



Q3 2018 Conference Call Presentation

7 November 2018

PRESENTING TEAM



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BONESUPPORT Capital Markets Day - Key Take Aways

Positioned to become a global orthobiologics leader, optimizing bone biology for the treatment of bone disorders

- **Unique product offering - CERAMENT G is a game changer**
- **Targeting a major unmet need - market opportunity: 650k procedures p.a. (US + EU5)**
- **Strong innovative product pipeline - short, medium and long term opportunities**
- **Industry leading clinical data - management and prophylaxis**
- **Need to strengthen our US and European commercial platform**

HIGHLIGHTS

Q3 Financials

- **Q3 net sales of SEK 14.2 million - decrease of 56% YoY.**
 - Net sales YTD 2018 of SEK 73.5 million (28% decline)
- No reported sales in North America in Q3 - (Q3 2017 – SEK 21.6m) due to cancellation of the exclusive US distribution agreement for CERAMENT BVF with Zimmer Biomet
- **Q3 Sales growth of 29% in EU & ROW to SEK 14.2 million**
- **Q3 Antibiotic-eluting sales grew by 35% in Q3 and 27% YTD in 2018**
- Håkan Johansson appointed CFO
- Michael Diefenbeck appointed Head of Research & Development, Medical and Clinical Affairs

Key Strategic Initiatives – Significant Progress

- **New US commercial platform launched**
 - 25 distributors contracted – total of 512 distributor reps now selling CERAMENT BVF (as of October 22nd)
 - Enlarged BONESUPPORT US commercial team in place - sales management , business and marketing staff hired
- **Significant expansion of the European sales organization on-going**
- Strategic agreement signed with MTF Biologics to expand our US product offering – launch planned in H1 2019
- CERAMENT G approved by Health Canada

OUR OWN DISTRIBUTION NETWORK IS LIVE

25 Independent Distributors now selling CERAMENT BVF

Primary Orthopedic Hardware: Smith Nephew, DJO, J & J, MicroPort, Medacta

Distributors have total of **512** sales reps
- excellent coverage of our current CERAMENT BVF business

(~ 300 Zimmer Biomet reps sold BVF)

Enhanced direct access to our key customers in theatre every day with surgeons in our 4 key target indications

Highly motivated and incentivized to sell all of the benefits of CERAMENT

Sales rep training – ongoing - aim to complete training by end January 2019
Signed agreement with Millstone Medical for warehouse/order fulfilment services

BONESUPPORT – has built a larger, more experienced commercial team (21 employees)
Been able to attract top-level, industry talent for key positions

NEW US COMMERCIAL PLATFORM - MULTIPLE STRATEGIC BENEFITS

Access to a bigger market opportunity	<ul style="list-style-type: none">• New network can cover the whole market• Access via Zimmer Biomet limited to ~ 1/3 of the market
Better ability to drive sales	<ul style="list-style-type: none">• Build strong, productive surgeon relationships• Improved market access - own GPO contracting
Higher net margins	<ul style="list-style-type: none">• 15-20% points on gross sales - better net margin• Improved commission structure for Distributor and Sales Reps
Ability to expand our product offering	<ul style="list-style-type: none">• Collagen Matrix and MTF Biologics products - launch H1 2019• Working to add further products to our CERAMENT offering
Invest ahead of the CERAMENT G launch	<ul style="list-style-type: none">• Build BONESUPPORT and CERAMENT brand equity• Market shaping initiatives planned

