful life or, if shorter, over the agreed lease term. If a contract transfers or is likely to transfer ownership at the end of the lease term, the right-of-use asset is depreciated over the estimated useful life. Depreciation starts at the initial date of the lease. The right-of-use asset is presented on its own row in the balance sheet.

EQUIPMENT AND TOOLS

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

Gains and losses on disposal are determined by comparing the proceeds of sales obtained with the carrying amount. The difference is reported in the income statement as other operating income/expenses.

IMPAIRMENT OF NON-FINANCIAL ASSETS

Assets that are written down are assessed for impairment whenever events or changes in conditions indicate that the carrying amount may not be recoverable. An impairment loss is made at the amount by which the carrying amount of the asset exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value reduced by the selling costs and the value in use. When assessing impairment requirements, assets are grouped at the lowest levels where there are separately identifiable cash flows (cash-generating units).

FINANCIAL INSTRUMENTS

A financial asset or liability is included in the balance sheet when the group becomes a party in a contractual relationship. Financial assets are removed from the balance sheet when the right to receive cash flows from the instrument has expired and the group has transferred all risks and benefits associated with ownership. Financial liabilities are removed from the balance sheet once the obligation in the contract has been fulfilled.

CLASSIFICATION OF FINANCIAL ASSETS**Financial assets:**

All assets are held to receive ongoing payments. These are initially valued at fair value including transaction costs and then at amortized cost in accordance with the effective interest method. Gains and losses attributable to financial assets are reported in the income statement. Interest rate effects arising from the application of the effective interest method are also reported in the income statement. BONESUPPORT recognizes the following interest-bearing assets in the balance sheet:

- Trade receivables
- Other receivables
- Cash and cash equivalents

Impairment of financial assets:

For interest bearing financial assets, a credit risk reserve is recognized and this is based on the future expected losses of the individual assets. For trade receivables, the credit risk reserve is calculated based on the asset's expected loss over its total life. For cash and cash equivalents, the write-down that could be considered is immaterial.

INVENTORIES

Inventories are reported at the lowest of the acquisition cost and the net realizable value. The acquisition cost is determined using the first in, first out (FIFO) method. The cost of finished goods consists of raw materials, direct salaries and other direct costs. Borrowing costs are not included. The net realizable value is the sales price less estimated costs that are necessary to achieve a sale. The sales price is the price that the company would normally receive when selling in the operating activities.

CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash and bank balances.

FOREIGN CURRENCY

Transactions in foreign currency are reported at the exchange rate on the transaction date. Monetary assets and liabilities denominated

in foreign currency are converted at the exchange rate of the balance sheet date and exchange gains and losses are reported in profit or loss as other operating income/expenses.

SHARE CAPITAL

Transaction costs directly attributable to the issue of new shares are recognized, net of tax, in equity as a deduction after the issue proceeds..

SHARE SWAP AGREEMENT

During the third quarter of 2021, BONESUPPORT, in accordance with a resolution from the annual general meeting in May of that year, exercised its authorization to enter into a share swap agreement to secure the commitments in the group's incentive programs LTI 2021. A total of 786,000 shares were hedged during the third quarter at an average value of SEK 79.30 per share, a total value of SEK 62,333 thousand. The swap agreement has been treated in line with acquisition of own shares and has therefor been recognized at acquisition cost in unrestricted equity.

EMPLOYEE BENEFITS**Pensions:**

The group only has defined contribution pension plans. The defined contribution pension plans mainly cover retirement pension, disability pension and family pension. The premiums are paid on an ongoing basis during the year by each group company to separate legal entities, such as insurance companies. The amount of the premium is based on the salary level. Pension costs for the year are included in the income statement.

Share-based remuneration:

The group has outstanding employee stock options, which are regulated by equity instruments. For detailed descriptions of the programs, please refer to Note 12. Share-based remuneration (employee stock options) is valued based on the market value of the employee stock options at the time the options were assigned. The value of the compensation is not revalued after the assignment date. The total cost is distributed over the vesting period, which is the period during which all the specified vesting conditions are to be met. The cost is recognized as a personnel cost and credited in equity. At each closing date, the group reassesses how many shares are expected to be earned. Any deviations from the initial assessments that resulted from the review are reported in the income statement and the corresponding adjustments are made in equity.

When the options are exercised, the company issues new shares. Payments received are credited to the share capital (quota value) and other contributed capital when the options are exercised.

Social costs attributable to equity-related instruments as described above are expensed according to the periods during which the services are performed. The cost is calculated based on the same valuation model used when the employee stock options were assigned. The liability for social security contributions incurred is revalued at each closing date on the basis of a new calculation of the contributions that may be paid when the instruments are redeemed. This means that the basis for calculating the social security debt is a new market valuation of the options made at each closing date.

DEFERRED TAX

Deferred tax is recognized on temporary differences. Deferred tax is calculated using a 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 settled. Deferred tax assets relating to tax deficits are reported to the extent that they are likely to be offset 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 (EUROW). Information about operating segment sales and profit or loss is reported in Note 4. Neither assets nor liabilities are followed-up at segment level as management and follow-up of these are done by management and the Board at group level.

THE PARENT COMPANY'S ACCOUNTING POLICIES

The parent company prepares its annual report in accordance with the Annual Accounts Act and the Swedish Financial Reporting Board's recommendation RFR 2 Accounting for Legal Entities. RFR 2 sets out that the parent company's annual report for the legal entity shall apply all EU approved IFRS and statements, as far as possible within the framework of the Annual Accounts Act, and taking into account the connections between accounting and taxation. The recommendation specifies the exceptions and additions to be made compared to IFRS accounting.

The following differences exist between the group's and the parent company's accounting policies:

- Shares in group companies are recognized in the parent company according to the cost method.
- Shares in group companies and receivables on group companies are impairment tested annually, or in case of indication of a decline in value, based on a cash flow forecast over the next five years. For further information see Notes 3 and 20.
- The parent company does not apply IFRS 9 and IFRS 16. The parent company recognizes financial instruments at accrued acquisition value. There are currently no leases in the parent company.
- The parent company complies with the Presentation form of the Annual Accounts Act for the income statement and balance sheet, which means, among other things, a different set-up for equity.

NOTE 2

FINANCIAL RISK MANAGEMENT

Through its operations, the group is exposed to various types of financial risks such as market, liquidity and credit risk. Market risk consists mainly of currency risk. BONESUPPORT has an overall financial policy for both the parent company and the group, which regulates the division of responsibilities in financial matters between the Board of Directors, the CEO, CFO and other group companies. The Board's Audit Committee is tasked with monitoring the design of the financial policy and, if necessary, proposing changes to the Board. The financial policy is characterized by a low level of risk. There have been no changes in financial policy or risk management compared to 2020. The strategy includes continuously identifying and managing risks.

MARKET RISK

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

Currency risk

Currency risk refers to the risk that fair value or future cash flows fluctuate as a result of changes in exchange rates. The exposure to currency risk mainly stems from foreign currency payment flows (transaction exposure) and from the translation of foreign subsidiaries' income statements and balance sheets into SEK (translation exposure). The group's operations are international and exposed to currency risk, mainly from USD, EUR and GBP.

Approximately 57 percent (58) of BONESUPPORT AB sales are invoiced in USD, approximately 17 percent (18) in EUR and approximately 18 percent (17) in GBP. This is only partly offset by the fact that purchases are also made mainly in EUR. If, all else being equal, USD strengthens or weakens by 5 percent against the Swedish SEK, the group's profit after tax will be affected by +/- approximately SEK 1.0 million (0.2) based on 2021 transactions, a corresponding strengthening/weakening in EUR gives an impact of +/- 0.2 MSEK (0.3) and for GBP an impact of +/- 0.8 MSEK (0.6).

The foreign subsidiaries invoice and collect costs in their respective local currencies; USD, EUR, GBP, CHF and DKK. The translation risk means that the value of the group's net investments in foreign currency may be adversely affected by changes in exchange rates when the net assets are consolidated in SEK at the balance sheet date.

The currency risk is mainly attributable to the exposure of outstanding accounts receivable at the end of the reporting period, see Note 21 for distribution by currency. Since the total outstanding accounts receivable consists mostly of USD (about 57 percent), and subsequently of EUR (about 19 percent) and GBP (about 16 percent), currency fluctuations may affect future cash flows. If, all else being equal, USD strengthens or weakens by 5 percent against the Swedish krona, the group's equity and profit after tax will be affected by +/- SEK 1.1 million (0.9) based on outstanding accounts receivable as of December 31, 2021. The corresponding effect for EUR amounts to +/- 0.4 MSEK (0.3) and for GBP to +/- 0.3 MSEK (0.2).

The group does not currently use forward contracts or other instruments to reduce currency risk.

The sensitivity analysis in the table below shows the impact on the group of changes in SEK against the largest currencies. The figures are based on 2021 results and financial position. The impact of the transaction risk is measured in the net profit/loss for the year and the impact of the translation risk is measured in equity including net profit/loss for the year.

+ means a weakening of SEK

- means a strengthening of SEK

SEKm	+/- 5% USD	+/- 5% EUR	+/- 5% GBP
Transaction risk	+/- 1.0	+/- 0.2	+/- 0.8
Translation risk	+/- 0.2	+/- 0.1	+/- 0.2

Interest rate risk

Interest rate risk refers to the risk that fair value or future cash flows fluctuate as a result of changes in market interest rates.

As of December 31, 2021, a general increase or decrease in interest rates will not have any impact on the group's results as there are no bank loans in the group. The effect on the group's leases is considered marginal.

Price risk

Price risk refers to the risk that fair value or future cash flows fluctuate as a result of changes in prices.

The group's sales prices are based on the clinical and health economic benefits validated by a large number of clinical studies and therefore present a low risk of major price movements. The sensitivity to the purchase prices of input goods is mainly managed through long contract times and high stock security.

CREDIT AND COUNTERPARTY RISK

Credit risk refers to the risk that the counterparty in a transaction causes the group a loss by not fulfilling its contractual obligations. The group's exposure to credit risk is mainly attributable to accounts receivable. A simplified model is used to calculate credit losses on the group's accounts receivable. Expected credit losses are calculated based on past events, current conditions and projections of future economic conditions.

The group's customers consist primarily of hospitals, clinics and distributors with a high credit rating. Accounts receivable are spread across a large number of customers and no single customer accounts for a substantial part of the total accounts receivable. Accounts receivable are spread geographically. The group considers that the concentration risks are limited. Reversal of estimated customer losses in 2021 amounted to SEK 0 thousand (833) and new reserves were made with SEK 22 thousand (69). See also Note 21 for more information about accounts receivable.

The credit risk in cash and cash equivalents is deemed intangible because the counterparties are banks with high credit ratings awarded by international credit rating agencies. As of December 31, 2021, cash and cash equivalents amount to SEK 206,464 thousand (353,737), of which 90 percent (96) in SEK, 6 percent (1) in USD, 3 percent (1) in GBP and 1 percent (1) in EUR.

The group's maximum exposure to credit risk is assessed by carrying amounts of all financial assets, see Note 25.

LIQUIDITY AND FINANCING RISK

Liquidity risk refers to the risk that the group will have problems meeting payment commitments for financial liabilities. Financing risk refers to the risk that the group will not be able to raise sufficient funding at a reasonable cost.

Liquidity risk is low because the group's financial liabilities at the end of 2021 are short term and consist of accounts payable and accrued costs. Payment for the vast majority is due within three months.

The financing risk is assessed based on multi-year liquidity planning, and is about whether the future cash flows are sufficient to run planned operations. In the event that there is a risk that they are not sufficient, the company will balance costs against future revenues in good time and/or seek alternative financing via borrowings or similar.

NOTE 3**ESTIMATES, ASSUMPTIONS AND ASSESSMENTS**

When preparing the company's financial statements, a number of assessments and estimates, as well as assumptions, have been made that affect the application of accounting policies and the reported amounts in the income statements and balance sheets. Actual outcomes may differ from these estimates and assessments. Estimates and assessments are continuously evaluated and based on historical experience and other factors, including expectations of future events.

The estimates, assumptions and assessments are described in more detail below.

VALUATION OF TAX LOSS CARRY-FORWARDS

The possibilities for activating deferred tax assets for tax loss carry-forwards are examined annually. Deferred tax assets are included only to the extent that there are compelling reasons why they can be offset against future taxable surpluses. For more information on this, see Note 16.

VALUATION OF SHARES IN GROUP COMPANIES

The parent company tests annually or more frequently whether there is an indication of a decline in value and whether there is any impairment requirement for shares in group companies. Recoverable amounts for the shares in group companies have been determined by calculating the value in use, which requires that comprehensive estimates and assumptions must be made. Discounted forecast future cash flows over the next four years have been calculated in these assumptions, taking into account a discount rate of 8.4 percent after tax (10.54 percent before tax). The calculation of discount rates has taken risk-free interest rates, market risk premium and company-specific capital structure and the current tax rate into consideration. Cash flow after the four-year period (the test covers 20 years) is calculated on the basis of an initial forecast growth rate of 47 percent, with a gradual de-escalation corresponding to 10 percent per year. The calculated value in use has since been compared with the carrying amount and this comparison shows that there is no need for impairment. A sensitivity analysis where different discount rates were simulated has been carried out. An increase in the discount rate by five percentage points would not entail any impairment requirement. The result of the test shows a surplus and therefore there is no impairment requirement for shares in group companies.

NOTE 4

OPERATING SEGMENTS

Profit and loss items	2021				2020			
	NA	EUROW	Other	Total	NA	EUROW	Other	Total
Net sales	121 657	91 228	0	212 885	99 727	81 133	0	180 860
of which CERAMENT BVF	119 428	12 453	0	131 881	97 451	12 808	0	110 259
of which CERAMENT G and CERAMENT V	0	78 775	0	78 775	0	68 313	0	68 313
of which other	2 229	0	0	2 229	2 275	12	0	2 288
Cost of sales	-7 882	-15 300	0	-23 182	-6 070	-13 186	0	-19 256
Gross profit	113 775	75 928	0	189 703	93 657	67 947	0	161 604
Selling commissions	-38 571	0	0	-38 571	-31 598	0	0	-31 598
Other operating costs ¹	-72 491	-63 328	0	-135 819	-78 880	-54 785	0	-133 665
Contribution	2 713	12 600	0	15 313	-16 821	13 162	0	-3 659
Other operating items ²	0	0	-95 982	-95 982	0	0	-94 902	-94 902
Operating result	2 713	12 600	-95 982	-80 669	-16 821	13 162	-94 902	-98 561
Net financial items	0	0	-1 168	-1 168	0	0	-440	-440
Loss before income tax	2 713	12 600	-97 150	-81 837	-16 821	13 162	-95 342	-99 001

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

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

Markets that delivered more than 10 percent of net sales during 2021 were United States with SEK 121.9 million (99.7) and United Kingdom with SEK 38.1 million (28.4). Net sales in Sweden amounted to SEK 7.9 million (7.9). No (0) customer represented more than 10 percent of net sales.

The amounts in the table above are eliminated for group transactions. Inter company sales from EUROW to NA amounted to SEK 91.6 million (79.3).

The group's non-current assets are primarily based in Sweden.

NOTE 5

INTRA-GROUP PURCHASES AND SALES

Intra-group purchases and sales amounted to SEK 347,838 thousand (321,455). The parent company rendered services to group companies of SEK 43,646 thousand (39,371) and purchased services from group companies of SEK 36,625 thousand (30,470).

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

NOTE 6

EXPENSES BY TYPE

GROUP	2021	2020
Cost for inventory items	-22 249	-14 791
Personnel costs	-140 020	-141 226
Depreciation and amortization of tangible and intangible assets	-8 276	-8 465
Sales commissions	-38 571	-31 598
Other expenses	-95 746	-95 529
Total	-304 862	-291 609

Other expenses mainly concern external services, advertising & public relations, travel expenses and exchange rate losses. Exchange rate losses amount to SEK 6,697 thousand (15,513).

NOTE 7**DEPRECIATION AND AMORTIZATION OF TANGIBLE AND INTANGIBLE ASSETS**

GROUP	2021	2020
Capitalized development expenses	955	823
Patents	328	329
Right of use assets	5 786	5 970
Equipment and tools	1 207	1 343
Total	8 276	8 465

Amortization and depreciation is included in cost of sales with SEK 1,740

NOTE 8**COMPENSATION TO AUDITORS**

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
EY				
Audit fees related to the assignment	1 983	1 942	1 198	1403
Audit related fees	62	25	62	25
Total	2 045	1 967	1 260	1 428
Other auditors				
Moore Kingston Smith				
Audit fees related to the assignment	236	228	0	0
Other assignments	12	58	0	0
Total	248	286	0	0
Frank Hirth UK				
Audit fees related to the assignment	0	121	0	0
Other assignments	0	675	0	0
Total	0	796	0	0

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

NOTE 9**PERSONNEL (AVERAGE NUMBER)**

	2021		
	Men	Women	Total
PARENT COMPANY:			
Sweden	1	0	1
SUBSIDIARIES:			
Sweden	12	28	40
Germany	5	7	12
USA	15	6	21
The Netherlands	2	1	3
Switzerland	1	0	1
United Kingdom	9	3	12
Italy	1	0	1
Denmark	0	1	1
Total subsidiaries	45	46	91
Total Group	46	46	92

	2020		
	Men	Women	Total
PARENT COMPANY:			
Sweden	1	0	1
SUBSIDIARIES:			
Sweden	12	23	35
Germany	6	7	13
USA	16	6	22
The Netherlands	2	0	2
Switzerland	2	0	2
United Kingdom	7	3	10
Denmark	0	1	1
Total subsidiaries	45	40	85
Total Group	46	40	86

The number of employees in the tables above represents average full-time equivalents. At the end of the financial year, the Board of Directors was composed of 4 (4) men and 1 (1) woman. The management comprised 6 (6) men and 3 (3) women.

NOTE 10**SALARY, OTHER COMPENSATION AND SOCIAL SECURITY**

GROUP	2021		2020	
	Board & CEO	Other employees	Board & CEO	Other employees
Salary and other compensation				
Parent company	5 548	0	6 915	0
Subsidiaries	0	98 813	0	93 955
Total	5 548	98 813	6 915	93 955

NOTE 10, CONT'D**SALARY, OTHER COMPENSATION AND SOCIAL SECURITY**

Social security all employees	2021	2020
Parent company	1 321	2 365
(of which pension cost)	(267)	(253)
Subsidiaries	22 038	21 975
(of which pension cost)	(7 062)	(6 035)
Total	23 359	24 340
(of which pension cost)	(7 329)	(6 288)

The amounts in the table do not include share-based remuneration. These are included in Note 11. Social security costs include social security costs on employee stock option benefits.

NOTE 11**COMPENSATION TO SENIOR EXECUTIVES AND RELATED PARTY TRANSACTIONS****Compensation to Chairman of the Board, Board of Directors and Senior Executives, Group**

Compensation to the CEO is decided by the Board of Directors on a proposal from the remuneration committee. The guidelines that were adopted 2021 and that described on page 69, apply until further notice.

Senior executives during the year consisted of the CEO and an additional 8 (8) persons. On December 31, 2021 the number of senior executives was 9 (9) including the CEO. For the group management, market conditions apply to salaries and other employment benefits, which are approved by the remuneration committee.

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

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

	2021			2020		
	Salaries, fees	Social security	Share-based compensation	Salaries, fees	Social security	Share-based compensation
Lennart Johansson ¹ <i>Chairman of the Board</i>	400	-53	550	409	526	28
Håkan Björklund <i>Director</i>	157	49	0	195	61	0
Lars Lidgren <i>Director</i>	135	14	0	146	15	0
Björn Odlander <i>Director</i>	157	49	0	170	54	0
Tone Kvåle ¹ <i>Director</i>	247	-13	27	268	214	28
Simon Cartmell <i>Director until November 19, 2020</i>	0	0	0	211	-118	-84
Emil Billbäck ¹ <i>CEO</i>	4 228	840	1 127	5 700	4 206	1 137
Other senior executives ¹ 8 (8) persons	14 901	3 842	1 161	12 359	4 131	1 155

1. The social security for these persons includes change in the liability for social security contributions for active incentive programs.

Compensation to the Board of Directors in the table above, excluding the share-based compensations, are fees that have been paid during 2021. In Note 10, fees expensed regarding 2021 are reported. Accrued board fees amount to SEK 906 thousand (683). The guidelines for remuneration to senior executives adopted at the Annual General Meeting 2021 are described in the Director's report and the Corporate Governance Report.

Bonus to the CEO is included in salaries and fees and amounts to SEK 965 thousand (2,527) and to other senior executives to SEK 1,650 thousand (1,121).