EUROPEAN SALES DRIVEN BY ANTIBIOTIC ELUTING PRODUCTS

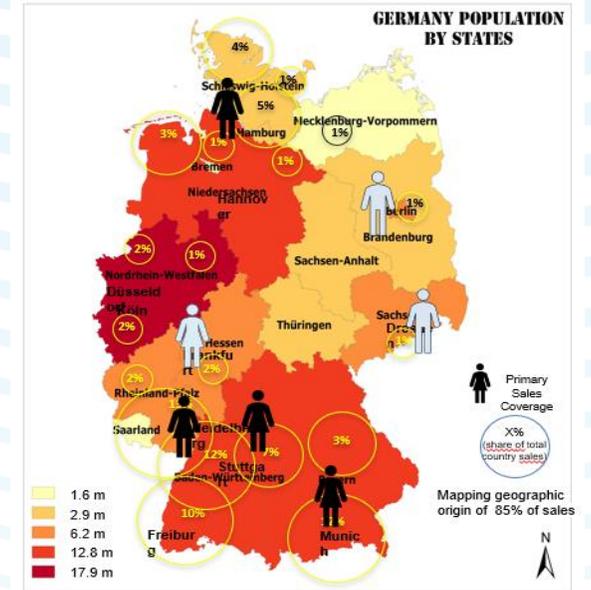
Q3 Sales

- Growth of 29% in Q3 – direct market sales growth of 29 %
- Antibiotic eluting products – sales growth of 35%
- Increasing in trauma – continuing to build share in chronic osteomyelitis

Sales Force Expansion

Germany:

- Sales rep for the Berlin-area : 12 years of sales experience in orthopedics
- Sales rep hired for the Dresden-area: 7 years of sales experience in orthopedics
- Sales rep hired for the Frankfurt/Köln-area: 4 years of sales experience in orthopedics
- 7 reps plus Regional Sales Director South now in place
- Further 3 reps to recruit



UK

- A sales rep hired for a new territory in the South of England

Nordics

- A second rep hired to cover Stockholm & Northern Sweden: On track to recruit two further sales reps

Southern Europe (Spain, Italy, France & Portugal)

- Regional Sales Director hired: 20 years of experience in med tech/ orthopedics.

Market Activities

- **Significant presence at the European Bone & Joint Infection Society Meeting in Helsinki (September)**
 - Papers on BONESUPPORT's CERAMENT products dominated the free paper sessions at the conference
 - Key presentations covered:
 - CERAMENT G - good real world data demonstrating bone remodelling
 - CERAMENT G - significantly better bone healing in a comparative study
 - CERAMENT G&V - shown to be effective in a wide range of bone infection indications

CERTIFY – INITIAL TOP LINE RESULTS EXPECTED LATE 2018

Trial Design

CERTIFY is a prospective, randomized, controlled clinical study designed to compare the differences in pain, quality of life, and cost of care in the treatment of tibia plateau fracture-associated bone defects using either CERAMENT BVF or autologous bone grafting (autograft).

Recruitment completed with 136 patients enrolled

Trial Objective

To demonstrate that CERAMENT BVF is non inferior to autograft in the treatment of tibia plateau fracture-associated bone defects.

Benefits

CERAMENT™ BVF will be the only synthetic bone graft substitute with level 1 randomized clinical data

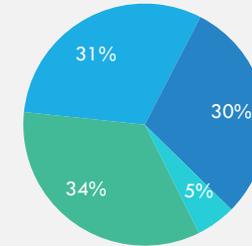
Will allow share capture from autograft and other synthetic bone graft substitutes in all geographies

Planned publication could lead to a paradigm shift in the standard of care

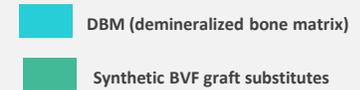
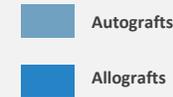
Commercial Opportunity



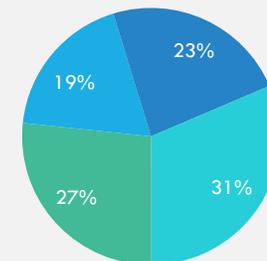
% EU Procedures



340 k procedures per annum



% US Procedures



310 k procedures per annum

FORTIFY – ACCESSING A SIGNIFICANT NEW COMMERCIAL OPPORTUNITY

Trial Design

FORTIFY is a prospective, randomized multi-center controlled trial of CERAMENT G as part of the Surgical Repair for Open Tibial Diaphyseal Fractures.

On track to recruit 230 patients in the US and Europe

Planned PMA to FDA in 2020

Key Endpoints

Absence of deep infection at the fracture site and lack of secondary procedures to promote fracture union. Evaluate the safety of CERAMENT G in these patients

Benefits

Positive data would support PMA filing for CERAMENT G in 2020

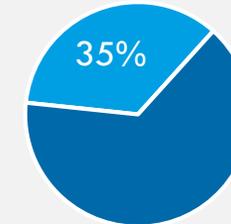
Allow BONESUPPORT to create a prophylaxis market for patients with complex trauma at high risk of infection

FORTIFY data will provide compelling clinical and economic arguments to both surgeons and payors