For the current CEO and other senior executives, the company pays pension premiums, with the exception of one manager, who administers this himself. The payments are made according to a scheme where 7 percent is calculated on salaries up to 7.5 of the current price base, 24 percent on price base between

7.5-20 and 16 percent on price base between 20-30. The pension schemes are different since the senior executives, excluding the CEO, are based in 4 (4) different countries. Pension premiums relating to the CEO were paid at SEK 267 thousand (253) and premiums to other senior executives were paid at SEK 1,531 thousand (1,080). Members of the Board have not received any pension.

During 2018, BONESUPPORT signed a consultancy agreement with the previous Board Director Simon Cartmell's company Route 2 Advisors Ltd. SEK 61 thousand (407) has been paid during the year. The agreement was terminated during the first quarter of 2021.

BONESUPPORT has reimbursed board member Björn Odlander for travel expenses of SEK 0 thousand (9) through the company Odlander, Fredrikson & Co AB.

NOTE 12

EMPLOYEE STOCK OPTION PROGRAMS AND PERFORMANCE SHARE PROGRAMS

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

Employee stock option programs

Of the three employee stock option programs, two run over ten years and expire 2022 and 2025 and one program runs over eight years and expires 2024. Each stock option gives the holder the right to acquire 0.2 ordinary share in BONESUPPORT when exercising the option. This at a price of 0.125 SEK, equivalent to 0.625 SEK per share, in the first two programs and 5.30 SEK, equivalent to 26.50 SEK per share, in the third program. The employee stock options are vested according to a schedule in each program. A condition for allotment of options is employment or a contractual relationship with the company at each vesting date. Of the allocated 25.7 million options, 21.6 million (21.6) options were fully vested before the end of the year.

Performance share programs

There are four programs for newly recruited employees and two programs for two Directors. The programs run as follows with the below end dates:

- The program for employees decided at the annual general meeting in 2018 runs until 31 December 2021;
- The program for two board members decided at the annual general meeting in 2018 runs until 31 December 2021;
- The program for employees decided at the annual general meeting in 2019 runs until 31 December 2022;
- The program for employees decided at the annual general meeting in 2020 runs until 31 December 2023;
- The program for employees decided at the annual general meeting in 2021 runs until 31 December 2023; and
- The program for two board members decided at the annual general meeting in 2021 runs until the date of the annual general meeting in 2024.

In each program for employees decided at the annual general meetings in 2018, 2019 and 2020, each savings share gives the opportunity to be allotted to the employees a maximum of two, three or four performance shares without payment depending on share price development and the company's development in terms of sales and EBITDA during the duration of the program. In the program for two board members decided at the annual general meeting in 2018, each savings share gives the opportunity to be allotted a maximum of two performance shares without payment depending on share price development. The performance shares were issued in the form of class C-shares with a subscription price and quota value of SEK 0.625 per share.

In the program for employees decided at the annual general meeting in 2021, each savings share gives the opportunity to be allotted a maximum of six performance shares without payment depending on share price development and the company's development in terms of sales and EBITDA during the duration of the program.

In the program for two board members decided at the annual general meeting in 2021, each savings share gives the opportunity to be allotted a maximum of three performance shares without payment depending on share price development.

The annual general meeting in May 2021 authorized the board to enter a share swap-agreement with a third party bank to fulfil the company's commitments

under the incentive programs LTI 2021 and LTI 2021 Board and to secure social security charges for these programs. The mandate was exercised during the third quarter.

Employee stock options and performance shares are valued at fair value at the date of allocation. The total cost is distributed over the vesting period. At the end of the vesting period, a reduction in staff turnover is assumed, which entails an increased cost. The cost is accounted for as personnel cost and is credited to equity. The social security cost is revalued at fair value. When the options are exercised, the company issues new shares. Payments received on behalf of the shares issued are credited to equity.

VALUATION - PERFORMANCE SHARE

PROGRAM EMPLOYEES 2021/2023	Jul 12, 2021
Dividend	-
Expected volatility	40%
Interest rate	-0.28%
Valuation of the share (SEK)	71.74
Valuation model	Black & Scholes/Monte Carlo

VALUATION - PERFORMANCE SHARE

PROGRAM BOARD 2021/2023	Jul 12, 2021
Dividend	-
Expected volatility	40%
Interest rate	-0.26%
Valuation of the share (SEK)	71.74
Valuation model	Black & Scholes/Monte Carlo

VALUATION - PERFORMANCE SHARE

PROGRAM EMPLOYEES 2020/2023	Dec 16, 2020
Dividend	-
Expected volatility	35% - 40%
Interest rate	-0.23% - -0.39%
Valuation of the share (SEK)	39.61
Valuation model	Black & Scholes/Monte Carlo

VALUATION - PERFORMANCE SHARE

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

VALUATION - PERFORMANCE SHARE

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

VALUATION - PERFORMANCE SHARE

PROGRAM BOARD 2018/2021	Jun 20, 2018
Dividend	-
Expected volatility	35%
Interest rate	-0.21%
Valuation of the share (SEK)	10.17
Valuation model	Black & Scholes/Monte Carlo

VALUATION - EMPLOYEE STOCK OPTION**PROGRAM 2016/2024****Nov 9, 2016**

Dividend	-
Expected volatility	50%
Interest rate	0%
Subscription price (SEK) - recalculated after share consolidation 5:1	26.50
Valuation model	Black & Scholes

VALUATION - EMPLOYEE STOCK OPTION**PROGRAM 2012/2022****Jan 1, 2012**

Dividend	-
Expected volatility	40%
Interest rate	0%
Subscription price (SEK) - recalculated after share consolidation 5:1	0.625
Valuation model	Black & Scholes

**CHANGES DURING THE YEAR (NUMBER) -
PERFORMANCE SHARE PROGRAMS**

	2021	2020
Outstanding at January 1	1 195 000	1 225 000
Granted during the year	606 000	110 000
Cancelled during the year	-10 000	-140 000
Outstanding at December 31	1 791 000	1 195 000
Exercisable at December 31	227 134	0

**CHANGES DURING THE YEAR (NUMBER) -
EMPLOYEE STOCK OPTION PROGRAM**

2016/2024	2021	2020
Outstanding at January 1	499 062	2 210 112
Adjustment during the year	50 000	0
Cancelled during the year	0	-169 167
Exercised during the year	-96 771	-1 541 883
Outstanding at December 31	452 291	499 062
Exercisable at December 31	452 291	456 353

**CHANGES DURING THE YEAR (NUMBER) -
EMPLOYEE STOCK OPTION PROGRAM**

2012/2022	2021	2020
Outstanding at January 1	981 125	2 766 908
Cancelled during the year	0	-25 000
Exercised during the year	-100 000	-1 760 783
Outstanding at December 31	881 125	981 125
Exercisable at December 31	881 125	981 125

Weighted average exercise price for the options that were exercised during the year was SEK 2.67 (0.63) per share.

The expected maturity of the options is based on current expectations and is not necessarily an indication of future actual exercising. The valuation of the share is based on the latest issue price and is fixed. The total cost will change as social security is calculated on the fair value and a new fair value calculation is made quarterly. Volatility, at end of period 40 percent (40), is a conservative valuation of market risk and is based on peer group data due to the share being traded a limited period of time.

During 2021, the cost of employee stock option plans, excluding social security contributions, was recognized as operating expense amounting to SEK 7,365 thousand (3,729). For information about the part that regards Board Members and the management team, see Note 11. The social security contributions amounted to a reduced expense of SEK 1,810 thousand, compared to an expense of SEK 4,926 thousand previous year. Liability for social security contributions amounts to SEK 6,290 thousand (8,100).

NOTE 13**OTHER OPERATING INCOME**

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Exchange rate gains	10 253	10 616	121	1 642
Government refunds relating to COVID-19	348	558	0	0
Other	707	1 014	0	0
Total	11 308	12 188	121	1 642

NOTE 14**OTHER OPERATING EXPENSES**

	GROUP		PARENT COMPANY	
	2021	2020	2021	2020
Exchange rate losses	6 697	13 544	1 659	331
Other	7	3	0	0
Total	6 704	13 547	1 659	331

NOTE 15**FINANCIAL ITEMS**

PARENT COMPANY	2021	2020
Interest income, group	5 565	4 624
Interest expenses, group	-1 272	-966
Net financial items	4 293	3 658

NOTE 16**INCOME TAX****GROUP**

<i>The following components are included in the tax expense of the year:</i>	2021	2020
Current tax on loss for the year	-3 636	-2 630
Adjustment of taxes attributable to previous years	-58	219
Current tax expense	-3 694	-2 411
Deferred tax related to changes in temporary differences	0	0
Reported tax	-3 694	-2 411

<i>Reconciliation between reported tax and tax expense based on applicable tax rate:</i>	2021	2020
Loss before income tax	-81 837	-99 000
Tax according to the applicable tax rate 20.6% (21.4)	16 858	21 186
Difference between Swedish and foreign tax rates	-721	-540
Non tax-deductible items	-5 771	-918
Non taxable income	0	232
Costs that are to be deducted but which are not included in the reported result	0	3 454
Current tax attributable to prior years	-58	219
Loss carry forward for which no deferred tax asset has been recognized	-14 002	-26 044
Tax expense for the year	-3 694	-2 411

NOTE 16, CONT'D

INCOME TAX

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

The group's total loss carry forwards as per December 31, 2021 amount to approximately SEK 1,081 million (1,013) whereof SEK 117 million (114) refers to the parent company. The tax loss carry forwards have no fixed maturity. Deferred tax assets attributable to the loss carry forward has been valued at zero as it is currently not possible to assess when tax losses carry forwards can be utilized. Despite of the positive development at the present, the probability of the company recognizing profits during the near future is small. When the outlook for this is different, the company will consider if there are compelling reasons to recognize a deferred tax asset.

PARENT COMPANY

<i>Reported tax expense:</i>	2021	2020
Tax expense of the year	0	0
<i>Reconciliation between reported tax and tax expense based on applicable tax rate:</i>	2021	2020
Loss before income tax	-3 141	-3 122
Tax according to the applicable tax rate 20.6% (21.4)	647	668
Non tax-deductible items	-6	-2
Costs that are to be deducted but which are not included in the reported result	0	3 454
Loss carry forward for which no deferred tax asset has been recognized	-641	-4 120
Tax expense for the year	0	0

The parent company's prevailing tax rate is 20.6 percent (21.4).

NOTE 17

INVENTORIES

Changes in inventory are classified as cost of sales and amount to a negative cost of SEK 176 thousand (negative cost of 2,200).

Impairment write-down of inventory to net realizable value due to products with short durability or other impairment risk, amounts to SEK 15 thousand (0). This is done as the net sale value is lower than the acquisition value.