Commercial Opportunity



% EU Procedures

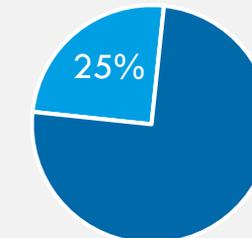


340 k procedures per annum

 **Complex Trauma**



% US Procedures



310 k procedures per annum

UNLOCKING THE SIGNIFICANT SALES POTENTIAL OF CERAMENT

Gain share from other synthetic BVFs

- Osteoconductive scaffold that remodels to host bone – ease of use
- Growing registry of supportive clinical data

Gain share from autograft/allografts

- Autografts increase surgery time on average with **26 minutes**¹ and up to **39% of patients** have **pain** from the donor site up to 2 years after surgery²– Allografts have disease transmission risk. **25-50% failure rate** has been reported³⁻⁵
- Upcoming CERTIFY Data – randomized study vs Autograft

Create a new prophylaxis market with CERAMENT G

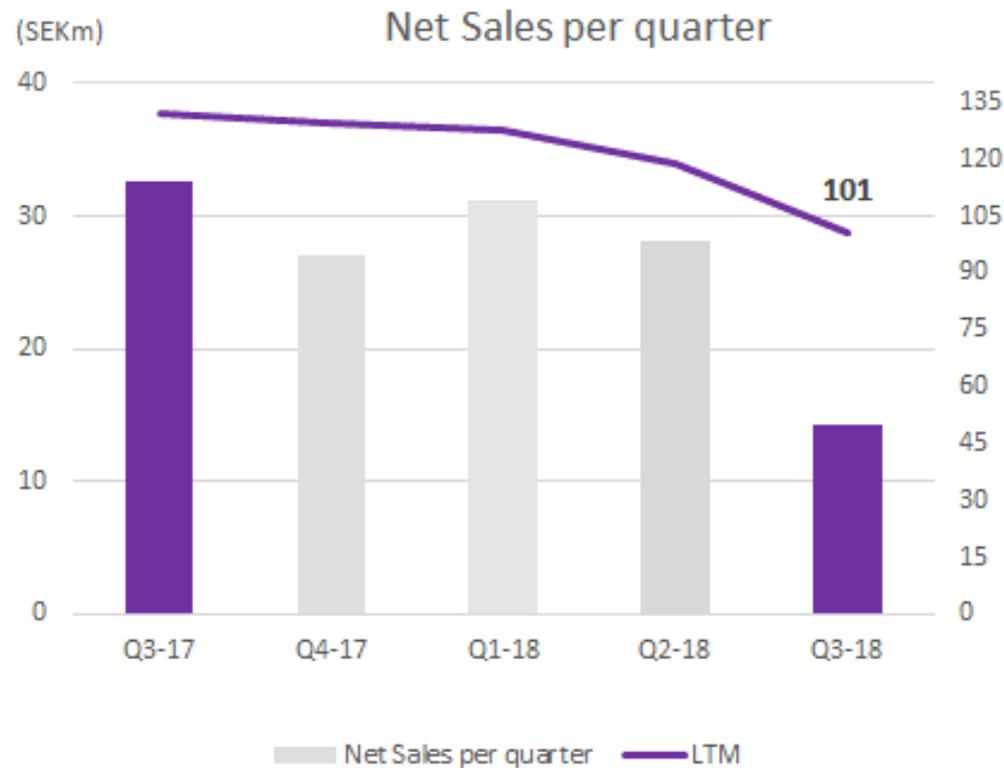
- Complex trauma patients with a high risk of developing a bone infection
- FORTIFY trial – designed to demonstrate the clear benefits that CERAMENT G delivers – lower infection rates in complex trauma patients

1. Lohmann et al. Economic impact of cancellous bone grafting in trauma surgery. Archives of Orthopaedic and Trauma Surgery, July 2007, Volume 127, Issue 5, pp 345-348.
2. Silber et al. Donor site morbidity after anterior iliac crest bone harvest for single-level anterior cervical discectomy and fusion. Spine 2003;28(2):134–9
3. <http://www.surgeryencyclopedia.com/A-Ce/Bone-Grafting.html>
4. Zheng et al. Mechanism of bone allograft failure. J Bone Joint Surg Br 2002 vol. 84-B no. SUPP III 234
5. Delloye et al. Bone allografts – What they can offer and what they cannot. J Bone Joint Surg Br May 2007 vol. 89-B no. 5 574-580



Financial Review

56% DECREASE IN 2018 Q3 NET SALES, NEGATIVE ZB IMPACT



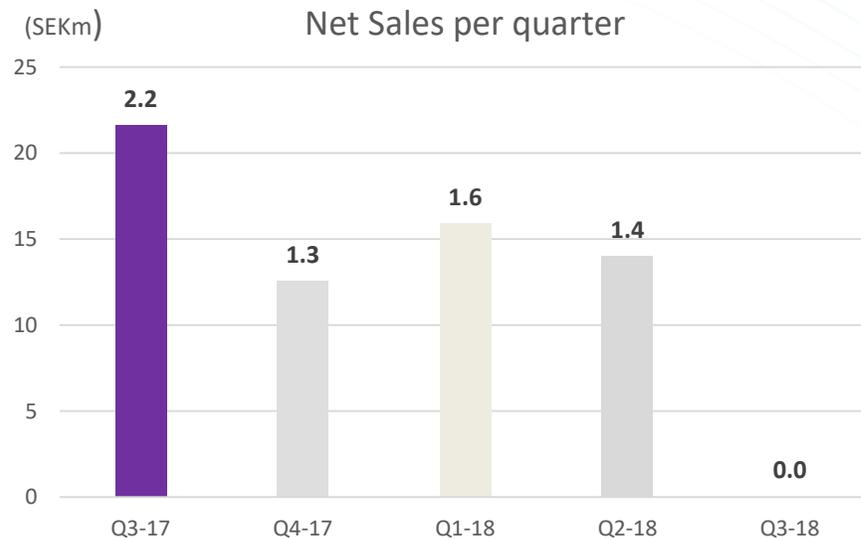
-56%
Net Sales
Q3

-28%
Net Sales
Jan-Sep

NORTH AMERICA ANALYSIS

	Jul - Sep		Jan - Sep		FY
(SEKm)	2018	2017	2018	2017	2017
Net Sales	0.0	21.6	29.9	65.6	78.1
Gross profit	0.0	19.3	25.9	59.2	69.9
Contribution	-20.2	6.6	-28.8	22.3	18.8

Net sales affected, as expected, by our ZB contract termination



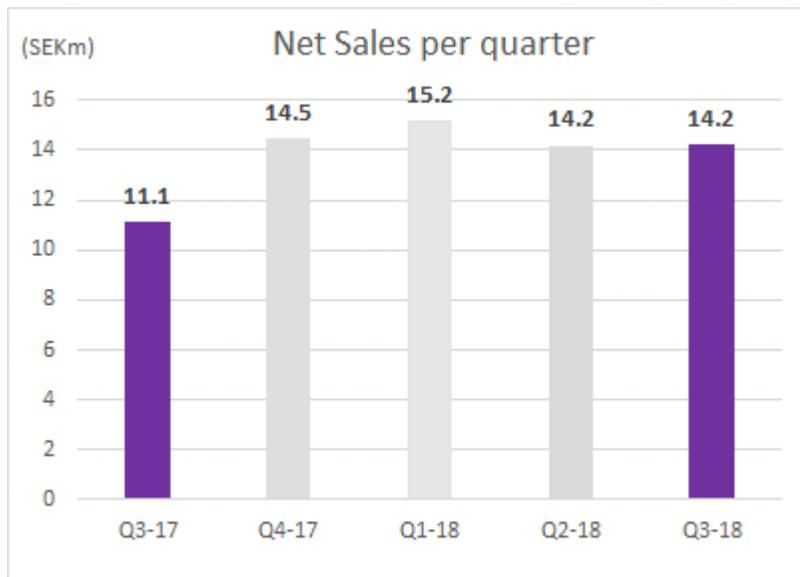
-54%
Net Sales
Jan-Sep

EUROPE AND ROW ANALYSIS

	Jul - Sep		Jan - Sep		FY
(SEKm)	2018	2017	2018	2017	2017
Net Sales	14.2	11.1	43.6	36.8	51.2
Gross profit	13.0	9.4	37.2	30.7	42.5
Contribution	-2.6	-3.6	-4.5	-8.4	-7.6