NOTE 18

INTANGIBLE ASSETS

GROUP

<i>Capitalized development expenses:</i>	Dec 31, 2021	Dec 31, 2020
Opening accumulated acquisition value	15 087	13 561
Disposals for the year	0	-787
Investments for the year	808	2 313
Closing accumulated acquisition value	15 896	15 087
Opening accumulated amortization	-8 972	-8 936
Disposals for the year	0	787
Amortization for the year	-955	-823
Closing accumulated amortization	-9 927	-8 972
Closing book value	5 968	6 115

<i>Patents:</i>	Dec 31, 2021	Dec 31, 2020
Opening accumulated acquisition value	3 283	3 283
Investments for the year	0	0
Closing accumulated acquisition value	3 283	3 283
Opening accumulated amortization	-558	-229
Amortization for the year	-328	-329
Closing accumulated amortization	-886	-558
Closing book value	2 397	2 725

NOTE 19

EQUIPMENT AND TOOLS

GROUP	Dec 31, 2021	Dec 31, 2020
Opening accumulated acquisition value	6 949	6 824
Investments for the year	2 608	346
Translation difference	163	-221
Closing accumulated acquisition value	9 720	6 949
Opening accumulated depreciation	-3 786	-2 624
Depreciation for the year	-1 207	-1 343
Translation difference	-153	181
Closing accumulated depreciation	-5 146	-3 786
Closing book value	4 574	3 163

NOTE 20

PARTICIPATIONS IN GROUP COMPANIES

PARENT COMPANY	Dec 31, 2021	Dec 31, 2020
Opening accumulated acquisition value	1 129 438	1 024 438
Shareholders' contribution	125 000	105 000
Closing accumulated acquisition value	1 254 438	1 129 438
Opening accumulated write-down	-297 786	-297 786
Closing accumulated write-down	-297 786	-297 786
Closing book value	956 652	831 652

NOTE 20, CONT'D

PARTICIPATIONS IN GROUP COMPANIES

	Share of equity %	Number of shares	Book value Dec 31, 2021	Book value Dec 31, 2020	Corporate reg. no.	Registered office
BONESUPPORT AB	100	1 000	956 652	831 652	556800-9939	Lund

SUBSIDIARIES OF BONESUPPORT AB:

	Share of equity %	Number of shares	Book value Dec 31, 2021	Book value Dec 31, 2020	Corporate reg. no.	Registered office
BONESUPPORT Inc.	100	100	69	69	98-0539754	Delaware
BONESUPPORT GmbH	100	1 000	0	0	HRB 80228	Frankfurt
BONESUPPORT BV	100	18 000	183	183	34377023	Amsterdam
BONESUPPORT Switzerland GmbH	100	20 000	171	171	CHE-474.771.411	Zürich
BONESUPPORT UK Ltd	100	1	0	0	10352673	London
BONESUPPORT ApS	100	500	69	69	40081135	Kongens Lyngby
BONESUPPORT, S.L.U.	100	3 500	36	36	B67244988	Barcelona
BONESUPPORT SRL	100	10 000	102	0	11708750960	Milano
BONESUPPORT Incentive AB	100	100 000	840	840	556739-7780	Lund

NOTE 21

TRADE RECEIVABLES AND OTHER RECEIVABLES

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

	GROUP		PARENT COMPANY	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Trade receivables	38 413	32 108	0	0
Other receivables	6 126	5 317	172 067	132 427
Total	44 539	37 425	172 067	132 427

Other receivables above refer to:	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Receivables on group companies	0	0	172 020	132 427
VAT receivable	2 247	2 021	0	0
Tax receivable	1 269	334	47	0
Other financial receivables	514	436	0	0
Other	2 097	2 526	0	0
Total	6 126	5 317	172 067	132 427

The four largest customers represent 10 percent (13) of total trade receivables. The single largest customer represents 4 percent (5).

	GROUP	
Credit risk exposure:	Dec 31, 2021	Dec 31, 2020
Trade receivables not past due, gross amounts	23 663	19 176
Expected credit loss	0	0
(Expected credit loss, %)	0%	0%
Trade receivables past due, gross amounts	14 844	13 001
Expected credit loss	-94	-69
(Expected credit loss, %)	1%	1%
Total trade receivables	38 413	32 108

Credit risk exposure, per credit rating:	Dec 31, 2021	Dec 31, 2020
Low	38 413	32 108
Medium	0	0
High	94	69
Credit risk provision	-94	-69
Total carrying amount	38 413	32 108

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

Due date for trade receivables past due but not written off:	Dec 31, 2021	Dec 31, 2020
Less than 1 month	7 653	5 521
1-3 months	3 649	4 668
More than 3 months	3 448	2 743
Total	14 750	12 932

Changes in credit risk provision:	2021	2020
As of January 1	69	930
Provision for bad debts	22	69
Reversal of previous provisions for bad debts	0	-833
Recovery of provision for bad debts	0	-97
Translation difference	3	-1
As of December 31	94	69

No provision for expected credit losses have been made for other receivables since it is considered immaterial. Receivables on group companies are tested for impairment together with shares in group companies.

Group's trade receivables per currency:	Dec 31, 2021	Dec 31, 2020
USD	21 944	17 932
EUR	7 284	5 664
GBP	6 311	4 428
DKK	1 095	1 803
SEK	964	1 205
CHF	690	1 076
CAD	125	0
Total	38 413	32 108

NOTE 22

ACCRUALS AND PREPAID ITEMS

	GROUP		PARENT COMPANY	
	Dec 31, 2021	Dec 31, 2020	Dec 31, 2021	Dec 31, 2020
Prepaid expenses				
Prepaid insurance	1 291	1 138	533	513
Other prepaid expenses	1 928	2 221	127	120
Total	3 219	3 359	660	633
Deferred income				
Deferred income	2 492	1 299	0	0
Total	2 492	1 299	0	0
Accrued expenses				
Accrued social security contributions for employee stock options	6 290	8 100	2 781	3 416
Accrued bonus including social security contributions	8 903	8 234	1 218	1 572
Accrued holiday pay including social security contributions	5 667	5 555	516	622
Other accrued social security contributions	1 825	1 525	386	361
Accrued pension	1 272	1 822	65	61
Accrued board fees	906	683	906	683
Accrued audit expenses	812	800	435	260
Accrued expenses for received goods	578	654	0	0
Accrued consultancy expenses	493	987	0	10
Other accrued expenses	3 437	2 511	25	94
Total	30 183	30 871	6 332	7 079

NOTE 23

SHARE CAPITAL AND EARNINGS PER SHARE

Total number of shares, quotient value 0.625 SEK (0.625)	65 454 672
Number of shares December 31, 2019	52 521 342
Share issue, C-shares	730 000
Share issue, ordinary shares	10 500 000
Conversion of employee stock options	660 532
Conversion of warrants	587 348
Number of shares December 31, 2020	64 999 222
Share issue, C-shares	55 000
Conversion of employee stock options	39 354
Conversion of warrants	361 096
Number of shares December 31, 2021	65 454 672
Number of votes	64 293 672

The total number of shares at the end of the year is 65,454,672 (64,999,222) of which 64,164,672 (63,764,222) are ordinary shares and 1,290,000 (1,235,000) are series C-shares. The share capital amounts to SEK 40,909 thousand (40,625). During 2021, 39,354 (660,532) shares were issued from exercise of employee stock options.

EARNINGS PER SHARE - BEFORE DILUTION

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

	2021	2020
Loss for the year, SEKt	-85 531	-101 412
Weighted average number of shares, thousands	63 999	59 081
Earnings per share before dilution, SEK	-1.34	-1.72

EARNINGS PER SHARE AFTER DILUTION

BONESUPPORT has in total 266,685 (657,135) potential shares in form of employee stock options. Of the number of potential shares as of end 2021, 0 (361,096) are warrants.

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

SHARE SWAP

In accordance with a resolution from the 2021 Annual General Meeting, BONESUPPORT's Board of Directors in 2021 has used the authorization to enter into a share swap agreement with a third party in order to ensure the company's delivery of performance shares to participants in the long-term incentive programs decided by the AGM, and to hedge such expenses as social security contributions, from a cash flow perspective. A total of 786,000 shares have been hedged to an average value of SEK 79.30 per share, a total of SEK 62,333 thousand.

The share swap is an instrument in which the company pays an amount in advance to a counterparty for the right to receive the fair value of a certain number of its shares in cash at a given time.

The agreement has affected the group's cash flow with an outflow of SEK 62,333 thousand. The payment was made on July 22, 2021. In the group, the transaction has been recognized in line with the acquisition of own shares and the transaction has thus been reported at acquisition value in unrestricted equity. As it is BONESUPPORT AB that has entered into the agreement, BONESUPPORT Holding AB reports the amount as a non-current receivable from subsidiaries instead of against restricted equity.

NOTE 24

PROVISIONS

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

	2021	2020
As of January 1	329	305
Re evaluation	34	24
As of December 31	363	329

NOTE 25

CLASSIFICATION OF FINANCIAL INSTRUMENTS

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

	Dec 31, 2021	Dec 31, 2020
Financial assets:		
Trade receivables	38 413	32 108
Other receivables	514	436
Cash and cash equivalents	206 464	353 737

Financial liabilities:

Leasing debt	21 422	10 480
Trade payables	18 719	12 680
Accrued expenses	6 349	5 636

The parent company's financial assets and liabilities:

	Dec 31, 2021	Dec 31, 2020
Financial assets:		
Participations in group companies	956 652	831 652
Receivables on group companies	172 020	132 427
Cash	181 275	338 114

Financial liabilities:

Trade payables	141	550
Accrued expenses	1 368	1 047

All financial liabilities are valued at amortized cost. The fair value of financial assets and liabilities is estimated to be in accordance with the booked value due to the short maturity. The parent company values all financial assets except participations in group companies at amortized cost. Accrued expenses are specified in Note 22. For information on interest income on financial assets, see Note 15. Losses on financial assets, recognized in the income statement as credit losses are described in Note 21.

NOTE 26

LEASING

The group has lease agreements with Första Fastighets AB IDEON (Wihlborgs) in Sweden and John Hancock Life Insurance Company/John Hancock Life & Health Insurance Company in the U.S. for the lease of office and warehouse space. During the year, the group has extended its agreement with Första Fastighets AB IDEON with another five years, until the end of August 2027.

In addition to the agreements relating to premises, the group has contracts with a number of suppliers for car leasing and a leasing contract with ATEA regarding the rental of computers and other IT equipment. All items are used in the company's daily operations. The lease period for premises extends between three and five years, for cars between three and four years and for computers and other IT equipment for three years.

The terms of the agreement are market-based and none of the contracts require the group to maintain any financial key figures.

No leasing contracts last longer than five years.

NOTE 26, CONT'D

LEASING

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

GROUP - RIGHT OF USE ASSETS	Buildings	Cars	Equipment	Total
Acquisition value				

Opening accumulated acquisition value				
January 1, 2020	12 571	3 202	306	16 079
New leasing objects	3 753	2 150	1 522	7 425
Terminated agreements	-119	-99	0	-218

Closing accumulated acquisition value

December 31, 2020	16 205	5 253	1 828	23 286
--------------------------	---------------	--------------	--------------	---------------

Opening accumulated acquisition value				
January 1, 2021	16 205	5 253	1 828	23 286
Re evaluation of agreement	13 847	-258	10	13 599
New leasing objects	0	585	485	1 070
Terminated agreements	-6 841	-2 050	-22	-8 913
Translation difference	825	58	0	883

Closing accumulated acquisition value

December 31, 2021	24 036	3 588	2 301	29 925
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Depreciation for the year

Opening accumulated depreciation value				
January 1, 2020	-4 339	-1 253	-102	-5 694
Terminated agreements	119	99	0	218
Depreciation for the year	-3 879	-1 726	-365	-5 970

Closing accumulated depreciation

December 31, 2020	-8 099	-2 880	-467	-11 446
--------------------------	---------------	---------------	-------------	----------------

Opening accumulated depreciation value				
January 1, 2021	-8 099	-2 880	-467	-11 446
Terminated agreements	6 842	1 921	22	8 785
Depreciation for the year	-3 905	-1 268	-613	-5 786
Translation difference	834	196	-4	1 026

Closing accumulated depreciation

December 31, 2021	-4 328	-2 031	-1 062	-7 421
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Closing book value

Closing book value				
December 31, 2020	8 106	2 373	1 361	11 840

Closing book value				
December 31, 2021	19 708	1 557	1 239	22 504

NOTE 26, CONT'D

LEASING

GROUP - LEASING DEBT	2021	2020
Opening balance	10 480	0
Re evaluation of agreement	13 847	0
Debt for new leasing objects	835	7 426
Disposal	-130	0
Repayment of debt	-5 509	-7 768
Interest expense	1 038	437
Translation difference	861	0
Closing balance	21 422	10 480
<i>of which non-current leasing debt</i>	<i>16 152</i>	<i>5 622</i>
<i>of which current leasing debt</i>	<i>5 270</i>	<i>4 858</i>

When calculating the liability of remaining payments, an interest rate of 6 percent (6) has been applied as discount rate. As the group has no external loans, the marginal borrowing rate has been based on discussions with the group's main bank. After discussing with the external lenders, a reasonable borrowing rate for a real estate loan has been evaluated. A development company carries a high risk premium why 6 percent has been considered reasonable.

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

GROUP - LEASING DEBT PER MATURITY	Dec 31, 2021	Dec 31, 2020
Within one year	6 686	6 321
Between one and two years	6 213	4 947
Between two and three years	4 315	2 340
Between three and four years	3 262	1 053
Between four and five years	3 250	0
Between five and six years	2 437	0
Sum	26 163	14 661

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

GROUP	2021	2020
Depreciation right of use assets	5 786	5 970
Interest expense for leasing debt	1 038	437
Total	6 824	6 407

The parent company is not engaged in any lease contracts.

Leasing is included in the group's total cash flow with SEK 1,038 thousand (437) regarding interest payments and SEK 6,546 thousand (5,509) regarding repayment of borrowings.

NOTE 27

PLEDGED SECURITIES AND CONTINGENT LIABILITIES

PLEDGED SECURITIES

The U.S. subsidiary BONESUPPORT Inc. has provided a guarantee for its rented facilities of USD 56 thousand (56), corresponding to SEK 506 thousand (460). The parent company guarantees a corresponding amount.

BONESUPPORT AB has capital-invested direct pensions amounting to SEK 979 thousand (979). The parent company has pledged collateral amounting to the corresponding amount.

At the end of 2021 and 2020, the group and the parent company had no other contingent liabilities.

NOTE 28

ITEMS NOT INCLUDED IN THE CASH FLOW

GROUP - ITEMS NOT INCLUDED IN CASH FLOW	2021	2020
Depreciation regarding right of use assets	5 786	5 970
Other depreciation and amortization	2 490	2 495
Costs for employee incentive programs	7 365	3 729
Unrealized exchange rate differences	-8 293	8 531
Write-down on trade receivables	74	32
Other	-665	24
Total	6 757	20 781

NOTE 29

EVENTS AFTER THE CLOSING DAY

The war in Ukraine has created unrest and insecurity in the world. The business impact is difficult to predict, but higher shipping costs and higher prices for input goods are likely effects under prevailing market conditions.

NOTE 30

PROPOSAL FOR APPROPRIATION - PARENT COMPANY

SEK

Unrestricted equity in the parent company	Dec 31, 2021	Dec 31, 2020
Share premium reserve	1 563 670 389	1 557 639 419
Retained earnings	-333 110 703	-329 954 292
Net loss for the year	-3 141 005	-3 122 036
Total	1 227 418 682	1 224 563 092

The Board of Directors propose that the share premium reserve, retained earnings and net loss for the year should be carried forward. The proposal will be presented at the Annual General Meeting on May 19, 2022.

THE BOARD'S ASSURANCE

The Board of Directors and the CEO assure that the consolidated accounts have been prepared in accordance with international accounting standards IFRS as adopted by the EU and give a true and fair view of the group's position and results. The Annual report has been prepared in accordance with generally accepted accounting standards and gives a true and fair view of the parent company's position and results.

The Annual report of the group and the parent company gives a true and fair view of the development and the group's and the parent company's operations, position and results, and describes significant risks and uncertainties facing the parent company and the companies that are part of the group.

Lund April 13, 2022

Lennart Johansson
Chairman of the Board

Håkan Björklund
Board member

Tone Kvåle
Board member

Lars Lidgren
Board member

Björn Odlander
Board member

Emil Billbäck
CEO

Our audit report was delivered on April 13, 2022

Ernst & Young AB

Ola Larsmon
Authorized Public Accountant

AUDITOR'S REPORT

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

REPORT ON THE ANNUAL ACCOUNTS AND CONSOLIDATED ACCOUNTS

Opinions

We have audited the annual accounts and consolidated accounts of BONESUPPORT HOLDING AB (publ) for the year 2021. The annual accounts and consolidated accounts of the company are included on pages 27-61 in this document.

In our opinion, the annual accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the parent company as of 31 December 2021 and its financial performance and cash flow for the year then ended in accordance with the Annual Accounts Act. The consolidated accounts have been prepared in accordance with the Annual Accounts Act and present fairly, in all material respects, the financial position of the group as of 31 December 2021 and their financial performance and cash flow for the year then ended in accordance with International Financial Reporting Standards (IFRS), as adopted by the EU, and the Annual Accounts Act. The statutory administration report is consistent with the other parts of the annual accounts and consolidated accounts.

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

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

Basis for Opinions

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

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

KEY AUDIT MATTERS

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

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

Revenue recognition

Description

Net sales for 2021 amounts to KSEK 212.885 in the consolidated income statement. The revenue recognition principles are described in Note 1. Revenues are reported based on the compensation expected to be received by the group in exchange for transfer of promised goods or services to a customer, exclusive of any amounts collected on behalf of third parties (such as sales taxes), at the point at which the control over the good has transferred to the customer. The revenues arise primarily from one revenue stream, sales of goods, via three channels with different sales conditions; sales in the United States with a combination of sales entity and distributors, direct sales in six countries/regions in Europe and sales via distributors on all other markets. We have thus considered revenue recognition to represent a key audit matter.

A description of the principles for revenue recognition is included in Note 1 and information on operating segments in Note 4.

How our audit addressed this key audit matter

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

We have audited disclosures in the annual report.

Shares in subsidiaries

Description

The carrying amount of shares in subsidiaries per 31 December 2021 amounts to KSEK 956.652 in the parent company's balance sheet, which corresponds to 73% of total assets in the parent company. The company annually and at indication of impairment that reported values do not exceed the estimated recoverable amount. The recoverable amount is determined by a present value calculation of future cash flows. Future cash flows are based on management's forecasts and include a number of assumptions, including earnings, growth, investment needs and discount rates.

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

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

How our audit addressed this key audit matter

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

We have audited disclosures in the annual report.

Other Information than the annual accounts and consolidated accounts

This document also contains other information than the annual accounts and consolidated accounts and is found on pages 1-26, 67 and 72-76. The remuneration report for the financial year 2020, which will be issued after the date of this auditor's report, also constitutes other information. The Board of Directors and the Managing Director are responsible for this other information.

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

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

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

When we read the remuneration report, if we conclude that there is a material misstatement therein, we are required to communicate the matter with the Board of Directors and require a correction.

Responsibilities of the Board of Directors and the Managing Director

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

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

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

Auditor's responsibility

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

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Report on the audit of the administration and the proposed appropriations of the company's profit or loss

Opinions

In addition to our audit of the annual accounts and consolidated accounts, we have also audited the administration of the Board of Directors and the Managing Director of BONESUPPORT HOLDING AB (publ) for the year 2021 and the proposed appropriations of the company's profit or loss.

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

Basis for opinions

We conducted the audit in accordance with generally accepted auditing standards in Sweden. Our responsibilities under those standards are further described in the Auditor's Responsibilities section. We are independent of the parent company and the group in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

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

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

Auditor's responsibility

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

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

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

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

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

The auditor's examination of the ESEF report

Opinion

In addition to our audit of the annual accounts and consolidated accounts, we have also examined that the Board of Directors and the Managing Director have prepared the annual accounts and consolidated accounts in a format that enables uniform electronic reporting (the Esef report) pursuant to Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528) for BONESUPPORT HOLDING AB (publ) for the financial year 2021.

Our examination and our opinion relate only to the statutory requirements.

In our opinion, the ESEF report #[checksum] has been prepared in a format that, in all material respects, enables uniform electronic reporting.

Basis for opinion

We have performed the examination in accordance with FAR's recommendation RevR 18 Examination of the ESEF report. Our responsibility

under this recommendation is described in more detail in the Auditors' responsibility section. We are independent of BONESUPPORT HOLDING AB (publ) in accordance with professional ethics for accountants in Sweden and have otherwise fulfilled our ethical responsibilities in accordance with these requirements.