Europe increased by 29%



Europe increased by 26%

OPERATING RESULT DEVELOPMENT

	Jul – Sep		Jan – Sep		FY
	2018	2017	2018	2017	2017
(SEKm)					
Net Sales	14.2	32.7	73.5	102.3	129.3
Cost of sales	-1.2	-4.0	-10.4	-12.4	-16.9
Gross profit	13.0	28.7	63.1	89.9	112.4
Selling expenses	-35.1	-24.4	-94.6	-71.4	-92.9
R&D expenses	-16.4	-12.8	-48.5	-40.9	-60.6
Admin expenses	-17.5	-11.1	-49.0	-42.0	-57.5
O.Operating items	-1.0	-0.5	0.8	-1.6	-0.7
Total costs	-70.1	-51.2	-191.7	-167.1	-240.3
Operating loss	-57.1	-20.1	-128.1	-65.9	-99.3

The quarter affected, as expected, by our ZB contract termination

Investing both in US and Europe direct markets

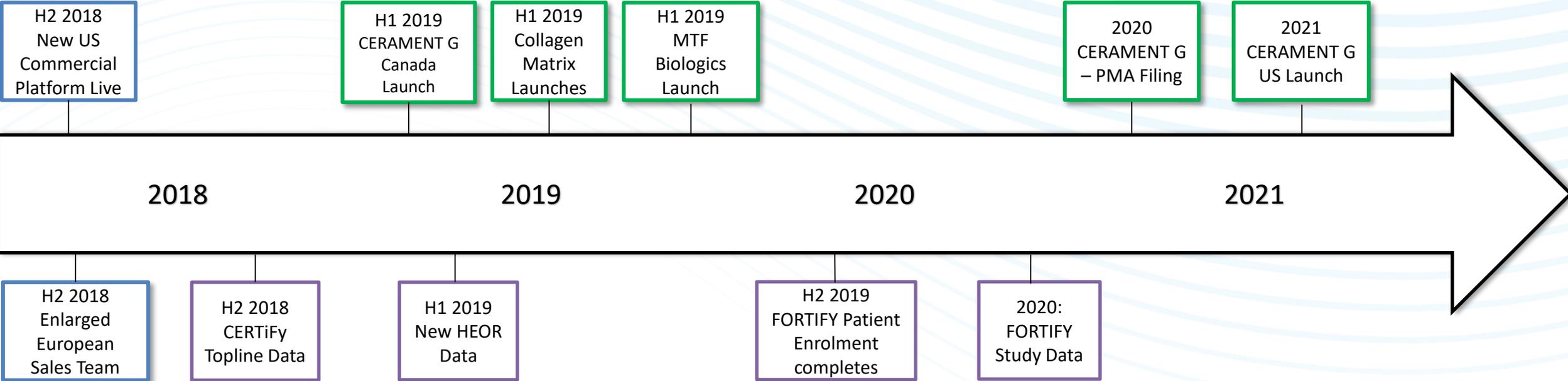
KPIS – FUNDED TO PROFITABILITY

	Jul-Sep		Jan-Sep		FY	
	2018	2017	2018	2017	2017	
(SEKm)						
Net Sales	14.2	32.7	73.5	102.3	129.3	Net sales impacted, as expected, by our ZB contract termination
Sales Growth (%) ^{1/}	-56.4	23.1	-28.1	36.4	23.6	
Gross profit	13.0	28.7	63.1	89.9	112.4	
Gross margin (%) ^{1/}	91.0	87.8	85.9	87.9	87.0	
Operating loss	-57.1	-20.1	-128.1	-65.9	-99.3	Investing for strong sales growth 2019 and forward
Loss for the period	-57.5	-22.9	-129.5	-77.5	-128.9	
Equity at period end	325.0	499.7	325.0	499.7	450.8	
Net debt ^{1/}	-313.2	-476.3	-313.2	-476.3	-434.7	
Operating cash flow	-54.4	-35.8	-121.3	-81.8	-107.5	
Cash at period end	313.2	567.6	313.2	567.6	533.4	Enough funds to execute our strategy
Earnings per share ^{2/}	-1.13	-0.47	-2.55	-2.13	-3.24	



Clear Corporate Goals to
Drive Value

MULTIPLE VALUE GENERATING MILESTONES



Key:

- Commercial
- Data
- Innovation



Q&A