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

Responsibilities of the Board of Directors and the Managing Director

The Board of Directors and the Managing Director are responsible for the preparation of the Esef report in accordance with Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), and for such internal control that the Board of Directors and the Managing Director determine is necessary to prepare the Esef report without material misstatements, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to obtain reasonable assurance whether the Esef report is in all material respects prepared in a format that meets the requirements of Chapter 16, Section 4(a) of the Swedish Securities Market Act (2007:528), based on the procedures performed.

RevR 18 requires us to plan and execute procedures to achieve reasonable assurance that the Esef report is prepared in a format that meets these requirements.

Reasonable assurance is a high level of assurance, but it is not a guarantee that an engagement carried out according to RevR 18 and generally accepted auditing standards in Sweden will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Esef report.

The audit firm applies ISQC 1 Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements and accordingly maintains a comprehensive system of quality control, including documented policies and procedures regarding compliance with professional ethical requirements, professional standards and legal and regulatory requirements.

The examination involves obtaining evidence, through various procedures, that the Esef report has been prepared in a format that enables uniform electronic reporting of the annual and consolidated accounts. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement in the report, whether due to fraud or error. In carrying out this risk assessment, and in order to design audit procedures that are appropriate in the circumstances, the auditor considers those elements of internal control that are relevant to the preparation of the Esef report by the Board of Directors and the Managing Director, but not for the purpose of expressing an opinion on the effectiveness of those internal controls. The examination also includes an evaluation of the appropriateness and reasonableness of assumptions made by the Board of Directors and the Managing Director.

The procedures mainly include a technical validation of the Esef report, i.e. if the file containing the Esef report meets the technical specification set out in the Commission's Delegated Regulation (EU) 2019/815 and a reconciliation of the Esef report with the audited annual accounts and consolidated accounts.

Furthermore, the procedures also include an assessment of whether the Esef report has been marked with iXBRL which enables a fair and complete machine-readable version of the consolidated statement of financial performance, financial position, changes in equity and cash flow.

Ernst & Young AB, Box 7850, 103 99 Stockholm, was appointed auditor of BONESUPPORT HOLDING AB (publ) by the general meeting of the shareholders on the 20 of May 2021 and has been the company's auditor since the 22 April 2010.

Malmö 13 April 2022
Ernst & Young AB

Ola Larsmon
Authorized Public Accountant

BONESUPPORT'S SHARE

BONESUPPORT has been listed on Nasdaq Stockholm since 21 June 2017 and from the beginning of 2021 on the Mid Cap segment. The company has ordinary shares (Class A shares) and class C-shares. During 2021, the number of shareholders increased by 1,477 to 7,454 (5,977). The highest share price in 2021 was SEK 86.80 and the lowest was SEK 34.90. The closing price on December 31, 2021 was SEK 44.00.

SHARE CAPITAL AND NUMBER OF SHARES

On December 31, 2021, the share capital amounted to SEK 40,909 thousand divided into 65,454,672 shares with an implied book value per share of SEK 0.625.

SHARE TURNOVER

In 2021, 95,628,67 shares were traded, representing an average turnover of SEK 20.8 million per trading day.

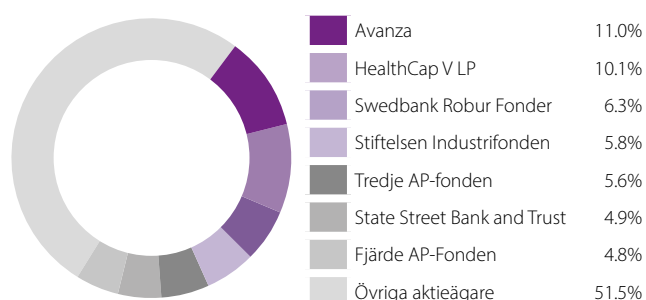
OWNERSHIP

At the end of 2021, BONESUPPORT had 7,454 (5,977) shareholders, with Swedish shareholders representing 71.55 percent of capital and 71.03 percent of votes.

DIVIDEND AND DIVIDEND POLICY

BONESUPPORT has so far not paid any dividends. Any future dividends and the size thereof will be determined on the basis of the company's long term growth, earnings development and capital requirements, taking into account current targets and strategies.

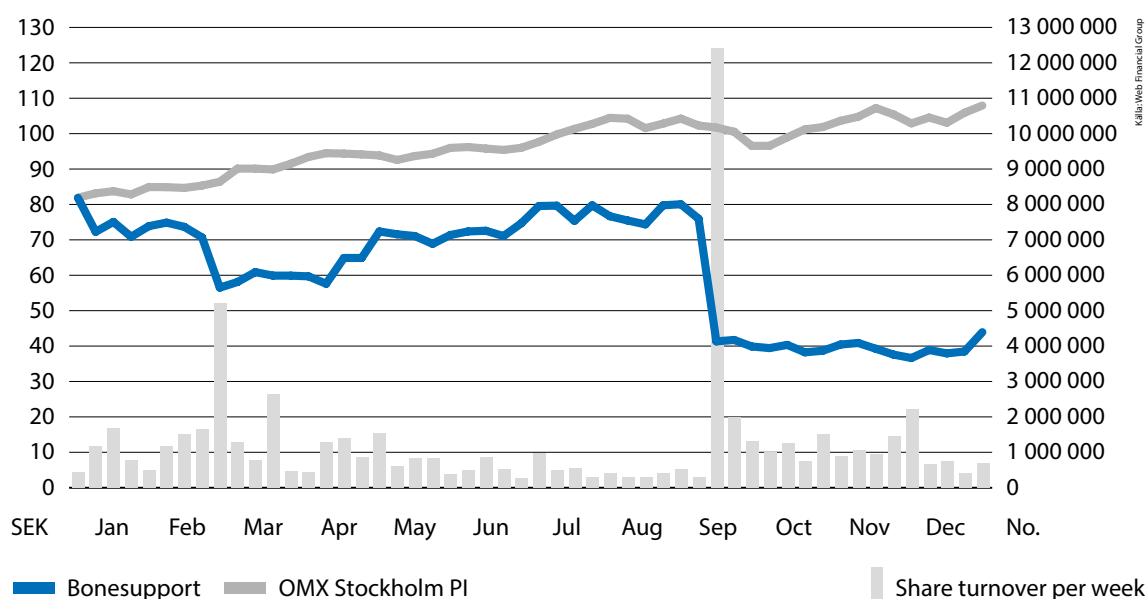
SHAREHOLDERS DECEMBER 31 2021



DEVELOPMENT NUMBER OF SHARES 2021

Date	Event	No. of shares
December 31, 2020	Opening balance	64 999 222
January-December 2021	Conversion of options to shares	39 354
February 2021	Issue of C-shares	55 000
April 2021	Conversion of warrants to shares	361 096
December 31, 2021	Closing balance	65 454 672

BONESUPPORT CLOSING PRICE VS INDEX



CORPORATE GOVERNANCE REPORT 2021

BONESUPPORT HOLDING AB (publ) ("**BONESUPPORT**") is a Swedish public limited company with its registered office in Lund, Sweden. The company's shares are listed on Nasdaq Stockholm and are traded under the ticker symbol BONEX. BONESUPPORT's corporate governance is based on the applicable statutes, regulations, rules and recommendations for stock-exchange listed companies, such as the Swedish Corporate Governance Code (the "**Code**"), Nasdaq Stockholm's Rule Book for Issuers, BONESUPPORT's Articles of Incorporation, and company-specific rules and guidelines. For more information, refer to the company's website www.bonesupport.com. During the 2021 financial year, BONESUPPORT has applied the Code without any deviations.

SHAREHOLDERS MEETING

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

At the Annual General Meeting on May 20, 2021, 54 shareholders were represented, corresponding to holdings of 50 percent of the total number of shares and voting rights in the company. Advokat Hans Petersson, a lawyer, was elected as Chair of the AGM. At the Annual General Meeting 2021, resolutions were passed on, among other things, the determination of fees for the Board of Directors and the auditors, re-election of Håkan Björklund, Björn Odlander, Lars Lidgren, Tone Kvåle and Lennart Johansson as ordinary members, instructions and rules of procedure for the Nomination Committee, adoption of remuneration policy for senior executives, introduction of long term incentive programs for employees, introduction of long term incentive programs for certain Board Members, and amendment of the Articles of Incorporation. Lennart Johansson was elected Chairman of the Board. Ernst & Young AB were reappointed as auditor with authorized public accountant Ola Larsmon as the auditor in charge.

The Annual General Meeting 2022 will be held on Thursday, May 19, 2022. For further information concerning the Annual General Meeting, please visit BONESUPPORT's website. All shareholders have the right to participate and vote for all their shares at the Annual General Meeting. For information concerning shares and voting rights, see the Directors' Report, page 34 in the Annual Report.

NOMINATION COMMITTEE

According to the Code, the company is to have a Nomination Committee, the duties of which shall include the preparation and drafting of proposals regarding the election of Members of the Board, the Chairman of the Board, the Chair at the shareholders meetings and the auditor(s). The Nomination Committee shall also propose directors' fees for

Members of the Board and fees for the auditor(s). At the 2021 Annual General Meeting, it was resolved to adopt an Instruction and Rules of Procedure for the Nomination Committee, under which the Nomination Committee is to consist of four members representing the three largest shareholders as per the end of September, together with the Chairman of the Board. For information concerning ownership, see page 71 in the Annual Report or the company's website www.bonesupport.com.

In accordance with the adopted Instructions, a Nomination Committee has been constituted in preparation of the 2022 Annual General Meeting consisting of Staffan Lindstrand (Chair) representing Health-Cap V LP, Caroline Sjösten representing Swedbank Robur Fonder, and Jonas Brambeck representing Stiftelsen Industrifonden, along with the Chairman of the Board, Lennart Johansson. The composition of the Nomination Committee for the 2022 Annual General Meeting was publicly notified via a press release for the interim report for January – September on November 4, 2021.

During 2021, the Nomination Committee held six meetings and had ongoing contact between the meetings. The Nomination Committee has complied with the Instructions adopted at the Annual General Meeting on May 20, 2021.

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

EXTERNAL AUDIT

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

At the 2021 Annual General Meeting, Ernst & Young AB was re-appointed as the company's auditor with authorized public accountant Ola Larsmon as auditor in charge. It was also resolved at the Annual General Meeting that the fees to the auditor should be paid in accordance with the normal billing standards and on receipt of approved invoices. More information regarding the auditor's fees can be found in Note 8 in the Annual Report.

THE BOARD OF DIRECTORS

After the Annual General Meeting, the Board of Directors is the company's highest decision-making body. The Board of Directors is respon-

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

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

All Board Members elected by the Annual General Meeting, except Björn Odlander, are independent of the major shareholders, and all Board Members elected by the Annual General Meeting are independent of the company and its management. Björn Odlander is independent in relation to the company and its management, but not in relation to major shareholders as he is a partner of HealthCap. As indicated, the Board of Directors is of the view that the company fulfils the Code's requirement in regard to independence. The Board of Directors' members, own and closely related parties' holdings and the year in which they were elected are presented on the page 73 of the Annual Report.

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

The work of the Board of Directors is also carried out on the basis of an annual plan, which fulfils the Board of Directors' need for information.

In addition to meetings of the Board of Directors, the Chairman of the Board of Directors and the CEO have an ongoing dialogue concerning the management of the company.

The Board of Directors meets according to a pre-determined annual schedule and shall, in addition to the statutory Board of Directors meeting, hold at least six ordinary Board of Directors meetings between each Annual General Meeting. In addition to these meetings, extraordinary meetings may be arranged to deal with matters that cannot wait until any of the regular meetings. The work of the Board of Directors during the year has followed the framework described above. Thirteen meetings were held in 2021. See the table below for the attendance record.

Board Member	Meetings
Lennart Johansson	13/13
Håkan Björklund	13/13
Björn Odlander	13/13
Lars Lidgren	12/13
Tone Kvåle	13/13

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

The Chairman of the Board conducted an evaluation with all Members of the Board in 2021. The results of the evaluation have been reported to and discussed by the Board of Directors and the Nomination Committee.

Remuneration to the Board of Directors

The directors' fees to be paid to the Members of the Board elected by the Annual General Meeting are decided by the Annual General Meeting. In the preparation of the 2022 Annual General Meeting, the Nomination Committee will make proposals in regard to the directors' fees. At the Annual General Meeting held on May 19, 2021, it was resolved that a directors fee of SEK 375,000 would be paid to the Chairman of the Board and SEK 200,000 would be paid to each of the other Members of the Board who are not employed by the company. In addition, it was decided that remuneration for work related to the committee is to be paid in the amount of SEK 125,000 to the Chair of the Audit Committee, and SEK 70,000 to each of the other members of the Audit Committee, and in the amount of SEK 50,000 to the Chair of the Remuneration Committee and SEK 25,000 to each of the other members of the Remuneration Committee. For the 2021 financial year, remuneration was paid to the Members of the Board of Directors as set out in the table below. All amounts are stated in SEK thousands. From the Annual General Meeting held on May 19, 2020 to September 30, 2020, all Board Members voluntarily waived 10 percent of their fees, and from January 11, 2021 to March 31, 2021, all Board Members voluntarily waived 10 percent of their fees. The voluntary waivers took place in the same way as the company's management during the periods when the pandemic created great uncertainty and impact on operations.

Name	Task	Remuneration decided by the Annual General Meeting	Paid remuneration (i)
Lennart Johansson	Chairman of the Board, member of the Audit Committee, Chair of the Remuneration Committee	420	378
Håkan Björklund	Member of the Board, member of the Remuneration Committee	200	180
Tone Kvåle	Member of the Board, Chair of the Audit Committee	275	247
Björn Odlander	Member of the Board, member of the Remuneration Committee	175	157
Lars Lidgren	Member of the Board	150	135

(i) Utbetalt belopp efter frivilligt avstående

Audit Committee

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

The work of the Audit Committee during the year has followed the framework described above. During the 2021 financial year, the Audit Committee held six meetings and discussed matters concerning the company's control system, review of quarterly reports, assessment of the auditor's work, and evaluation of risk management. See the table below for the attendance record.

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

Remuneration Committee

The task and responsibility of the Remuneration Committee are primarily to prepare matters regarding remuneration and other terms of employment for the CEO and members of senior management. The Remuneration Committee shall also monitor and evaluate ongoing and completed programs for variable remuneration of senior executives during the year, and 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 Lennart Johansson (Chair), Håkan Björklund and Björn Odlander.

During the 2021 financial year, the Remuneration Committee held four meetings and dealt with matters regarding the CEO's and other group

management's bonus results for 2020, bonus criteria and salary audit for 2021, plus the implementation of a performance-based share savings program for employees for 2021. See the table below for the attendance record.

Board Member	Meetings
Lennart Johansson	4/4
Håkan Björklund	4/4
Björn Odlander	4/4

CEO AND OTHER MEMBERS OF SENIOR MANAGEMENT

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

BONESUPPORT has a management team of nine, including the CEO. For further information about the CEO and other senior executives, please refer to pages 72-73 in the Annual Report.

Remuneration to senior executives

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

Salary and other remuneration for the financial year 2021 were paid to the CEO and other senior executives in accordance with the table below. All amounts are stated in SEK thousands.

SEK THOUSAND	Salary	Social security costs	Share-based remuneration
CEO	4 228	840	1 127
Other senior executives	14 901	3 842	1 161

Guidelines for remuneration to senior executives

Pursuant to the Swedish Companies Act, the Annual General Meeting shall decide on guidelines for remuneration of the CEO and other senior executives. At the Annual General Meeting on May 19, 2021, guidelines were adopted with primarily the following content:

The company's starting point is that the company is to offer remuneration at market levels, and which facilitate the ability to recruit and retain senior executives, and that the terms and conditions must be competitive with consideration of the market practice in the country where the senior executive is employed. Remuneration to senior executives may consist of fixed salary, variable cash remuneration, pension benefits and other benefits.

The base salary shall be determined taking skills and expertise, area of responsibility and performance into account. The variable cash remuneration shall be based on one or more predetermined and measurable

criteria that may be financial, such as net sales and operating profit, or non-financial, such as qualitative targets. The variable remuneration shall be capped and for the CEO may not exceed 75 percent of the annual base salary, and for other senior executives 40 percent of the annual base salary, whereby the maximum individual level is to be determined based on factors relating to the position held by the specific individual etc.

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

In addition, the Annual General Meeting may – and independently of these guidelines – make a resolution regarding, for example, share and share price-related remuneration. The senior executives may be granted other customary benefits, such as a company car, occupational healthcare services, etc.

In the event of termination of a position as a senior executive by the company, the notice period may not exceed twelve months. Severance pay, in addition to salary and other remuneration during the notice period, may not exceed an amount equal to twelve times the monthly salary. In addition, compensation may be paid for any commitment to restrict competition in order to compensate for any loss of income. Such remuneration shall be paid only to the extent that the former senior executive is not entitled to severance pay. The remuneration shall be based on the fixed salary at the time of termination and shall amount to a maximum of 60 percent of the fixed salary at the time of termination, subject to mandatory collective agreement provisions, and shall be paid for the duration of the anti-competition undertakings, which shall not exceed 12 months after termination of employment.

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

INTERNAL CONTROL

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

The overall purpose of internal control is to ensure, to a reasonable extent, that the company's operating strategies and targets are moni-

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

1. Control environment

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

2. Risk assessment

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

The company has assigned each risk factor to at least one person in Group management for them to lead the efforts in developing and executing plans for courses of action.

3. Control activities

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

Key processes identified to have potential significant risks are mapped out in detail in a separate process description in the financial handbook and key process steps are defined in order to ensure that there is sufficient segregation of responsibilities and that the sufficient control mechanisms are in place.

4. Information and communication

BONESUPPORT has information and communication established for the intention to promote the accuracy of financial reporting, and to facilitate

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

5. Monitoring

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

Lund, April 13, 2022

THE BOARD OF DIRECTORS OF BONESUPPORT HOLDING AB

AUDITOR'S REPORT ON THE CORPORATE GOVERNANCE STATEMENT

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

Engagement and responsibility

It is the Board of Directors who is responsible for the corporate governance statement for the year 2021 on pages 68-71 and that it has been prepared in accordance with the Annual Accounts Act.

The scope of the audit

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

Opinions

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

Malmö April 13, 2022

Ernst & Young AB

Ola Larsmon

Authorized Public Accountant

THE BOARD OF DIRECTORS



LENNART JOHANSSON

Chairman

Born: 1955

Elected: 2017

Education: MBA from Handelshögskolan, Stockholm (1980)

Experience: Lennart Johansson has been Senior Advisor for Patricia Industries AB since 2015 and was previously Managing Director (Business Development, Operational and Financial Investments) at Investor AB (2006-2015). Prior to that, he was a partner and CEO of Emerging Technologies ET AB and b-business partners. Today he is a Board Member of Chalmers Ventures AB, Hi3G Access AB, Atlas Antibodies AB and GoCo Development AB.

Shareholding: 70,000 shares (own holding)



HÅKAN BJÖRKLUND

Member of the Board

Born: 1956

Elected: 2016

Education: Ph.D. in Neuroscience from Karolinska Institutet

Experience: Dr. Håkan Björklund is a partner in Tellacq AB, a private investment company. He was elected to the Board of Directors of BONESUPPORT in December 2016 in connection with the funding of USD 37 million (SEK 315 million), led by Tellacq. Håkan Björklund has a long and successful career in the healthcare industry, including as CEO of Nycomed. During his time there, Nycomed grew from being a small Scandinavian company to becoming a global business, which was bought by Takeda in 2011. He is currently Chairman of the Board of Swedish Orphan Biovitrum AB.

Shareholding: Owns 25 percent of the shares in Tellacq AB, which holds 1,180,976 shares.



LARS LIDGREN

Founder and Member of the Board

Born: 1943

Elected: 2010

Education: M.D., Ph.D. and Professor of Orthopedics at Lund University

Experience: Doctor of Medicine and Professor of Orthopedics at Lund University Hospital. Lars Lidgren leads a research group in regenerative medicine at Lund University. The unit is a member of the ISOC group, an association of world-leading orthopedic hospitals. He is an honorary member of several major scientific societies and initiated the global project "Bone and Joint Decade" 2000-2010. Lars Lidgren has founded the companies Scandimed (Biomet), AMeC, Safeture and Moroxite in Sweden. He is a Board Member of the listed companies Orthocell in Australia and Agilit Holding in Sweden.

Shareholding: 400,150 shares (own holding and through companies).



BJÖRN ODLANDER

Member of the Board

Born: 1958

Elected: 2010

Education: Medical degree from Karolinska Institutet

Experience: Doctor of Medicine in Biochemistry at Karolinska Institutet in Stockholm. Founder and partner of HealthCap. Björn Odlander sits on the Board of Directors of Oncorena AB and the KK Foundation, among others.

Shareholding: –



TONE KVÅLE

Member of the Board

Born: 1969

Elected: 2016

Education: Diploma in Finance & Administration from UiT Arctic University of Norway, Harstad. She has completed the education and examination for the Advanced Program in Corporate Finance at the Norwegian School of Management, NHH

Experience: Tone Kvåle has more than 25 years of experience in the biotech industry. She has been CFO of Herantis Pharma Plc, Finland, since October 2020. Prior to Herantis Pharma, she was CFO of Nordic Nanovector for 7 years and has also has CFO roles at NorDiag, Kavli Holding and Dynal Biotech (Norway). She has held senior positions at Invitrogen/Life Technologies, USA, now ThermoFisher.

Shareholding: 17,000 shares (own holding).

GROUP MANAGEMENT



EMIL BILLBÄCK

Chief Executive Officer

Born: 1970

Employed since: 2018

Education: B.Sc. in Business Administration from Karlstad University

Experience: Emil Billbäck joined BONESUPPORT as Chief Executive Officer in March 2018. He has more than 25 years of experience in life science. He has had operational roles at BSN Medical, Astra Zeneca and Beiersdorf. Today he is a Board Member in Atos and Doctrin. Emil Billbäck has lived and worked in the United States and in Germany.

Shareholding: 362,000 shares (own holding).



HÅKAN JOHANSSON

Chief Financial Officer

Born: 1963

Employed since: 2018

Education: B.Sc. in Business Administration & Finance from Mid Sweden University

Erfarenhet: Håkan Johansson joined BONESUPPORT as Chief Financial Officer in November 2018. He has more than 20 years of experience as CFO and other senior management roles from several industries in the public and private sectors. Prior to BONESUPPORT, Håkan Johansson was CFO for Northern Europe at Thunstaal Healthcare Group (2012-2018), a global company in security technology and system solutions for healthcare. He has previously worked at toy manufacturer BRIO AB (publ) and Arctic Paper Group.

Shareholding: 33,000 shares (own holding).



HELENA L BRANDT

Head of Human Resources

Born: 1965

Employed since: 2017

Education: M.Sc. in International Economics from Lund University

Experience: Helena L Brandt has more than 20 years of experience in HR and of managerial positions from a wide range of industries. She has held global HR roles at Astra Zeneca, Sony and Tetra Pak.

Shareholding: 20,000 shares (own holding).



MICHAEL DIEFENBECK

EVP Medical & Clinical Affairs Chief Medical Officer

Born: 1974

Employed since: 2017

Education: M.D. from Ludwig-Maximilians-University Munich, Germany. Ph.D. from Friedrich-Schiller-University, Jena, Germany

Experience: Michael Diefenbeck is a certified orthopedic and trauma surgeon with 15 years of clinical experience. He founded Scientific Consulting in Orthopedic Surgery in 2014 and has subsequently worked on several projects with BONESUPPORT as an independent medical advisor. He has 16 years of clinical experience from various hospitals in Germany and is the author of 27 published research articles in the field.

Shareholding: 102,400 shares (own holding).



MICHAEL WRANG MORTENSEN

EVP R&D and Operations

Born: 1975

Employed since: 2021

Education: M.Sc. in Engineering from Technical University of Denmark, a Ph.D. in Chemistry from University of Copenhagen and an executive MBA from the AVT Business School in Denmark

Experience: Michael Wrang Mortensen joined BONESUPPORT in December 2021 as Executive Vice President with the overall responsibility for R&D and Operations. Michael has 15 years of experience from the Medical Device and Healthcare industry with solid leadership and management experience within Innovation, Product Realization, Commercial Development and Operations. Prior to joining BONESUPPORT, Michael Wrang Mortensen was Director for Development and Supply at Nanovi A/S. Before this Michael held various management positions at Ferrosan Medical Devices A/S innovating and developing combination products in partnership with large global players such as Ethicon Biosurgery Inc, Johnson and Johnson.

Shareholding: 7,700 shares (own holding).



ANNELIE AAVA VIKNER

EVP Marketing & Communications

Born: 1971

Employed since: 2018

Education: Bachelors degree in Chemistry from Linköping University and further education in leadership from Glasgow Caledonian University

Experience: Annelie Aava Vikner joined BONESUPPORT as Executive Vice President (EVP) Marketing & Communications in March 2019. She has more than 20 years of experience in medical devices and pharmaceuticals. Prior to joining BONESUPPORT, she worked in several leading regional marketing services, within Medtronic, one of the world's leading medical device companies (2002-2019). Her most recent role before BONESUPPORT was as Senior Strategy & Marketing Manager, RTG, ABGI&NORDICS (Restorative Therapy Group, Austria, Switzerland, Benelux, Greece, Israel and the Nordic region).

Shareholding: 15,000 shares (own holding).


FERGUS MACLEOD
GM & EVP Commercial Operations EUROW
Born: 1970

Employed since: 2019

Education: HND Business & Finance, University of Bedfordshire, Executive Leadership Program, Center for Creative Leadership

Experience: Fergus MacLeod joined BONESUPPORT as General Manager & Executive Vice President Commercial Operations EUROW in November 2019. He has more than 20 years experience from international sales leadership positions in the orthobiology and medical equipment sectors with companies such as Johnson Matthey, RTI Surgical and Stryker.

Shareholding: 20,000 shares (own holding).

KRISTINA INGVAR
EVP Quality Management & Regulatory Affairs
Born: 1972

Employed since: 2019

Education: Bachelor of Science in Medicine and Certified Market Economist

Experience: Kristina Ingvar joined BONESUPPORT in February 2020 as Executive Vice President Quality Management & Regulatory Affairs. Kristina Ingvar has a medical degree from Lund University. Prior to BONESUPPORT, she worked at Novo Nordisk, where her most recent role has been Global Program Vice President, Regulatory Affairs. During her 20 year career, Kristina Ingvar has had various product, project and person-related responsibilities in regulatory, quality, safety and medical areas. She has worked closely with R&D and manufacturing.

Shareholding: 20,300 shares (own holding)

MICHAEL ROTH
EVP Commercial Operations for North America
Born: 1963

Employed since: 2020

Education: BA degree in international development from Clark University

Experience: Michael Roth started at BONESUPPORT as General Manager and Executive Vice President Commercial Operations for North America in June 2020. Michael Roth has over 25 years of experience with senior positions in both large and small companies active in orthopedics, with both direct and distributor-led sales. His most recent role was as Vice President of Sales and Marketing for Surgical Planning Associates (HipXpert). He has also served as Vice President of Sales for the Eastern Region at both Wright Medical and Microport Orthopaedics.

Shareholding: 20,000 shares (own holding)

DEFINITIONS - ALTERNATIVE PERFORMANCE MEASURES

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

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

Net sales growth

The difference in net sales between two years in relation to net sales for the earlier year. Shows the operations' sales performance.

Net sales growth in constant exchange rates, CER

The difference in net sales between two years in relation to net sales for the earlier year. The net sales for the current year is re-calculated using the earlier year's exchange rates. Shows the operations' sales performance.

Gross profit

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

Gross margin

Net sales reduced by the cost of goods sold, divided by net sales. Shows results in relation to net sales and the margin for covering other costs and profit margin.

Contribution

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

Interest bearing liabilities

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

Net debt

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

SEKm	2021	2020
Net sales	212.9	180.9
Sales growth, %	17.7	16.3
Cost of sales	-23.2	-19.3
Gross profit	189.7	161.6
Gross margin, %	89.1	89.4
Directly attributable selling expenses	-159.8	-142.0
Selling expenses, not directly attributable	-18.0	-13.4
<i>Selling expenses including commissions</i>	<i>-177.8</i>	<i>-155.4</i>
Directly attributable research & development expenses	-14.6	-23.3
Research & development expenses, not directly attributable	-38.4	-34.6
<i>Research & development expenses</i>	<i>-53.0</i>	<i>-57.9</i>
Contribution	15.3	-3.7

	Dec 31	
SEKm	2021	2020
Non-current borrowings	16.2	5.6
Current borrowings	5.3	4.9
Interest bearing debt	21.5	10.5
Cash and cash equivalents	206.5	353.7
Net debt	-185.0	-343.3

SEKm	CER	Net sales 2021 calculated with average rates for 2020	Net sales 2020
NA	31%	130.5	99.7
EUROW	13%	92.0	81.1
Sum	23%	222.5	180.9

GLOSSARY

Allograft. The transplant of an organ or tissue from one individual to another of the same species, with a different genotype

Autograft. A bone graft harvested from the patient's own skeleton, usually from the iliac crests.

Bisphosphonate. A group of medicines that inhibit bone breakdown

Bone graft substitute. Synthetic material used as bone grafts instead of biological bone tissue

BMA. Bone Marrow Aspirate

BMP. Bone Morphogenetic Protein

Class C-shares. Performance shares within the Performance share programs issued in the form of Class C-shares

CERAMENT BVF. CERAMENT BONE VOID FILLER

CERAMENT G. CERAMENT with gentamicin

CERAMENT V. CERAMENT with vancomycin

CERTiFy. A prospective, randomized, controlled clinical trial with 137 patients in 20 leading trauma centers in Germany, aimed to compare treatment using CERAMENT BVF with autologous bone graft (autograft) transplantation

Clinical study. Study on humans of e.g. a medical device or a pharmaceutical product

CONVICTION. A randomized, controlled trial to evaluate the efficacy of CERAMENT G in the treatment of osteomyelitis (chronic bone infection)

CRIOAc. A healthcare network in France implemented that is implemented through a nationwide health ministry program to improve outcomes in the management of bone and joint infections

DBM. Demineralized Bone Matrix. A bone substitute biomaterial

FDA. U.S. Food and Drug Administration

FORTIFY. A prospective, randomized, multicenter-controlled test of CERAMENT G that evaluates the ability of CERAMENT G to improve treatment outcomes in patients with open shin fractures

GPO. (Group Purchasing Organisation). An entity with the purpose to realize savings and efficiencies by aggregating purchasing volumes

Haematoma. A localized collection of blood outside the blood vessels

HEOR. Health Economics and Outcomes Research. Scientific discipline that quantifies the economic and clinical outcomes of medical technology

ICUR. Incremental Cost-Utility Ratio

Micro-CT. Micro Tomography, uses X-ray scanning to recreate a 3D-model without destroying the object

Osteoinduction. At bone graft material or growth factor can stimulate the differentiation of osteoblasts, forming new bone tissues

Osteomyelitis. A bacterial infection affecting bones

PMA. Premarketing Approval is the FDA process to review Class III medical devices

SOLARIO. A randomized, unblinded, European multicenter study with the aim of investigating if synthetic bone graft substitutes containing antibiotics can lead to shorter treatment times compared to systemic antibiotics

Tibia plateau fracture. Fracture of the upper part of the tibia

Toxicity. The degree to which a substance (a toxin or poison) can harm humans or animals

HEADQUARTERS

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